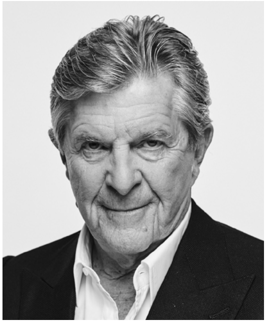
2017 ANNUAL REPORT

econocom



MESSAGE FROM THE CHAIRMAN

Econocom reported an excellent performance in 2017. We achieved the targets of the Mutation strategic plan we launched in 2013, doubling revenue to €3 billion and doubling recurring operating profit to €154.4 million.

These good results confirm once again the validity of our development model and our investments.

We have continued the "One Galaxy" strategy by acquiring controlling stakes in new Satellites, whilst carrying out a number of innovative initiatives on the Planet. This has enabled us to strengthen the group's skills in the biggest growth segments in digital and to deploy our original model in the main European countries.

At the same time, thanks to some operational investments, we have brought new blood into the teams, built new offers and updated our production tools.

We have thus created the ideal conditions for launching our new 5-year strategic plan, "e for excellence." This plan has set new targets for Econocom: doubling recurring operating profit to €300 million and revenue of €4 billion by 2022.

The focus of this strategic plan is excellence, which is vital to ensure that our integrated digital solutions are high-quality and have a strong impact.

To support this new dynamic, we have expanded our Management team, which will from now on be led by my son Robert Bouchard, who took over as Chief Executive Officer of the group at the beginning of 2018.

For the first year of the plan, we expect organic growth above the market rate for digital service companies and a further rise in recurring operating profit.

Lastly, Econocom will continue its selective acquisitions policy in strategic sectors.

I am therefore enthusiastic and confident as we enter this new era for Econocom.

Jean-Louis Bouchard

Chairman of the Board of Directors

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01
THE ESSENTIALS

energy net

helis

jade solutions

bizmatica

caverin

aragon-erh

asystel italia

digital.security

jtrs

econocom

gigigo

nexica

exaprobe

asp serveur

cineolia

infeeny

alter way

econocom brasil

synertrade

rayonnance

1. THE ECONOCOM GALAXY

Econocom designs, finances and accelerates the digital transformation of large companies and public organisations.

For and with its customers, the Group implements ambitious projects from A to Z: consulting, sourcing and admininstrative management of digital assets, infrastructure services, applications and digital solutions, and project financing.

A key player in digital services, it is the only one in its market to combine technological expertise and innovative financing. It also draws its strength from its unique organisational and development model: the "Galaxy", comprising the Econocom Planet, i.e. the Group's established core businesses, and the Satellites, which are small and medium-sized companies that are highly successful in their areas of expertise, and in which the heads and founders maintain a share of the capital.

Positioned in strategic digital segments including cyber security, web application development, the cloud, infrastructure and networks, mobility, the Microsoft ecosystem, multimedia and digital signage, the Satellites very effectively round out the Group's legacy offers and play a role in accelerating its growth.

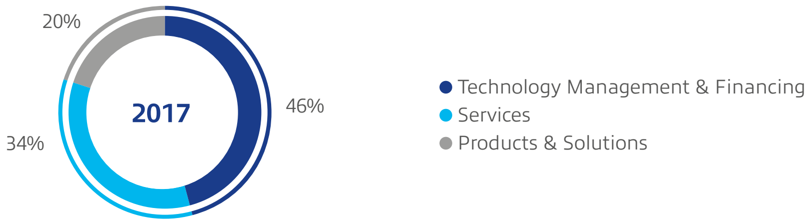
CYBER SECURITY	DIGITAL.SECURITY • EXAPROBE
MICROSOFT	INFEENY
WEB APPS, SAAS & CLOUD	ALTER WAY • ARAGON-ERH • ASP SERVEUR • ECONOCOM BRAZIL • NEXICA • SYNERTRADE
INFRASTRUCTURE & NETWORKS	ASYSTEL ITALIA • ASP SERVEUR • EXAPROBE • NEXICA
MOBILITY	BIZMATICA • ECONOCOM BRASIL • GIGIGO • JADE SOLUTIONS • JTRS • RAYONNANCE
DIGITAL SIGNAGE & MULTIMEDIA	CAVERIN • CINEOLIA • ENERGY NET
CONSULTING SERVICES	HELIS

2. 2017 KEY FIGURES

Consolidated revenue (in € millions)

LIKE-FOR-LIKE GROWTH
11.2%

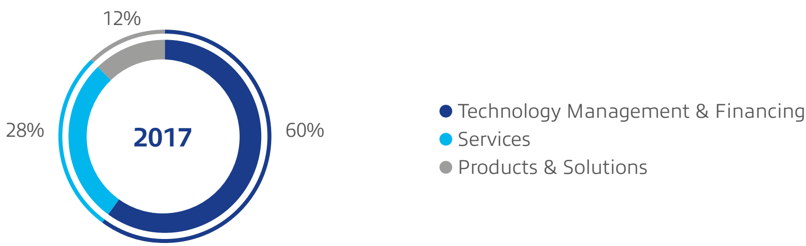
Revenue by business



Recurring operating profit[1] (in € millions)

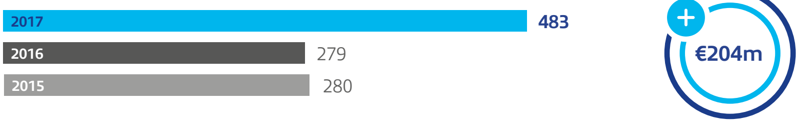
OPERATING MARGIN
5.2%

Recurring operating profit by business



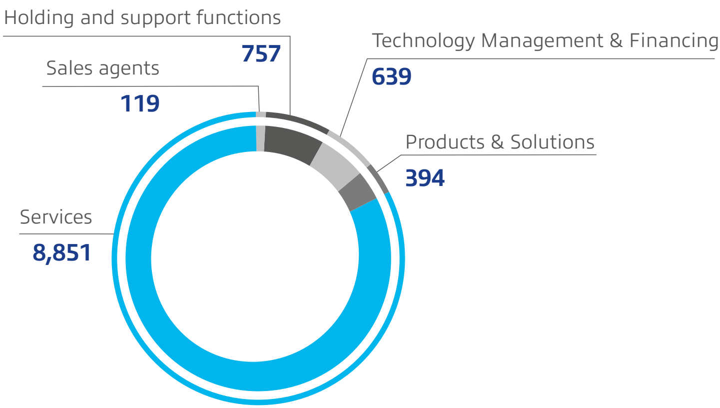
[1] Before amortisation of intangible assets from acquisitions

Shareholders' equity (in € millions)



Net debt (in € millions)

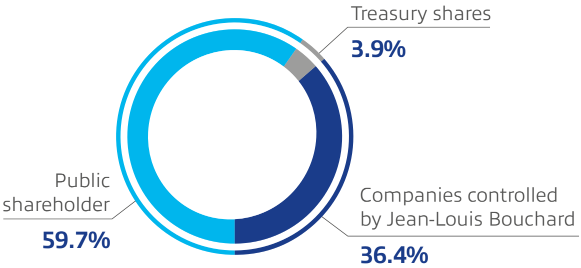
Breakdown of staff at 31 December 2017



10,760 employees in **19** countries

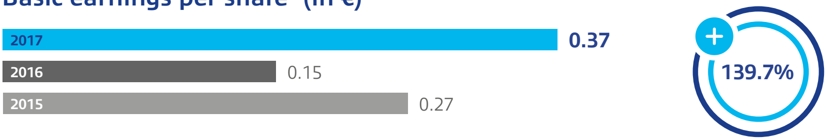
3. PERFORMANCE AND SHARE CAPITAL

Ownership structure at 31 December 2017

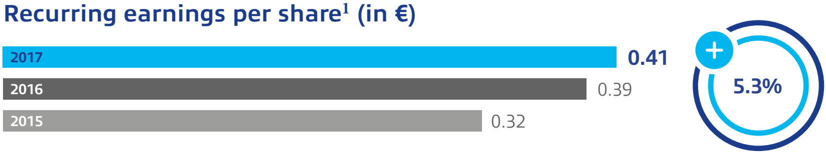


Market capitalisation at 31 December 2017:
€1,461m
Number of outstanding shares:
245,140,130

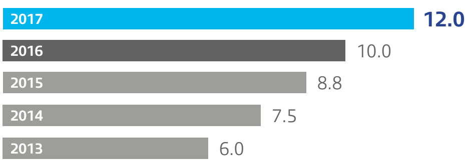
Basic earnings per share[1] (in €)



Recurring earnings per share[1] (in €)



Compensation per share[1] (in eurocents)



Dividend
+20% compared with 2016
+37% over 2 years

Refund of issue premium

At the **General Meeting to be held on 15 May 2018,** the Board of Directors will recommend that shareholders receive a refund of the issue premium, considered as paid-up capital, in the amount of **€0.12 per share.**

Change in the share price

Year	High (in €)	Low (in €)	Closing (in €)	Average daily volume of shares traded
2015	4.49	3.01	4.27	194,380
2016	7.17	3.69	6.97	210,890
2017	**8.00**	**5.75**	**5.96**	**399,425**

Change in market capitalisation

Shareholders' agenda

19-04-2018
Release of Q1 2018 revenue after trading

15-05-2018
Annual General Meeting

19-07-2018
Release of H1 2018 revenue after trading

05-09-2018
Release of 2018 half-year results after trading

06-09-2018
Meeting on the 2018 half-year results

18-10-2018
Release of Q3 2018 revenue after trading

The Econocom Group share is listed on the **Eurolist market (Compartment B)** of Eurnonext Brussels and is included in the **Bel Mid** and **Family Business indices**

ISIN code: BE0974313455

Real-time financial information:

www.econocom.com
https://finance.econocom.com

[1] After two-for-one share split

4. GOVERNANCE

At 31 December 2017

BOARD OF DIRECTORS

Chairman and Chief Executive Officer
Jean-Louis Bouchard

Vice-Chairman and Chief Executive Officer
Robert Bouchard

Chief Executive Officer
Bruno Grossi

Non-Executive Directors
Véronique di Benedetto
Gaspard Dürrleman
Rafi Kouyoumdjian
Jean-Philippe Roesch

Independent Directors
Walter Butler
Philippe Capron
Adeline Challon-Kemoun
Anne Lange
Marie-Christine Levet
Jean Mounet

CHAIRMAN'S COUNCIL

Jean-Louis Bouchard
Chairman

Robert Bouchard
Chief Operating Officer

Sébastien Musset
Managing Director
Transformation & Resources

Martine Bayens
Managing Director Satellites

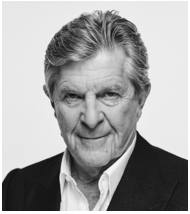
Bruno Grossi
Managing Director
Strategy & Acquisitions

COMPANY SECRETARY

Galliane Touze

STATUTORY AUDITOR

PricewaterhouseCoopers
Company auditors, limited liability partnership (SCCRL), represented by Damien Walgrave


Jean-Louis Bouchard


Robert Bouchard


Martine Bayens


Walter Butler


Philippe Capron


Adeline Challon-Kemoun


Véronique di Benedetto


Gaspard Dürrleman


Bruno Grossi


Rafi Kouyoumdjian


Anne Lange


Marie-Christine Levet


Jean Mounet


Jean-Philippe Roesch


Galliane Touze

02
GROUP
OVERVIEW

1. GROUP HISTORY

1974

Jean-Louis Bouchard founds the Group under the name Europe Computer Systèmes (ECS) in France.

1985

Jean-Louis Bouchard sells his stake in ECS France to Société Générale but buys back all the foreign subsidiaries. Meanwhile, he acquires Econocom, an American SME. The subsidiaries and Group are renamed "Econocom".

1986

Econocom Belgium is listed on the Second Marché of the Brussels Stock Exchange.

1993

Acquires Asystel Belgium, making Econocom Distribution the leading IT distributor in Benelux.

1996

Econocom is listed on the Premier Marché of the Brussels Stock Exchange.

2000

Following the public exchange offer on Infopoint group, Econocom is listed on the Second Marché of the Paris Bourse. The Group diversifies by establishing Econocom Telecom, anticipating convergence between IT and telecoms.

2001

The Group employs 2,000 people.

2002

Acquires Comdisco-Promodata in France (administrative and financial management of IT assets).

2004/2007

The Group steps up the pace of its development in the telecoms market with the acquisition of Signal Service France, the corporate activity of Avenir Telecom, followed by the corporate division of The Phone House France.

In 2007, the Group doubles its capacity in Italy with the acquisition of Tecnolease, an Italian company specialising in computer hardware leasing.

2008

Acquires Databail, a French IT infrastructure financing company.

2009

Opens a nearshore remote service facility in Rabat, Morocco.

2010

Econocom Group acquires ECS from Société Générale and becomes the number one company in Europe in Technology Management & Financing.

2013

Econocom merges with Osiatis group, thus making decisive headway in the digital services market. As a result of this acquisition, Econocom earns almost €2.0 billion in proforma revenue, including €650 million in business-to-business digital services. The Group now employs a workforce of more than 8,000 people in 20 countries.

2014

In January, Econocom and Georges Croix jointly set up Digital Dimension, a new subsidiary that aims to establish itself rapidly as a major player in the design and management of innovative cloud-based digital solutions. The Company makes three acquisitions: Rayonnance, a specialist in business-to-business mobile solutions, in May; ASP Serveur, a leading provider of public and private cloud hosting solutions for businesses, in July; and Aragon e-RH, a French software vendor specialising in cloud-based HRIS solutions.

Econocom Group issues €175 million worth of bonds convertible into cash and/or new shares and/or exchangeable for existing shares (ORNANE), due to mature in 2019. The proceeds from this issue are used to strengthen Econocom's financial resources, particularly in the context of its Mutation strategic plan.

2015

Econocom partners with German company Technogroup IT-Service GmbH, selling it its German Services subsidiary.

Econocom Group joins the Tech 40 index, selected by EnterNext from among 320 listed European high-tech stocks.

In May, Econocom completes a €101 million euro private placement (Euro PP) split into two tranches with maturities of five and seven years, and coupons of 2.364% and 2.804% respectively. This helps strengthen, diversify and disintermediate the Group’s financial resources while further optimising the financial conditions of its borrowings.

Econocom Group becomes a European company (*societas europeae*) on 18 December 2015 to reflect its European identity and ambitions.

Lastly, in 2015, Econocom implements an external growth strategy geared towards acquiring majority stakes in medium-sized companies offering substantial scope for entrepreneurship. To this end, the Group makes several acquisitions and investments, either directly or through its subsidiary Digital Dimension:

In the field of security: Altasys, Clesys and Econocom Digital Security;

In the field of web and mobile applications: Bizmatica, SynerTrade and Norcod;

In the field of cloud platforms: Alter Way and Nexica;

In the field of digital transformation consulting: Helis.

2016

In April, the Group's market capitalisation breaks through the €1 billion barrier.

Econocom now employs over 10,000 people.

At end-November, Econocom Group took advantage of favourable market conditions to launch a “Schuldschein” loan issue (private placement under German law) in a total amount of €150 million, thereby increasing its financial resources.

During the year, Econocom Group continued its original “Satellites” external growth strategy, acquiring either directly or through its subsidiary Digital Dimension, the following entities: Gigigo, Asystel Italia, Infeeny, Caverin and Cineolia.

2017

The Group's market capitalisation breaks through the €1.5 billion barrier.

The Board of Directors appoints Robert Bouchard, son of Jean-Louis Bouchard, as Group Chief Operating Officer and Chief Executive Officer, thus cementing the long-term commitment of the Bouchard family.

Seven acquisitions are made:

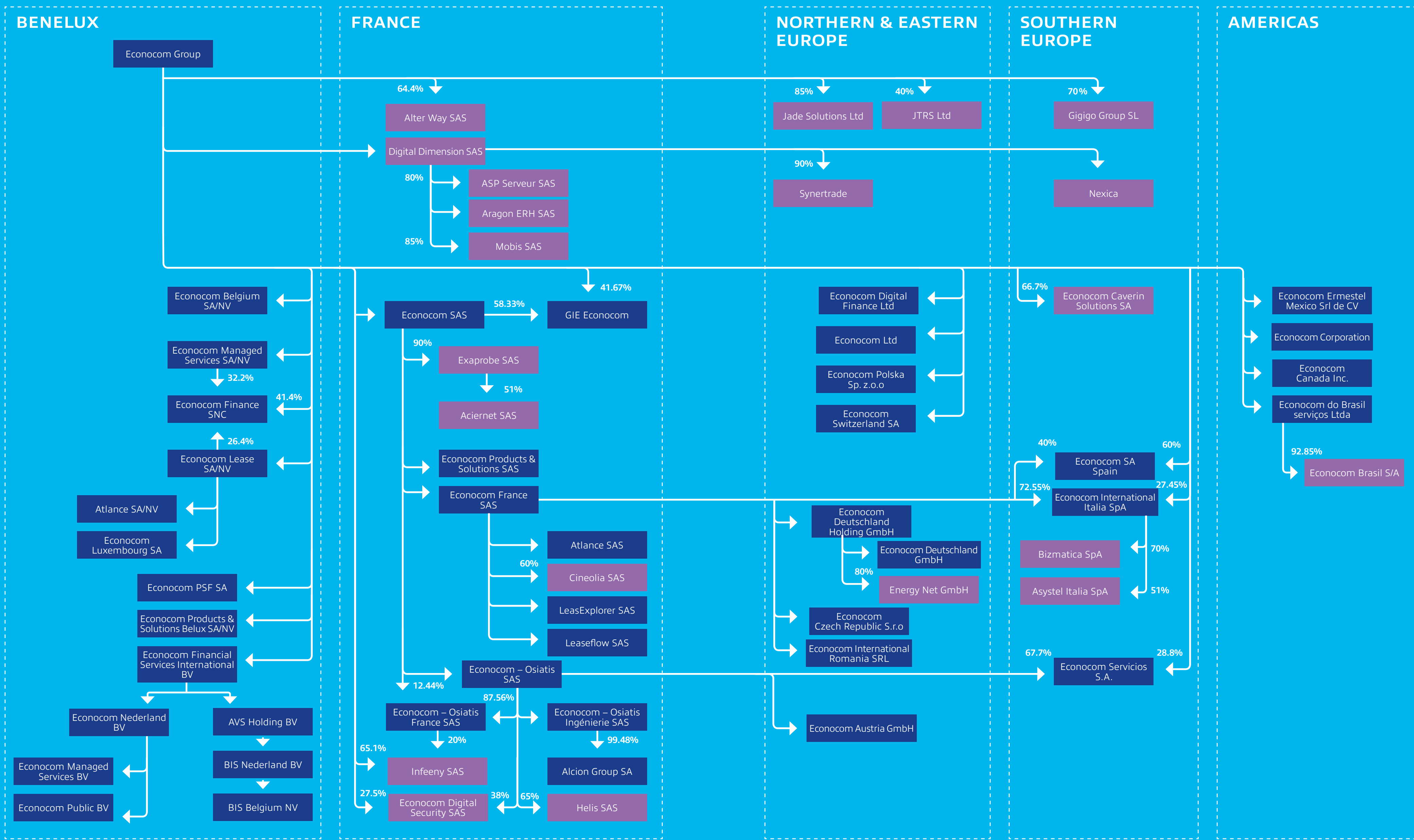
- new Satellites: Aciernet (acquired by Exaprobe), LP Digital (acquired by Alterway), Energy Net in Germany, Jade Solutions and JTRS in the United Kingdom;
- new Planet members: BIS in the Netherlands and Belgium, and BiBoard in France.

In April, Econocom completes the early conversion of its January 2014 ORNANE bonds due in 2019, boosting equity by €183 million.

The Group achieves the targets set in 2012 as part of its Mutation strategic plan aimed at increasing revenue and recurring operating profit two-fold, and unveils its new strategic five-year plan, "e for excellence", designed to double recurring profit once again to €300 million and achieve revenue of €4 billion by 2022.

2. GROUP STRUCTURE

■ Econocom Planet ■ Econocom Satellites



Percentages are not given for wholly owned subsidiaries. Subsidiaries with little or no activity are not included.

3. GROUP POSITIONING

Econocom is a leading player in digital services in Europe. It is the only Group that combines technological and financial expertise to provide a competitive offering of next-generation IT products and solutions.

Its Galaxy development model keeps it at the forefront of critical areas including security, web and mobile applications, digital solutions and digital transformation consulting.

3.1. EXPERTISE AND BUSINESS LINES

3.1.1. TECHNOLOGY MANAGEMENT & FINANCING

30% of companies say that their digital transformation is being held back by the lack of financial resources[1]. To address this issue, Econocom offers companies tailored financing solutions that will help keep their budgets in check. These solutions enable them to fast-track the completion of projects (digital, connected devices, mobility, business hardware, IT & multimedia, industry hardware, energy, etc.), while meeting the financial and operational constraints of the players (CFOs, CIOs) and business lines involved.

Ever attentive to its customers' needs, Econocom offers all-inclusive or *à la carte* financial solutions, combining several of its areas of expertise with a linear payment method, resulting in a comprehensive range of leasing solutions and usage- or unit-based invoicing for services, ranging from general scalable lease contracts to subscription service agreements. This contractual flexibility enables the Group to refresh assets on a regular basis and guarantee budget stability.

In addition, Econocom delivers effective asset management services, offering operational solutions to meet customers' needs and help them manage, monitor and control resources.

Customers benefit from the Group's expertise throughout the product lifecycle, including the simplified management of risks and management of the end of the product use cycle. Econocom's data management complies with the General Data Protection Regulation (GDPR). By taking a circular economy approach, and in compliance with the Waste Electrical & Electronic Equipment (WEEE) Directive, Econocom systematically favours reusing products over recycling them.

In order to fast-track the roll-out of its most advanced digital solutions, Econocom set up a specialised unit in 2014 that gives it the capacity for financial innovation. Econocom Digital Finance Limited (EDFL) is a dedicated, centralised unit specialising in risk management and financing solutions. It offers specific expertise in transaction security and non-standard contract financing. Through EDFL, Econocom has been able to boost its independence and refinancing capacity.

3.1.2. PRODUCTS & SOLUTIONS

Digitisation is a major challenge for the development of public and private entities. Existing IT infrastructures and hardware used for businesses and specific uses are undergoing a significant transformation.

To meet this challenge, companies need:

- a one-stop shop for hardware consulting, procurement, integration, customisation, storage, deployment, support, maintenance and recycling services;
- solutions that offer products, software and bespoke procurement services;
- to switch from transactional mode to project mode.

Econocom meets these needs and offers companies effective solutions to optimise their response to digitisation, by:

- distributing hardware and software, and IT, telecom, mobile, audiovisual and IoT products;

[1] Econocom, Sia Partners and Ifop survey of digital practices.

- implementing fully integrated solutions for digital, display, printing, mobility, server consolidation and virtualisation equipment.

Econocom's know-how is complemented by its Satellite:

- Caverin, a company based in Spain specialising in interior and exterior audiovisual products and services, integrates and operates the Group's digital signage solutions.

Econocom is the preferred partner of the market's main technology players, including Apple, Brother, Dell EMC, Epson, HPE, HPInc, Lenovo, Microsoft, Samsung, VMWare, etc. They recognise Econocom's technical and commercial expertise, as well as its commitment, and the high level of certified services it offers.

3.1.3. SERVICES

The current trend towards digital transformation is a genuine growth driver for companies. A 2018 IDC survey found that by 2021, 60% of global GDP will come from digital activities compared to less than 40% in 2017.

Econocom is helping businesses across Europe to push ahead with this transformation. More than 8,500 Group employees are dedicated to this activity in 10 countries, providing support throughout the lifecycle of infrastructure, software applications and digital solutions.

In so doing, the Group is helping them to meet three business challenges:

Operational excellence

Because business never stops, Chief Information Officers (CIOs) have to provide their companies with ever more efficient and flexible IT resources. Econocom uses its infrastructure offerings to optimise IT services and put them into an on-demand information system. They include: Infrastructure Advisory Services, Infrastructures & Network Integration, Managed Services & Cloud (public, private, hybrid), and Infrastructure Lifecycle Services (maintenance, particularly predictive).

Econocom also hosts data and boasts four data centre hubs in Europe, enabling it to promote customer proximity and improve its performance. The Group offers a practical response to the challenges posed by data security and location issues, which is a major concern for CIOs, particularly in the context of GDPR.

It also offers operational services for customers with multi-cloud and non-cloud environments. These services enable them to control IT infrastructures very simply, and to manage them from an operational and financial perspective. In addition, the technological advisory services proposed help customers adapt their infrastructures to incorporate digital technologies at their own individual pace.

The Group provides a wide range of IaaS (Infrastrusture-as-a-Service) and PaaS (Platform-as-a-Service) solutions from highly available and secure cloud infrastructures based in France (delivered by ASP-Serveur, Alter Way and Econocom), Spain (delivered by Nexica) and the Benelux countries (delivered by Econocom).

It provides its customers with assistance to operate their cloud-based infrastructures hosted by Econocom, or on the major public cloud platforms, particularly Microsoft Azure, via Infeeny, a Satellite specialising in Microsoft solutions.

Asystel, an Italian Satellite, offers a comprehensive platform of digital services, and a high level of expertise in consulting, infrastructure and cloud outsourcing, security and application architectures.

The user experience

Because all users want unique experiences, CIOs must offer the services associated with new uses. Econocom designs and integrates digital work environments (digital workplace, unified communications and collaboration) and digital solutions for user services (self-help, self-care, service desk, deskside support).

Infeeny consultants combine the full range of Econocom's Microsoft skills and expertise. They design and implement collaborative tools and user environments that can be hosted on the cloud.

Econocom also assists its customers throughout the entire lifecycle of their applications, including the design, build, integration and application management phases.

The Alter Way Satellite is known for its approach focused on open source and DevOps solutions. A genuine one-stop shop for websites (design, engineering/projects, application management, outsourcing and cloud), it has developed an innovative offering for Docker containers.

Italian company Bizmatica develops business and mobile application services, and offers its customers innovative technologies, such as API (application programming interface) management.

Specialising in application performance management (APM), Econocom Brasil supports its customers in obtaining the best performance from their applications. APM therefore enables Econocom Brasil's customers to optimise the control of their operational efficiency, the key component of their organisation's digital transformation.

Through the various solutions on offer, Econocom has also positioned itself as a provider of business software installed on the premises, or of SaaS (Software as a Service), with the aim of making support functions more efficient through more flexible and agile processes. They include:

- Human Resources Information Systems (HRIS) through Aragon-eRH, offering HR administration, talent management, time management and planning services;
- eProcurement services through SynerTrade, providing e-purchase solutions in SaaS mode to digitise businesses' procurement processes (Source to Contract, Procure to Pay, Supplier Management, Spend & Purchasing Intelligence);
- Data Visualisation through BiBoard, offering innovative business intelligence solutions.

Dynamic growth

Because growth is also elsewhere, companies must explore and conquer new markets. Econocom co-constructs the digital solutions of tomorrow's business models through advice and support for digital transformation, implementation of proof of concept in its innovation laboratories, and deployment and industrialisation of customised and turnkey solutions.

At the crossroads of their digital transformation, Econocom offers customers unique governance combining the confidence and agility necessary to carry out such projects.

The Group has implemented a policy to support its customers as they update or refresh their IT systems, advocating traditional computer solutions combined with innovative digital solutions serving their business lines, to facilitate the transition and encourage user adoption.

Econocom: ISO 27001 certified

IT security is a major challenge for Econocom and the Group continues to make progress in this area. The Group has been ISO 27001[1] certified since 2016. This certification is the world's most widely recognised information systems security standard and covers all of Econocom's Services businesses in France. The actions and measures taken to combat cybercrime in 2017 were extended across all the Group's business lines, with the blanket rollout of a series of security measures to protect workstations, the strengthening of information system department security expertise within the IT Department, and the creation of mandatory awareness training for Services employees via MOOCs (Massive Open Online Courses) and awareness-raising campaigns for employees Group-wide.

3.1.4. DIGITAL SOLUTIONS OFFERED BY ECONOCOM SATELLITES

Econocom's Satellites boast an extensive range of tailored or off-the-shelf solutions and services delivered in "build and run" mode.

Econocom Mobility, a result of the merger of Econocom Group with its Satellites operating on the mobility market, addresses all mobility issues for companies and their customers.

Using tailored mobile applications, Econocom Mobility transforms the uses and business lines of field forces in a variety of industries, including retail, transport, and logistics. This know-how also applies to consumer applications for brands, through user-centric mobile solutions and a mobile marketing platform.

Expert in mobile technologies, Econocom Mobility simplifies the management and security of uses within companies, with the upstream provision, configuration, deployment and maintenance of consumer and professional terminals. Downstream, Econocom Mobility offers Wi-Fi, EMM (Enterprise Mobility Management), dedicated support desk and enterprise App Store managed solutions and services, as well as telecom expenditure optimisation services.

3.1.5. SECURITY

Econocom has chosen to structure its security offering through two complementary entities. Exaprobe and Digital.Security give the Group a suitable and recognised security infrastructure integration offer.

Exaprobe is a benchmark for securing companies' infrastructure and digital territories.

Acquired in 2013, and now housing Cap Synergy (2012), Comiris (2014) and Aciernet (2017), Exaprobe is a security systems integrator. It operates in the areas of IT security, network infrastructures and platforms for unified communication and the digitisation of workspaces. Its current business model is based on a mix of integration products and services in project or outsourcing mode. With 300 employees and 2017 revenue of €270 million, Exaprobe has established itself by virtue of its technological expertise and innovative offering. Following the acquisition of Aciernet in 2017, it has specific expertise in designing and equipping large data centres. It boasts high-level partnerships with leading manufacturers and software vendors (Cisco, Check Point, HP, Microsoft, etc.).

Econocom **Digital.Security** helps customers manage their digital risks. It addresses both the security of information systems and the security of connected devices, by:

- anticipating new uses and quickly countering emerging threats;
- guaranteeing a constant and optimal level of security of sensitive digital data; and
- integrating best security practices into everyday tasks and digital transformation projects.

[1] The ISO 27001 standard applies to information security management systems and helps organisations keep information assets secure.
For more information: https://www.iso.org/fr/isoiec-27001-information-security.html

Digital.Security offers services in the following areas: audit, consulting, operational security, integration & projects. It also offers the services of the leading European Computer Emergency Response Team (CERT™) dedicated to IoT security and their environment (IoT). Boasting rare expertise specific to the world of IoT, Digital. Security covers communication technologies, data exchange protocols and operating systems. It is officially recognised by TF-CSIRT, the European body that coordinates relations between the various global CERTs, and which has just obtained PASSI certification.

3.1.6. DIGITAL TRANSFORMATION CONSULTING

Econova, an entity specialising in digital transformation consulting, provides organisations with assistance in defining and drafting formal procedures for innovative solutions. By adopting a joint, human-centric approach, and leveraging the Group's digital and financial expertise, Econova enables its customers to discover their opportunities for growth, employee engagement or internal transformation.

Econova aims to use digital technologies to leverage development, with a particular focus on aligning strategy with business needs and the expectations of users, employees and customers.

It addresses two major challenges:

- Employee eXperience: design new experiences and improve processes;
- Customer eXperience: design strategic plans, new business models or offerings.

Econova's agile, customised response is based mainly on the Design Thinking and Lean Startup methods. Using collective intelligence and its open innovation network, it covers the entire range of customer projects, ranging from immersion, collaborative, pilot, change management and communication.

Once Econova completes a customer project, businesses and organisations are left with tangible, tailored digital solutions that form an integral part of a comprehensive implementation roadmap.

Helis is a consulting firm that provides its customers with the expertise and skills of its consultants in project and programme management, as well as assistance with high value-added project management.

With a team of over 60 consultants, Helis experts assist companies in their respective fields, in areas as specialised as IP infrastructure, audiovisual technology, Big Data and CSR, providing a bespoke solution to their transformation projects.

3.2. MARKETS AND THE COMPETITIVE ENVIRONMENT

3.2.1. MAIN MARKETS: TRENDS BY BUSINESS LINE

Technology Management & Financing

Boosted by a fast-growing digital transformation market, the trend of consumption based on use rather than ownership is gathering strength.

While traditional consumption patterns are still present, a mixed model is emerging in the IT and digital segments.

Although large companies still want to keep control of their strategic hardware, they are now seeking to vary the cost of the rest of the equipment they use.

This trend is likely to be strengthened in the coming years by developments in IFRS coming into force in 2019. Companies that seek to deconsolidate their assets with a material unit value will have to hand over control of said assets to service providers who will in turn use the assets to provide a comprehensive service, or will charge variable rents for their use.

The circular economy is another notable market trend. It has led to the development of the leasing model, which relies on an organised and structured reuse and recycling channel. This model allows companies to rely on specialists for the responsible and sustainable management of their equipment.

IT product market

In terms of PC sales, the market contracted in 2016. According to a Gartner[1] half-yearly survey, global deliveries fell by 6.2 % in 2016. This is the fifth consecutive year of market contraction, resulting in shipments slipping back to 2007 levels. PC sales are expected to remain flat owing to a sharp decline in sales of traditional PCs. Consumers have switched to different types of terminals, particularly tablets. Buyers, including in the business sector, appear to be holding on to their equipment for longer, and with no particular product disrupting the market, are not in a rush to buy new computers. Sales of ultramobiles have helped to slow the decline in global PC deliveries. Gartner estimates that 44 million ultrabooks were shipped in 2015, compared to around 21 million in 2013. For the business segment, Gartner estimates that technology refreshes, driven by migration to Windows 10, will have helped to stabilise demand.

On the telephone market, 2016 saw a marked slowdown in global shipments of smartphones, with growth estimated by IDC[2] at barely 2.3%. Many consumers now own a smartphone. Consequently, the double-digit growth of prior years has not been repeated. IDC nevertheless expects global growth in smartphone sales of 4.4% in 2018.

According to data collected by IDC, the tablet market in 2016 encountered difficulties that will continue to intensify. It expects the segment to see a return to growth in 2018. Meanwhile, analysts[3] believe that growth will continue until at least 2020, when it expects tablet shipments to reach 194.2 million. This recovery will be driven mainly by purchases of detachable tablets by businesses and individual consumers. At end-2016, Apple (iPad) and Microsoft (Surface) still dominated the detachable tablet segment, although they did encounter some challenges. According to GFK, the main challenge came from competition between detachable and convertible tablets, with a reduction in the price differential and performance gaps.

Services market

The market for digital services enjoyed good momentum in 2017, which is expected to continue until 2020, with an average annual growth rate of 3.7% for the EMEA (Europe, Middle East and Africa) area, according to PAC. The global trend is expected to be even better, with a growth forecast of 4.6% in 2017 and 5% in 2018.

The Syntec Numérique/IDC business survey published in December 2017 forecasts an increase in the growth rate in the "Technology Consulting, Consulting & Services, and Software Publishing" sector in France from 1.6% in 2015 to 2.8% in 2016, 3.4% in 2017, and 3.6% in 2018, a level not reached since 2011. The sector is booming, with revenue of €52 billion in 2016.

Digital service companies are enjoying a positive market environment. More than seven out of ten businesses reported revenue growth in 2017. Two-thirds of the market (64%) expect their orders to grow in 2018. This positive trend covers all business lines, including software vendors (4.4% growth in 2017), digital service companies (2.9% growth in 2017) and technology consulting firms (4.2% growth in 2017).

1 Gartner, July 2016 and January 2017.
2 IDC, Worldwide Quarterly Tablet Tracker, 2 February 2017.
3 GFK, Point of Sales Tracking, 2016.

Companies continue to invest massively in digital transformation projects, and the development of new service offerings and areas of expertise (IoT, Big Data, Mobility, DevOps, etc.) is driving the growth of digital service companies. According to Syntec Numérique/IDC, business spending on technology solutions supporting digital transformation projects (cloud, Big Data and analytics, mobility environments and IoT, social media, security) increased by 16.2% in 2017, equivalent to a net increase of €1.3 billion. This amount is set to grow further in 2018 to a projected 22.6% of the market for software and services and growth of 15%. This underlying trend, which has been taking shape since early 2014, is firmly rooted in the projects of IT departments.

Regulatory compliance projects also represent an opportunity for the sector. Compliance with GDPR accounted for €670 million of spending on software and services in 2017, and is expected to climb to almost €1 billion in 2018.

The Banking, Insurance and Finance, Energy, Utilities and Transport, Distribution and Industry sectors are driving the growth of Consulting and Services.

Security market

Cyber security has become a critical component of digital transformation and is one of the fastest growing segments of the IT market. With the digital revolution gaining traction, the uses made possible by new technologies are placing greater emphasis on the security of IT systems:

- exponential growth in the volume of digital data offers new value-creating analyses, but poses problems in terms of their protection and ownership;
- according to the IDC 2017 study (Data Age 2025), the total global datasphere is expected to increased eightfold over the coming years to reach 163 trillion gigabytes. All business sectors and models will be affected, from B2B and B2C;
- the increase in mobile devices and connected devices is a result of a need to be able to react and gain control. However, this raises the number of zones at risk and points open to attack;
- according to recent studies, there are currently more than 3 billion smartphones and over 8 billion IoT devices in the world today. By 2020, their number will exceed 20 billion;
- the average annual rate of growth of investment in IoT between 2015 and 2020 will be around 16% across all sectors;
- according to the European Union, 80% of European companies have already had their computers hacked;
- the proliferation of cyber attacks and the introduction of new regulations, such as the ever stricter GDPR, is acting as a natural market stimulant;
- the number of regulations and related level of requirements are growing and becoming ever more detailed:
  - the Law for a Digital Republic (LRN, end-2016) covers user rights and the protection of personal data,
  - the General Data Protection Regulation (GDPR) of May 2018 introduces new requirements with respect to the portability of personal data and the accountability of data controllers,
  - the EU Regulation on electronic identification and trust services for electronic transactions (eIDAS) in the second quarter of 2018 will streamline European regulations on electronic signatures,
  - the ePrivacy EU Regulation, which aims to strengthen the rules protecting Internet users' privacy, may also come into force in 2018.

Artificial intelligence, Big Data, blockchain technology and even cloud computing are opening up massive growth prospects for security, which must and should be seen as an essential component of any digital transformation project.

Mobility market

According to a PAC-CXP survey, the French corporate mobility services and software market reported revenue of €1.3 billion in 2017. The survey estimates that the average annual growth rate for the mobility segment will be 20.4% for the 2017-2021 period.

The services segment, including application development and maintenance, accounted for €1 billion, while software accounted for €210 million.

Highly placed among the investment priorities of business mobility decision-makers (according to Enterprise Mobility Exchange)[1] is the security of mobile applications (a priority for 63% of decision-makers). 57% of European companies plan to develop mobile application management (MAM) and 50% to invest in improving the user experience.

These figures illustrate the importance of mobility and the use of mobile devices in the professional environment in recent years. Mobility now affects all lines of business and sectors to the point that it is changing habits and protocols within companies.

3.2.2. COMPETITION: GROUP IDENTITY AND OVERVIEW

Econocom Group stands out from its competitors thanks to:

- nearly 40 years' experience in business infrastructure management;
- a unique combination of expertise coupling financial innovation with technological expertise;
- its dual IT and telecommunications expertise;
- its independence from IT hardware manufacturers, telecom operators, software vendors and financial companies.

Econocom is enhancing its offerings and solutions with new types of digital assets. These new technologies enter the world of business, revolutionising existing business models and creating new uses. Econocom has implemented a vertical market approach in order to establish itself in these key growth areas.

1 Enterprise Mobility Exchange.

Rapid change in the business ecosystem (opportunities for new business, threat of new competitors, transience of top talent, etc.) makes adaptability, flexibility and innovation more crucial than ever to success and longevity.

Econocom has chosen a unique and different business model – the Galaxy – comprising the Econocom Planet and its Satellites. This relational and organisational system addresses the challenges of the digital revolution, which forces organisations to operate in a different way: collaborative and transversal organisations are taking priority over hierarchical and vertical structures.

The various investments made by the Group in its Satellites in 2017 are described in section 1.1.1, "Acquisitions", of the Group Management Report. They are set out here by business line, since the creation of the Galaxy in 2015:

Cyber security: Digital.Security (specialist in digital risk management, operational security, integration and projects, audit, consulting and training, and which created the first European CERT dedicated to IoT security) and Exaprobe (integration, expertise, and managed security and network services);

Microsoft: Infeeny (specialist in Microsoft technologies for digital transformation projects);

Web applications, SaaS and cloud: Alter Way (specialist in web and open source: design, engineering/projects, application management, outsourcing, cloud), Aragon-eRH (a software company that developed a 100% cloud-based HRIS solution that fully meets businesses' HR needs), ASP Serveur (production infrastructure host and operator of public, private and hybrid cloud environments), Econocom Brasil (strategic consulting projects and managed and outsourcing services), Nexica (cloud security solution and IT outsourcing), and SynerTrade (e-procurement platform in SaaS mode);

Infrastructure & Networks: Asystel Italia (infrastructure expert: cloud and outsourcing), ASP Serveur (production infrastructure host and operator of public, private and hybrid cloud environments), Exaprobe (integration, expertise, and managed security and network services), and Nexica (cloud security solution and IT outsourcing);

Mobility: Bizmatica (API management and business process management in Italy), Econocom Brasil (strategic consulting projects and managed and outsourcing services), Gigigo (development of mobile applications for consumers and mobile marketing solutions), Jade Solutions (company specialising in professional mobility solutions for major customers in the UK retail and logistics sectors), JTRS (digital solutions expert in the UK education sector), and Rayonnance (applications and deployment of professional equipment fleets);

Digital Signage & Multimedia: Econocom Caverin (B2B audiovisual products and services), Cioneolia (dedicated to hospital environments and patient hospitality), and Energy Net (distributor and integrator of Apple B2B solutions);

Consulting: Helis (strategic consulting and project management).

A diverse offering

Econocom is currently the only provider – independent of manufacturers, operators, software vendors and banks – in Europe that can design, steer and finance digital transformation projects for businesses.

The Group launched a telecommunications offering as early as 2000, well before its main competitors, and will draw on these strengths to leverage the expected sharp growth in the market for mobile services and voice/data convergence solutions. It has the required capabilities to meet strong future demand for mobile solutions and for managing telecommunications fleets.

Econocom has also launched cross-disciplinary offerings involving several of its businesses to address companies' growing need for comprehensive solutions. These new offerings allow companies to optimise and control the entire life cycle of their resources.

Geographical presence

Econocom Group has been firmly established in Europe for over 40 years.

The Group now operates in 19 countries, mainly in Europe, but also in Morocco, Brazil, Mexico, Canada and the United States. Econocom is now the leading player in technology management and financing in Europe, ranking among the major players in its distribution and services activities. Internationally, the Group has taken several initiatives to support its key accounts in their main markets. This extended geographical scope, combined with international partnerships, enables the Group to meet the requirements of its key accounts, wherever they operate.

Main competitors

While none replicates the full range of Econocom's expertise or can claim as diverse a range of products and services, the Group's main competitors in each of its business lines are:

- **in Services:** Capgemini, Atos, Sopra Steria, CGI, Gfi, Devoteam and Neurones, which have an international presence but do not offer distribution or flexible technology management and financing services. Similarly, Econocom Group has few competitors in telecom services;
- **in Products & Solutions:** Computacenter (France, Belgium, Germany and the United Kingdom), SCC (France and the United Kingdom), and RealDolmen (Belgium and Luxembourg). The main difference between these competitors and Econocom lies in Econocom's largely outsourced business model (logistics from wholesalers and independent sales agents);

- **in Technology Management & Financing:** Econocom has no direct equivalent, because most competitors are either broadline companies, subsidiaries of banks, specialised subsidiaries of manufacturers (IBM, HP, Dell) or leasing companies owned by banks (Arius – BNP Paribas Rental Solutions, Etica – Crédit Agricole Leasing). They do not share Econocom Group's characteristics of independence or IT specialisation. Among independent competitors, neither CHG nor Grenke Leasing (Germany) has distribution or services activities;
- **in Econocom Satellite business lines:** all the previously mentioned companies operate in the Satellite business lines.

4. FINANCIAL POSITION AND RESULTS

4.1. HIGHLIGHTS OF THE PAST THREE YEARS

2017 was notable for:

- the achievement of the objectives of the five-year Mutation strategic plan launched in 2013, with a two-fold increase in revenue and recurring operating profit[1] to €3 billion and €154.4 million respectively;
- the improvement in these indicators confirms the pertinence of the Group's model and investments, which bring together within its Galaxy a Planet comprising wholly owned entities alongside Satellites, small- and medium-sized companies that are highly effective in their area of expertise and in which founding entrepreneurs retain stakes. The stability and size of the Planet, which bolster the Group's credibility in relation to third parties, combined with the agility and innovation of the Satellites, help the Group conquer new markets;
- the continuation of Econocom's investment strategy, initiated in 2014, through the acquisition of majority shareholdings in new subsidiaries (see below) while multiplying innovative initiatives on the Planet. These acquisitions are intended to strengthen the Group's know-how in the most buoyant market segments and to roll out its original model in the leading European countries;
- the Board of Directors appointed Robert Bouchard as Chief Executive Officer and Group Chief Operating Officer, cementing the long-term commitment of the Bouchard family;
- April saw the early conversion of the Company's January 2014 ORNANE bonds due in 2019, boosting equity by €183 million;
- the two-for-one split of Econocom Group shares;
- lastly, the unveiling in October of a new five-year strategic plan. The "e for excellence" plan is designed to once again double recurring operating profit[1] to €300 million and achieve revenue of €4 billion by 2022.

2016 was notable for:

- the achievement of the objectives announced by the Group, with revenue of over €2.53 billion and recurring operating profit of €140.3 million;
- the continuation of Econocom's investment strategy, initiated in 2014, by the acquisition of majority shareholdings in new Satellites while multiplying innovative initiatives on the Planet. The aim of this strategy is to develop the Group's original model in its strategic Western European countries, to attract talented digital entrepreneurs and to develop its skills to offer digital solutions matching the needs of its customers more closely than ever;

[1] Before amortisation of intangible assets from acquisitions.

- a policy of optimising financial resources, taking advantage of favourable market conditions to successfully issue a "Schuldschein" loan (private placement under German law) in a total amount of €150 million at the end of November 2016.

2015 was notable for:

- strong earnings growth demonstrating the successful integration of Osiatis and the achievement of the synergies anticipated at the time of the acquisition;
- the strengthening of the Group's unique acquisition strategy geared towards taking control of medium-sized companies, with Econocom working in partnership with entrepreneur executives who retain an interest in the capital of their business. The completion during the year of eight acquisitions and investments in strategic markets at the very core of the digital transformation: security, web and mobile applications, digital solutions, and digital transformation consulting;
- a policy aimed at diversifying and optimising the Group's financial resources, with the completion in May of a €101 million Euro Private Placement (Euro PP) in two tranches of five and seven years to finance the Group's acquisition strategy and more broadly its investments, as well as the issuance of commercial paper to gain access to short-term resources on very advantageous conditions;
- the integration of Econocom in the Tech 40 index, selected by EnterNext from among 320 listed European high-tech stocks;
- the adoption by Econocom Group of European company status (*societas europeae* – SE) to reflect its European identity and ambitions.

4.2. CONSOLIDATED DATA FOR THE YEAR: COMPARISON BETWEEN 2017, 2016 AND 2015

4.2.1. KEY FIGURES

in € millions	2017	2016 (revised)	2015
Revenue from continuing operations	2,979.7	2,536.2	2,316.1
Recurring operating profit (before amortisation of intangible assets from acquisitions)	154.4	140.3	117.7
Recurring operating profit	150.2	136.1	113.5
Operating profit	130.3	123.8	108.3
Shareholders' equity (including non-controlling interests)	483.2	279.0	280.5
Net debt	**(278.6)**	**(185.2)**	**(186.4)**

4.2.2. REVENUE

in € millions	2017	2016 (revised)	2015
Technology Management & Financing	1,379	1,259	1,149
Services	1,007	802	730
Products & Solutions	594	475	437
Total revenue	**2,980**	**2,536**	**2,316**
		+17.5%	
			+28.7%

In 2017, Econocom Group posted consolidated full-year revenue of €2,980 million compared with €2,536 million in 2016, an increase of 17.5%, 11.2% of which was organic growth. This performance was driven by the robust growth of all business lines, as well as the lively business trend of the Satellites, which contributed €478.3 million to consolidated revenue in 2017.

Between 2015 and 2017, revenue grew by 28.7%. This performance was driven by the Group's external growth policy, its positioning in the fast-growing digital transformation market and commercial synergies between its three complementary business lines.

Technology Management & Financing

At 31 December 2017, Technology Management & Financing recorded revenue of €1,379 million compared with €1,259 million in 2016, a purely organic increase of 9.5%. This performance reflects the healthy business trend, particularly in France and the United States, which was driven by the development of the structured financing team and Econocom Digital Financing Ltd., the in-house funding division.

Revenue for this segment increased by 9.6% in 2016, mainly owing to organic growth, recording an increase of 10% on 2015.

Services

Services posted revenue of €1,007 million in 2017, compared with €802 million in 2016, an increase of 25.5%, with organic growth of 12.7%. Planet business levels continued their upward trajectory in line with the market, owing in particular to the ramp up of large outsourcing contracts. Business growth was above all else driven by the strong performance of the Satellites and their high value-added positioning in the key digital and integration services segments.

Services posted a revenue increase of 9.9% in 2016, with organic growth of 2.7%. Business benefited from the strong performance of the Satellites and their high value-added positioning in the digital transformation market.

Services reported revenue of €730 million in 2015 owing to the successful integration of the Osiatis group acquired in 2013. This acquisition provided Econocom with a robust services platform.

Products & Solutions

Products & Solutions posted revenue of €594 million in 2017, reflecting a strong growth rate of 25.2%, with organic growth of 12.7%.

Much of this growth was achieved in France, Belgium and the Netherlands following the acquisition of the BIS group at the beginning of the year.

Products & Solutions reported revenue of €475 million in 2016 compared with €437 million in 2015. The trend was driven notably by France, but also by Spain, where the Caverin Satellite acquired at the beginning of the year saw strong growth on the back of synergies between the Group's three businesses, now all represented in that country.

In 2015, Products & Solutions was driven by sales of connected devices, which accounted for more than half of revenue growth, particularly in the public sector, healthcare and education segments. The performance was further fuelled by a high level of business synergies with the Group's other business lines and its successful launch in Italy, in the booming digital assets market.

4.2.3. RECURRING OPERATING PROFIT

in € millions	2017	2016 (revised)	2015
Technology Management & Financing	92.4	80.2	70.1
Services	43.4	46.4	35.5
Products & Solutions	18.6	13.7	12.1
Total recurring operating profit*	**154.4**	**140.3**	**117.7**

* Before amortisation of intangible assets from acquisitions.

The Group's recurring operating profit before amortisation of intangible assets from acquisitions was €154.4 million, compared with €140.3 million in 2016, an increase of 10.1%. Growth was driven by Technology Management & Financing, whose recurring operating profit margin grew from 6.4% to 6.7%, and by Products & Solutions, which saw its profit margin increase from 2.9% to 3.1%. For the Group as a whole, all businesses combined, profitability was 5.2%.

Between 2015 and 2017, recurring operating profit before amortisation of intangible assets from acquisitions grew by 31.2%.

In 2016, the Group had already benefited from double-digit growth (19.2%) of its recurring operating profit owing to robust sales, the success of its multi-business line offerings, and the benefit of the synergies arising from the acquisition of Osiatis and the productivity plans implemented in all of the Group's businesses.

In 2015, recurring operating profit for the Group increased by 23% to €117.7 million.

4.2.4. OPERATING PROFIT

The Group's operating profit was €130.3 million, compared with €123.8 million in the previous year, an increase of more than 5%. Non-recurring expenses amounted to €19.9 million, an increase of €7.6 million compared with 2016, and adjusted to take account of restructuring measures and costs related to site closures.

Non-recurring expenses amounted to €12.3 million in 2016 following adjustments to the accounting methods used for changes in the fair value of put options in debt instruments now recorded as equity.

In 2015, non-recurring expenses were limited compared with 2014, when the integration of Osiatis was finalised (€5.2 million, versus €24.9 million in 2014).

4.2.5. FINANCIAL POSITION

The Group boasted a sound financial position at 31 December 2017, with net cash at bank of €102.0 million and net debt under control at €278.6 million, less than 1.5x its 2017 EBITDA.

At 31 December 2016, net debt stood at €185.2 million, less than 1.3x Group EBITDA in 2016. The issuance of a Schuldschein loan of €150 million allowed Econocom to diversify its financial resources.

At 31 December 2015, Group net debt stood at €186 million, less than 1.5x Group EBITDA in 2015.

4.3. EQUITY RESTRICTIONS

In May 2015, the Group issued a Euro Private Placement (Euro PP) bond and a Schuldschein loan in November 2016.

The Group is subject to one single covenant in relation to these bond issues. It is calculated as of 31 December of each year, and corresponds to the ratio of net debt to proforma EBITDA. The ratio may not be higher than 3x over two consecutive years. A breach would not result in early redemption, but it would force the Group to pay a higher interest rate until the ratio is brought back within the relevant bounds.

Other lines of credit do not contain covenants in respect of maximum debt, financial ratios or credit ratings that, if breached, would trigger immediate repayment.

Econocom is not subject to any legal or economic restrictions liable to limit or significantly restrict cash flows within the Group in the foreseeable future.

5. SHARE PERFORMANCE AND SHAREHOLDERS

5.1. ECONOCOM GROUP SE SHARE PERFORMANCE

The data that follows have been adjusted to take account of the two-for-one split of Econocom Group shares on 2 June 2017.

	PRICE (€)				VOLUME	
2015	**High (€)**	**Low (€)**	**Closing (€)**	**Average (€)**	**Number of shares traded**	**Value (€k)**
January	3.64	3.01	3.62	3.20	5,544,996	17,718
February	4.00	3.63	3.95	3.85	5,829,114	22,457
March	3.97	3.33	3.69	3.71	5,349,038	19,835
April	4.19	3.61	3.90	3.96	5,917,964	23,455
May	4.12	3.77	3.92	3.98	2,495,322	9,935
June	4.03	3.50	3.69	3.86	3,671,982	14,163
July	4.26	3.69	4.22	4.02	4,448,966	17,900
August	4.27	3.47	3.93	4.02	3,843,152	15,461
September	4.02	3.51	3.88	3.76	3,344,742	12,585
October	4.10	3.61	4.07	3.85	2,862,436	11,033
November	4.24	3.92	4.17	4.13	3,366,246	13,907
December	4.49	4.06	4.27	4.24	3,087,148	13,075
Total	**4.49**	**3.01**	**4.27**	**3.85**	**49,761,106**	**191,522**

	PRICE (€)				VOLUME	
2016	**High (€)**	**Low (€)**	**Closing (€)**	**Average (€)**	**Number of shares traded**	**Value (€k)**
January	4.42	3.80	4.31	4.15	3,205,310	13,313
February	4.49	3.69	3.84	4.05	3,322,588	13,458
March	4.55	3.87	4.55	4.29	3,251,146	13,933
April	4.86	4.50	4.71	4.68	4,309,060	20,255
May	5.40	4.70	5.36	4.98	3,937,102	20,675
June	5.50	4.53	5.16	5.20	6,675,862	35,861
July	6.13	5.11	5.86	5.57	4,763,886	26,982
August	5.95	5.36	5.69	5.81	2,686,460	15,729
September	6.74	5.61	6.69	6.29	5,135,074	32,960
October	7.08	6.42	6.78	6.78	5,827,716	39,754
November	7.17	6.35	6.74	6.81	6,022,760	41,012
December	7.02	6.55	6.97	6.77	5,061,738	34,285
Total	**7.17**	**3.69**	**6.97**	**5.69**	**54,198,702**	**308,217**

	PRICE (€)				VOLUME	
2017	**High (€)**	**Low (€)**	**Closing (€)**	**Average (€)**	**Number of shares traded**	**Value (€k)**
January	7.25	6.78	6.99	7.07	12,715,426	89,993
February	7.20	6.80	7.06	7.03	7,578,192	53,341
March	7.40	6.60	6.94	7.02	10,939,812	76,826
April	7.62	6.77	7.38	7.09	8,476,814	60,954
May	7.82	7.18	7.82	7.44	9,379,917	69,656
June	8.00	7.06	7.32	7.40	7,696,144	57,152
July	7.69	6.40	6.46	7.33	8,992,524	64,336
August	6.60	5.98	6.17	6.30	9,481,797	60,144
September	6.48	6.06	6.46	6.31	8,068,838	50,864
October	6.85	6.30	6.61	6.60	7,039,646	46,506
November	6.69	5.94	5.99	6.29	5,615,011	35,011
December	6.20	5.75	5.96	5.98	5,869,330	35,090
Total	**8.00**	**5.75**	**5.96**	**6.82**	**101,853,451**	**699,874**

5.2. NAME, REGISTERED OFFICE AND LEGAL FORM

Company name: Econocom Group SE.

Registered office: Place du Champ de Mars 5, 1050 Brussels (Tel. +32 2 790 81 11).

Legal form, incorporation, published documents:

Econocom was incorporated as a joint-stock company (*société anonyme*) under Belgian law on 2 April 1982, under a deed held by Jacques Possoz, notary, and published in the Belgian Official Gazette (*Moniteur belge*) of 22 April 1982 (No. 820-11). It was transformed into a European company (*societas europaea*) by decision of the General Meeting of Shareholders of 18 December 2015 under a deed of the same date held by Tim Carnewal, notary, published in the Belgian Official Gazette of 31 December 2015.

Econocom is a European Company (*societas europaea*) governed by the provisions of Regulation (EC) No. 2157/2001 of 8 October 2001 on the Statute for a European Company (the "SE Regulation") and Directive No. 2001/86/EC of 8 October 2001 supplementing the Statute for a European Company with regard to the involvement of employees and the provisions of Belgian law in respect of European Companies, as well as, for all other matters not yet covered or only partially covered by the SE Regulation, Belgian law applicable to public limited companies insofar as they are not contrary to specific provisions applicable to European Companies. Econocom is a company that publicly raises, or has publicly raised, capital within the meaning of article 438 of the Belgian Companies Code (*Code des sociétés*).

It is registered with the Brussels register of companies of under number 0422.646.816.

Term: indefinite.

Financial year: 1 January to 31 December.

5.3. CORPORATE PURPOSE (ARTICLE 3 OF THE BYLAWS)

The Company's purpose is, in all countries:

- the design, construction, operational and administrative management, and financing of computer, digital and technological, information and data processing, and telecommunication systems and solutions, or such systems and solutions as they relate to the Internet of Things (IoT);
- the purchase, sale, leasing and trading of all types of hardware, software and computer, technological, digital or telecommunications solutions, for businesses and individuals alike, and more broadly any accessory connected with such solutions, as well as any advice, services and related financial transactions.

To this end, the Company may acquire, manage, operate and sell patents, trademarks, and technical, industrial and financial knowledge.

It may establish branch offices or subsidiaries in all countries.

It may acquire interests in any companies with similar or complementary activities in any country by means of asset transfers, acquisitions, partial or total mergers, subscriptions to initial capital or capital increases, financial investments, disposals, loans or any other means.

It may perform, in all countries, all industrial, commercial, financial, securities and property transactions related in whole or in part, directly or indirectly, to one or other branch of its purpose, or one that is liable to expand its purpose or facilitate its achievement.

It may provide guarantees or grant real or other personal guarantees in favour of companies or individuals, in the broadest sense.

It may conduct its activities in its own name or on behalf of third parties, for its own account or for the account of others.

5.4. SHARE CAPITAL

5.4.1. SHARE CAPITAL (ARTICLE 5 OF THE BYLAWS)

At 31 December 2017, the Company's share capital stood at €23,489,757.67 and was composed of 245,140,430 ordinary shares with no stated par value, held in registered, or dematerialised form. The capital is fully paid-up.

5.4.2. CHANGES IN SHARE CAPITAL BY THE GENERAL MEETING (ARTICLE 6 OF THE BYLAWS)

The share capital may be increased or reduced by a decision of the General Meeting in accordance with the conditions required for amending the Bylaws.

For capital increases approved by the General 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 General Meeting and in accordance with 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 General Meeting ruling in accordance with the conditions required for amending the Bylaws or by the Board of Directors, within the authorised capital, 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 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.

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.

5.4.3. CHANGES IN CAPITAL

At 31 December 2017, the Company's share capital stood at €23,489,757.67 and was composed of 245,140,430 ordinary shares with no stated par value, held in registered, or dematerialised form. The capital is fully paid-up.

At 31 December 2017, authorised unissued capital (excluding additional paid-in capital) stood at €21,372,399.86.

The changes in share capital over the last three financial years are described below.

No changes were made to the share capital in 2015 or 2016.

The following changes to the share capital occurred in 2017:

- following the issue in 2014 of ORNANE bonds convertible into cash and/or new shares and/or exchangeable for existing shares for a total of €175 million, Econocom Group bought back 39.12% of the bonds issued, while the remaining 60.88% was converted in 2017, resulting in the issue of 10,050,928 Econocom Group shares through seven capital increases conducted on 17 February 2017, 3 March 2017, 16 March 2017, 21 March 2017, 24 March 2017, 31 March 2017 and 6 April 2017 (see details below) respectively, at the end of which Econocom Group share capital represented €23,489,757.67, equivalent to 122,570,215 shares;
- following a decision by the Extraordinary General Meeting on 16 May 2017, Econocom Group proceeded with a two-for-one share split, bringing its number of shares to 245,140,430 shares with a share capital of €23,489,757.67.

The number of Econocom Group shares and voting rights (denominator) both stood at 245,140,430 at 31 December 2017.

Changes in the Company's share capital and number of shares since 1 January 2008 are summarised in the table below:

Transaction date	Type of issue	Change in the number of shares	Change in capital (€)	Additional paid-in capital (€)	Total amount of the transaction (€)	Number of shares	Share capital (€)
01/01/2008						25,800,000	16,180,922.08
22/12/08	Cancellation of treasury shares	-1,000,000	-	-	-	24,800,000	16,180,922.08
28/10/10	Capital increase as payment for an acquisition	1,372,897	895,755.62	14,206,111.38	15,101,867.00	26,172,897	17,076,677.70
14/09/12	Cancellation of treasury shares	-2,000,000	-	-	-	24,172,897	17,076,677.70
14/09/12	Four-for-one share split	72,518,691	-	-	-	96,691,588	17,076,677.70
12/09/13	Capital increase as payment for an acquisition	9,527,460	1,682,642.38	50,734,212.37	52,416,854.75	106,219,048	18,759,320.08
18/11/13	Capital increase as payment for a tender offer	6,313,158	1,114,965.29	36,763,982.71	37,878,948.00	112,532,206	19,874,285.37
31/12/13	Cancellation of treasury shares	(6,014,892)	-	-	-	106,517,314	19,874,285.37
24/01/14	Capital increase through convertible bonds (OCEANE)	20,000	3,732.00	101,268.00	105,000.00	106,537,314	19,878,017.37
25/02/14	Capital increase through convertible bonds (OCEANE)	266,028	49,640.82	1,347,006.18	1,396,647.00	106,803,342	19,927,658.19
26/03/14	Capital increase through convertible bonds (OCEANE)	210,592	39,296.47	1,066,311.53	1,105,608.00	107,013,934	19,966,954.66
28/05/14	Capital increase through convertible bonds (OCEANE)	708,428	132,192.66	3,587,054.34	3,719,247.00	107,722,362	20,099,147.32
18/06/14	Capital increase through convertible bonds (OCEANE)	7,850,228	1,464,852.54	39,748,844.46	41,213,697.00	115,572,590	21,563,999.86
29/12/14	Cancellation of treasury shares	(3,053,303)	-	-	-	112,519,287	21,563,999.86
17/02/17	Capital increase through convertible bonds (ORNANE)	400,000	76,640.00	4,299,240.00	4,375,880.00	112,919,287	21,640,639.86
03/03/17	Capital increase through convertible bonds (ORNANE)	1,198,194	229,573.97	12,883,101.71	13,112,675.68	114,117,481	21,870,213.83
16/03/17	Capital increase through convertible bonds (ORNANE)	800,000	153,280.00	8,603,440.00	8,756,720.00	114,917,481	22,023,493.83

Transaction date	Type of issue	Change in the number of shares	Change in capital (€)	Additional paid-in capital (€)	Total amount of the transaction (€)	Number of shares	Share capital (€)
21/03/17	Capital increase through convertible bonds (ORNANE)	1,144,500	219,286.20	12,311,386.50	12,530,672.70	116,061,981	22,242,780.03
24/03/17	Capital increase through convertible bonds (ORNANE)	657,418	125,961.29	7,072,897.29	7,198,858.58	116,719,399	22,368,741.32
31/03/17	Capital increase through convertible bonds (ORNANE)	1,961,518	375,826.85	21,106,537.80	21,482,364.65	118,680,917	22,744,568.17
06/04/17	Capital increase through convertible bonds (ORNANE)	3,889,298	189.50	41,855,117.90	42,600,307.40	122,570,215	23,489,757.66
02/06/17	Two-for-one share split	122,570,215	-	-	-	245,140,430	23,489,757.66

The Extraordinary General Meeting of 20 May 2014 renewed for five years from the decision of the General Meeting the authorisation granted to the Board of Directors to buy back treasury shares in the proportion of up to 20% of share capital, in accordance with article 620 of the Belgian Companies Code. The minimum purchase price was set at €4 per share and the maximum price at €20 per share (now a minimum of €2 and a maximum of €10 after taking account of the Econocom Group two-for-one share split on 2 June 2017).

The Extraordinary General Meeting of 20 May 2014 authorised the Board of Directors for five years from the decision of the General Meeting to buy back treasury shares pursuant to article 630 of the Belgian Companies Code, in the proportion of up to 20% of share capital, in accordance with article 620 of the Belgian Companies Code.

The Extraordinary General Meeting of 19 May 2015 renewed for five years from the publication of the amended Bylaws, i.e., 9 June 2015, the authorisation granted to the Board of Directors to increase the share capital, in accordance with articles 603 and 604 of the Belgian Companies Code, on one or several occasions, under conditions it deems fit, in the maximum amount of €21,563,999.86.

The Extraordinary General Meeting of 19 May 2015 renewed for three years from the publication of the amended Bylaws, i.e., 9 June 2015, the authorisation granted to the Board of Directors to purchase Econocom Group shares without the prior approval of shareholders if the Company faces a serious and imminent threat.

The Extraordinary General Meeting of 17 May 2016 granted the Board of Directors a three-year authorisation from the decision of the General Meeting to increase the share capital in the event of a public offer for the Company's shares, in accordance with article 607 of the Belgian Companies Code. Any share capital increases carried out pursuant to this authorisation will be charged against the residual outstanding authorised capital, as decided by the Extraordinary General Meeting of 19 May 2015 outlined above.

At 31 December 2017, Econocom Group held 9,338,102 treasury shares as part of the share buyback programme, and 191,691 Econocom Group shares as part of the liquidity agreement with Exane, representing a total of 9,529,793 Econocom Group shares or 3.89% of the total number of shares outstanding.

5.5. RIGHTS ATTACHED TO SHARES

5.5.1. PARTICIPATION IN GENERAL MEETINGS AND VOTING RIGHTS

5.5.1.1. Participation in General Meetings

5.5.1.1.1. Right to participate in General Meetings

All shareholders are entitled to attend Econocom Group's General Meetings, regardless of the number of shares they hold, provided that they meet the admission requirements set out in the "General Meetings" section of this chapter.

Holders of bonds, subscription rights and certificates issued in connection with the Company may attend the General Meeting in a non-voting capacity only, provided that they meet the admission requirements applicable to shareholders.

5.5.1.1.2. Right to call General Meetings

Shareholders who, alone or jointly, hold at least 10% of Econocom's share capital are entitled to ask the Board of Directors or Statutory Auditor to call a General Meeting.

5.5.1.1.3. Right to add matters to the agenda and to table draft resolutions

Shareholders who, alone or jointly, hold at least 3% of Econocom Group's share capital may ask for items to be added to the agenda of General Meetings and file resolution proposals concerning agenda items.

This right does not apply to Meetings called following a first Meeting that could not validly make decisions due to a failure to meet quorum requirements.

Shareholders who wish to exercise this right must (i) prove that they effectively hold at least 3% of Econocom Group's share capital at the date of their request and (ii) ensure that their shares representing at least 3 % of the share capital are duly registered at the record date.

Ownership is established either by a certificate stating that the corresponding shares are recorded in the Company's share register or by a certificate issued by an authorised account holder or clearing institution certifying that the corresponding number of shares is registered in the account held by the account holder or clearing agent.

Shareholders may send their requests to the Company by post or email. Where appropriate, these requests must also include the items to be added to the agenda together with the related resolution proposals and/or the text of the newly proposed resolutions concerning items already on the agenda. Requests must also indicate the postal or email address to which Econocom should send confirmation of receipt. Requests must reach the Company no later than the 22nd day preceding the date of the relevant General Meeting.

Econocom will confirm receipt of any requests within 48 hours, and will publish a revised agenda no later than 15 days before the General Meeting. Proxy forms and postal voting forms are also published on the Company's website (www.econocom.com). However, all proxies and postal voting forms previously submitted to Econocom remain valid for the agenda items they cover. The proxy holder may deviate from the voting instructions given by the shareholder for items on the agenda for which alternative resolution proposals have been made if the execution of these instructions is liable to compromise the interests of the shareholder he/she represents. The proxy holder must in any event inform the shareholder of any such votes. The proxy must also indicate whether the proxy holder is entitled to vote on new items added to the agenda by shareholders or whether he/she should abstain.

5.5.1.1.4. Right to ask questions

After the Notice of Meeting has been published, all shareholders are entitled to put questions to Econocom's Directors or Statutory Auditor concerning their reports. After the Notice of Meeting has been published, all shareholders are also entitled to put questions to Econocom's Directors regarding items on the agenda of the General Meeting. The Directors and Statutory Auditor are required to answer these questions, provided they do not harm the Company's commercial interests or any confidentiality undertakings made by the Company, its Directors or its Statutory Auditor. Questions relating to the same subject may be grouped and answered together.

Questions may be submitted before the General Meeting (by post or by electronic means, to the address shown in the Notice of Meeting) or during the Meeting (verbally). Questions submitted by post or by electronic means must reach Econocom Group no later than the sixth calendar day before the Meeting. They will only be answered if the shareholder meets the admission requirements for the relevant General Meeting.

5.5.1.1.5. Other rights to information

All Econocom Group shareholders have specific rights to information under the Belgian Companies Code.

Most rights to information concern General Meetings. They include the right to consult, or obtain, free of charge, a copy of (i) the text of the Notices of Meeting and, where applicable, the revised agenda, (ii) the total number of shares and voting rights, (iii) the documents that will be submitted to the General Meeting (annual financial statements, reports and other documents as described in article 553 of the Belgian Companies Code), (iv) a resolution proposal or, where the agenda item does not require any resolution to be adopted, the Board's comments thereon, (v) where appropriate, the resolution proposals filed by shareholders, as soon as practicable after the Company receives them and (vi) proxy and postal voting forms. These documents/items may be consulted on Econocom's website (www.econocom.com) and during normal office hours on working days at Econocom Group's registered office located at Place du Champ de Mars 5, 1050 Brussels, from the date of publication of the Notice of Meeting. Holders of registered shares will receive a copy of these documents together with the Notice of Meeting.

5.5.1.2. Right to vote at General Meetings

5.5.1.2.1. Principle

Each share entitles its holder to one vote, subject to any restrictions provided by law.

As a general rule, the Annual General Meeting alone is responsible for:

- approving the annual statutory financial statements (no such approval is required for the consolidated financial statements prepared in accordance with IFRS);
- appointing and removing Directors and the Statutory Auditor;
- granting discharge to the Directors and Statutory Auditor;
- setting the amount of compensation for the Directors and Statutory Auditor for the performance of their duties;
- distributing profits;
- filing claims against Directors;
- authorising certain actions by the Board of Directors;
- approving the compensation report;
- authorising the acquisition of treasury shares;
- taking decisions that involve the liquidation, merger or restructuring of the Company; and
- approving any amendments to the Bylaws.

Shareholders' meetings cannot vote on items that are not on the agenda.

5.5.1.2.2. Quorum and voting requirements

Except as provided by law, decisions are taken by a majority vote regardless of the number of shares represented at the Meeting.

General Meetings can only validly deliberate and decide to amend the Bylaws if those attending the meeting represent at least one-half of the share capital. To be adopted, resolutions must be approved by a majority of three-quarters of votes cast.

If the amendments to the Bylaws concern the Company's corporate purpose, the General Meeting can only validly deliberate and decide on said amendments if those in attendance represent one-half of the share capital and one-half of any profit shares ifany. To be adopted, amendments must be approved by a majority of at least four-fifths of votes cast. The quorum and voting requirements also apply when the General Meeting votes to authorise the acquisition or disposal of treasury shares, or to authorise such an acquisition without the authorisation of the General Meeting to protect the Company from serious and imminent harm.

An attendance list indicating the names of shareholders and the number of shares registered for voting purposes is signed by each shareholder or by their proxy prior to entering the meeting.

5.5.1.2.3. Proxy voting

All shareholders can choose to be represented at a General Meeting by a proxy, who may or may not be a shareholder of the Company, in accordance with articles 547 to 549 of the Belgian Companies Code.

The Board of Directors may decide on the form of proxy. Proxies must reach the Company no later than the sixth day preceding the date of the Meeting. All proxy voting forms that reach the Company before the revised agenda is published, pursuant to article 533 *ter* of the Belgian Companies Code, remain valid for the agenda items covered.

5.5.1.2.4. Distance voting

Shareholders who satisfy the attendance requirements specified below may vote at all General Meetings either by post or, where permitted in the Notice of Meeting, by electronic means. Shares will be taken into consideration for the purposes of voting and quorum requirements only if the form provided by the Company has been duly completed and reaches Econocom at the latest on the sixth day before the date of the General Meeting. If the Notice of Meeting allows shareholders to opt for distance voting through electronic means, it must provide a description of the means used by the Company to identify shareholders that choose to do so.

5.5.2. DISTRIBUTION OF PROFITS

All shares carry the same rights to participate in Econocom's profits.

The Company's profit for the year is calculated in accordance with applicable legal regulations. A total of 5% of profits is allocated to the legal reserve. This allocation is no longer required when the legal reserve equals 10% of the share capital.

Acting on a recommendation of the Board of Directors, the General Meeting independently determines how the residual profit balance will be used and allocated by simple majority vote of members present, within the limits set by articles 617 and 619 of the Belgian Companies Code. No profits are distributed when, at the end of the last reporting period, net assets as shown in the annual financial statements total less than paid-up capital or would total less than paid-up capital if profits were distributed or if net assets exceed called-up capital plus any reserves not available for distribution pursuant to the law or to the Company's Bylaws.

In accordance with the Belgian Companies Code, the Board of Directors may distribute an interim dividend deducted from profit for the year. The Board sets the amount of any such interim dividend and the dividend payment date.

5.5.3. LIQUIDATION

In the event that Econocom is dissolved for any reason and at any time, the liquidation process will be managed by one or more liquidators appointed by the General Meeting, or, if no such liquidators are appointed, by the Board of Directors in office at that time, acting as a liquidation committee.

For this purpose they will have the broadest powers conferred by articles 186 *et seq.* of the Belgian Companies Code. The General Meeting determines the fees payable to the liquidators. The liquidators can only assume their duties after their appointment by the General Meeting has been approved by the Commercial Court pursuant to article 184 of the Belgian Companies Code.

Once all liabilities, expenses and liquidation fees have been settled, the net assets will be used first to refund the outstanding paid-up share capital in cash or in securities.

If the shares are not all paid up in equal proportions, before making any allocations, the liquidators ensure that all shares are on a wholly equal footing, either by additional calls for funds charged against shares not fully paid up or by prior cash reimbursements for shares paid up in excess of the requisite amount.

The remaining balance is allocated equally among all shares.

5.5.4. PRE-EMPTIVE RIGHTS IN THE EVENT OF A CAPITAL INCREASE

In the event of a capital increase in cash involving the issuance of new shares, or if the Company were to issue convertible bonds or stock warrants exercisable in cash, existing shareholders have, in principle, a pre-emptive right to subscribe for the new shares, convertible bonds or stock warrants in proportion to the percentage of share capital they already own at the issuance date.

The Company’s General Meeting may, however, limit or cancel such pre-emptive rights under specific conditions upon presentation of a report of the Board of Directors. Any such decision is subject to the same quorum and voting requirements as a decision to increase the Company’s share capital. Shareholders may also allow the Board of Directors to limit or cancel said pre-emptive rights in the event of a capital increase within the authorised capital limits.

5.5.5. CHANGES IN RIGHTS ATTACHED TO SHARES

Rights attached to shares issued by Econocom Group may be modified by the Extraordinary General Meeting, voting in accordance with the conditions required for amending the Bylaws. Any changes approved apply to all shareholders.

5.6. GENERAL MEETINGS

ORDINARY GENERAL MEETINGS

The Ordinary General Meeting is held every year on the third Tuesday in May, at 11.00 am or on the first working day following this date if the Tuesday is a holiday. At Ordinary General Meetings, the Board of Directors submits to shareholders the annual statutory financial statements prepared in accordance with applicable accounting standards, the annual consolidated financial statements prepared in accordance with IFRS, and the reports of the Board of Directors and Statutory Auditor on the statutory and consolidated financial statements. The Meeting decides whether to approve the statutory financial statements, the appropriation of income, the discharge of Directors and the Statutory Auditor and, where applicable, the appointment, removal or re-election of the Statutory Auditor and/or certain Directors.

EXTRAORDINARY GENERAL MEETINGS AND SPECIAL SHAREHOLDERS' MEETINGS

A Special Shareholders' Meeting, or, where appropriate, an Extraordinary General Meeting, may be called by the Board of Directors or by the Statutory Auditor as often as is required in the Company’s interest. Any such Meeting must be called at the request of the Chairman of the Board of Directors, a Chief Executive Officer (*Administrateur Délégué*), a Statutory Auditor (*Commissaire*), or one or more shareholders representing at least one-tenth of the Company’s share capital (article 27 of the Bylaws).

CONTENT OF GENERAL MEETING CONVENING NOTICES

Annual General Meeting notices must contain at least the following information:

- the date, time and place of the General Meeting;
- the agenda, indicating the items to be discussed as well as resolution proposals;
- a clear and accurate description of the formalities to be completed by shareholders in order to attend the General Meeting and exercise their voting rights, including the deadline by which shareholders should indicate their intention to attend the Meeting;
  - the right of shareholders to add items to the agenda, file resolution proposals, and ask questions, as well as the period in which these rights may be exercised and the email address to which shareholders should send their requests. Where applicable, the Notice of Meeting also indicates the deadline for publishing the revised agenda. The Notice may contain only the details of these periods and the email address to be used, provided that more detailed information on shareholder rights is posted on the Company's website;
  - the procedure to follow in order to vote by proxy, and in particular the proxy voting form, the conditions in which the Company will accept notifications of the appointment of proxies sent by electronic means, along with the timeframe within which the proxy voting rights may be exercised;
  - where appropriate, the procedure and timeframe set by or pursuant to the Bylaws allowing shareholders to participate in the General Meeting remotely and opt for distance voting prior to the Meeting (articles 28 and 34 of the Bylaws);
- the record date, along with a statement indicating that only people who are shareholders at that date are entitled to attend and vote at the General Meeting;
- the address where shareholders can obtain, for example, the full text of the documents and resolution proposals described, along with the procedure to follow in order to obtain such documents;
- the exact website address on which the information mentioned below will be available.

AVAILABILITY OF DOCUMENTS ON ECONOCOM'S WEBSITE

As from the date of publication of the Annual General Meeting convening notice and up to the date of the Meeting, the following information is posted for shareholders on the Company's website (www.econocom.com):

- the Notice of Meeting, along with the revised agenda reflecting items subsequently added thereto and the related resolution proposals where applicable, and/or the resolution proposals formulated within the timeframe given;
- the total number of shares and voting rights at the date of the Notice of Meeting, including separate totals for each class of shares, when the Company's share capital is divided into two or more share classes;
- the documents to be submitted to the General Meeting;
- for each item placed on the Meeting agenda, a resolution proposal or, when the matter to be discussed does not require any resolution to be adopted, the Board of Directors' comments thereon. The resolution proposals formulated by shareholders pursuant to article 533 *ter* of the Belgian Companies Code are posted online as early as practicably possible after they have reached the Company;
- the proxy voting form and, where applicable, the postal voting form, unless these forms are sent directly to each shareholder.

When the forms mentioned above cannot be posted online due to technical reasons, the Company must explain on its website how to obtain a hard copy of them. In this case, Econocom is required to send the forms promptly and free of charge to the postal or email address indicated by any shareholder that so requests them.

The information mentioned in this section will be available on Econocom's website (www.econocom.com) for five years as from the date of the Annual General Meeting to which they relate.

FORMALITIES AND NOTICE PERIODS

Notification of all General Meetings must be made by announcements placed at least 30 days before said Meeting in:

- the Belgian Official Gazette;
- a newspaper with national circulation, unless the notice concerns an Ordinary General Meeting held in the place and at the time and date indicated in the Bylaws, and whose agenda is confined to the review of annual financial statements, the annual report, the Statutory Auditor's report and the vote to grant discharge to Directors and the Statutory Auditor;
- any media as may reasonably be relied on to efficiently disseminate information to the public throughout the European Economic Area and which is readily accessible in a non-discriminatory manner.

Holders of registered shares as mentioned in the Belgian Companies Code, along with Company Directors and the Statutory Auditor must be notified of Meetings 30 days before they are due to take place. This notification is sent by ordinary letter unless the recipients have individually and expressly agreed in writing to receive notification by another means, although no proof of compliance with this formality is required. Notices of Meetings are also available on Econocom's website (www.econocom.com).

If another Meeting has to be called because a first meeting did not meet the quorum, and provided that the date of any second Meeting was indicated in the paragraph above in the first Notice of Meeting and that no items have since been added to the agenda, the 30-day period specified above is reduced to at least 17 days before the Meeting.

FORMALITIES TO BE COMPLETED IN ORDER TO ATTEND GENERAL MEETINGS

Shareholders may only attend and vote at General Meetings if their shares are registered in their name at the record date, i.e., by midnight (CET) on the fourteenth day preceding the Meeting, either in the Company's share register or in the books of an authorised account holder or clearing institution, regardless of the number of shares held by the shareholder at the date of the General Meeting.

The shareholders shall inform the Company (or the person designated for this purpose) of their intention to attend the General Meeting no later than the sixth day preceding the date of said Meeting, in accordance with the formalities provided in the Notice of Meeting, and provided that shareholders present the share certificate delivered by the authorised account holder or clearing institution.

Holders of bonds, subscription rights and certificates issued in connection with the Company may attend the General Meeting in a non-voting capacity only, provided that they meet the admission requirements applicable to shareholders.

5.7. PROVISIONS THAT COULD DELAY, DEFER OR PREVENT A CHANGE IN CONTROL OF THE COMPANY

5.7.1. GENERAL INFORMATION

Laws relating to takeover and squeeze-out bids and their implementing orders, as well as the Belgian Companies Code and other applicable laws, contain various provisions (such as the requirement to disclose major shareholdings – see section 8 of this chapter – and competition provisions) that may be applicable to the Company, and which place certain restrictions on hostile takeover bids or other changes of control. These provisions could discourage potential takeover bids that other shareholders may consider to be in their interests and/or prevent shareholders from selling their shares at a premium.

In certain conditions, the Board of Directors may defer or prevent the issuance of shares that could have a dilutive impact on existing shareholdings.

5.7.2. AUTHORISED CAPITAL (ARTICLE 7 OF THE BYLAWS)

Pursuant to a decision of Econocom's Extraordinary General Meeting of 19 May 2015, the Board of Directors was granted authorisation to increase the share capital, on one or more occasions, under conditions it deems fit, by an amount of up to €21,563,999.86. At 31 December 2017, authorised unissued capital stood at €21,372,399.86 (excluding additional paid-in capital).

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 issue premium, whose amount 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 issue premium into capital, with or without creating new shares.

This authorisation is granted to the Board of Directors for a period of five years from the date of publication of the decision of the Extraordinary General Meeting of 19 May 2015 in the annexes of the Belgian Official Gazette, i.e., 9 June 2015. It may be renewed on one or more occasions, in accordance with applicable provisions.

The Extraordinary General Meeting of 17 May 2016 also granted the Board of Directors a three-year authorisation to increase the share capital in the event of a public offer for the Company's shares, in accordance with article 607 of the Belgian Companies Code, for a period of three years from the date of the General Meeting. Any share capital increases carried out pursuant to this authorisation will be charged against the residual outstanding authorised capital provided in the first paragraph.

In the event that a capital increase is carried out within the authorised capital, the Board of Directors will allocate any issue 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 General Meeting under the conditions required by article 612 of the Belgian 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 Belgian 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 Bylaws to reflect the Company's new capital and shares each time the share capital is increased within the limit of the authorised capital.

5.7.3. ACQUISITION AND DISPOSAL OF TREASURY SHARES (ARTICLE 12 OF THE BYLAWS)

The Company may only acquire its own shares or (if applicable) profit shares by means of a purchase or exchange, directly or by a person or entity acting in their own name but on the Company's behalf following a decision of a General Meeting voting pursuant to the quorum and majority requirements set forth in article 559 of the Belgian Companies Code, which sets the maximum number of shares or profit shares that can be acquired, the period for which the authorisation is granted, within the limit provided in article 620 of the Belgian Companies Code, and the minimum and maximum consideration.

Such an authorisation was given to the Board of Directors by the Extraordinary General Meeting of 20 May 2014, for a period of five years from the date of the General Meeting, for up to 20% of the share capital, as provided in article 620 of the Belgian Companies Code. The minimum purchase price was set at €4 per share and the maximum purchase price at €20 per share (a minimum of €2 and a maximum of €10 after taking account of the Econocom Group two-for-one share split on 2 June 2017).

The General Meeting may also authorise the Board of Directors to acquire the Company's shares or profit shares, in accordance with applicable laws and regulations, by means of purchase or exchange, to protect the Company from serious and imminent harm.

The Extraordinary General Meeting of 19 May 2015 renewed for three years from the publication of the amended Bylaws, i.e., 9 June 2015, the authorisation granted to the Board of Directors to purchase shares of the Company in the event of a serious and imminent threat.

This authorisation may be renewed, on one or more occasions, in accordance with applicable laws and regulations.

The Extraordinary General Meeting of 20 May 2014 authorised the Board of Directors for five years from the date of the General Meeting to buy back treasury shares pursuant to article 630 of the Belgian Companies Code, in the proportion of up to 20% of share capital, in accordance with article 620 of the Belgian Companies Code.

The Board of Directors may otherwise dispose of shares of the Company in the conditions provided by the Belgian Companies Code, as well as to spare the Company serious and imminent harm, provided, in such cases, that the securities are sold on the market or as a public offering made on the same conditions to all shareholders.

5.8. NOTIFICATIONS OF MAJOR SHAREHOLDINGS

Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market, amending Directive 2001/34/EC, was transposed into Belgian law by the Act of 2 May 2007 on the publication of major shareholdings in issuers whose shares are admitted to trading on a regulated market ("Transparency Act") and by the Royal Decree of 14 February 2008 on the publication of major shareholdings ("Royal Decree on Transparency"). This legislation came into force on 1 September 2008.

Pursuant to these provisions, any natural or legal person who acquires, directly or indirectly, securities carrying voting rights of the Company must notify it and the FSMA (Belgian Financial Services and Markets Authority) of the number and percentage of voting rights held subsequent to this acquisition when the voting rights attached to securities carrying voting rights reach a proportion of 5% or more of total existing voting rights. Shareholders must also notify the Company in the event that they directly or indirectly acquire securities carrying voting rights when, as a result of their acquisition, the number of voting rights reaches or exceeds 10%, 15%, 20%, and every five percentage point threshold thereafter, of total existing voting rights. Notification is also required in the event that shareholders directly or indirectly sell securities carrying voting rights when, as a result of this sale, the voting rights fall below one of the thresholds stated above.

In accordance with article 6 of the Transparency Act, the disclosure requirements mentioned above apply whenever the number of voting rights rises above or falls below the specified thresholds as a result of: (i) the acquisition or sale of securities carrying voting rights, regardless of how the securities were acquired or sold, for example, by means of a purchase, sale, exchange, contribution, merger, spin-off or succession; (ii) unintentionally crossing the specified thresholds (due to an event altering the allocation of voting rights); or (iii) the conclusion, modification or termination of an agreement to act in concert.

The FSMA and the Company must be informed of any such event as soon as possible, and at the latest within four working days of the date on which the event took place.

The Company is required to publish all of the information contained in such notifications no later than three business days after receipt. It must also disclose its ownership structure in the notes to its annual financial statements, based on the notifications received.

The Company is also required to publish the total amount of capital, the total number of securities carrying voting rights and the total number of voting rights, as well as a breakdown by class (where appropriate) of the number of securities carrying voting rights and the total number of voting rights, at the end of each calendar month during which changes occurred in these amounts. Where appropriate, the Company is also required to publish the total number of bonds convertible into securities carrying voting rights and rights to subscribe for securities not yet issued carrying voting rights (whether or not these are evidenced by certificates), the total number of voting rights that would result from exercising these conversion or subscription rights, and the total number of shares with no voting rights.

5.9. ECONOCOM GROUP'S LARGEST SHAREHOLDER

Jean-Louis Bouchard, Chairman of Econocom Group, remains Econocom's largest shareholder, with approximately 36.44% of the share capital at 31 December 2017.

6. CORPORATE GOVERNANCE

6.1. BOARD OF DIRECTORS AND ADVISORY COMMITTEES

The composition and functioning of the Board of Directors and the Board's committees are governed by:

- articles 517 *et seq.* of the Belgian Companies Code;
- articles 14 *et seq.* of the Bylaws;
- The internal rules of the respective committees, available on Econocom's website (www.econocom.com, in French only), namely: (i) the internal rules of the Board of Directors of 19 May 2016; (ii) the internal rules of the Chairman's Council (formerly the Executive Committee) of 7 September 2016; (iii) the internal rules of the Audit Committee of 22 November 2012; and (iv) the internal rules of the Compensation Committee of 31 August 2011.

For more details on corporate governance, please refer to section 5, Chapter 5 of this report, which contains the report of the Board of Directors on the financial statements for the year ended 31 December 2017.

6.1.1. BOARD OF DIRECTORS

6.1.1.1. Composition of the Board of Directors

6.1.1.1.1. Appointment (article 14 of the Bylaws and article 4 of the Board of Directors' internal rules)

The Company is governed by a Board comprising at least three members, whether or not shareholders or legal persons. Members are appointed to the Board for a maximum term of four years by the General Meeting, which may remove them at any time. They may be re-elected. The term of office of outgoing Directors ends immediately after the General Meeting that decides on re-election.

The composition of the Board ensures an even balance between the Chief Executive Officers, the non-executive Directors and the Independent non-executive Directors. If the number of Directors so permits, at least three Directors shall be independent within the meaning of Appendix A of the Belgian Corporate Governance Code. The aim is that at least half of Board members should be non-executive Directors, and that at least one-third of Board members should be of a different gender than the other members.

Directors are appointed by the General Meeting from the candidates put forward by the Board.

Directors undertake to act in Econocom's interest and to maintain independence of judgement, decision-making and action in all circumstances. They participate in the work of the Board in a wholly impartial manner. Even if Directors know Econocom Group's business sector well, they should continue to build on their knowledge and expand their expertise.

The Board regularly reviews its composition, functioning and interaction with the Chief Executive Officer(s) and with the Chairman's Council.

6.1.1.1.2. Vacancy (article 15 of the Bylaws)

If a seat on the Board becomes vacant, the remaining Directors are entitled to fill it temporarily. In this case, the first General Meeting after the seat becomes vacant appoints a Director to fill the vacancy on a long-term basis. The Director nominated in the conditions described above is appointed for the remaining term of office of the Director he/she is replacing.

6.1.1.1.3. Chair, Vice-Chair and Secretariat (article 16 of the Bylaws and articles 5 and 6 of the Board of Directors' internal rules)

The Board of Directors elects a Chairman and Vice-Chairman from among its members.

The Chairman of the Board is responsible for:

1. Managing the work of the Board and, in particular, ensuring that the Board is well organised, functions efficiently and performs its duties and obligations in a due and proper manner. This involves:

- preparing, convening, chairing and overseeing meetings of the Board, and ensuring that these meetings dedicate enough time to serious, in-depth discussion of relevant issues;
- drawing up the agenda for meetings of the Board of Directors, in liaison with the Chief Executive Officer(s) and, where appropriate, the Chairman's Council;
- ensuring that the Board receives the appropriate information and that the documents supporting proposals for decisions are relevant and readily available within a reasonable time prior to Board meetings.

2. Ensuring the quality and continuity of the Board's work by initiating and managing procedures. This involves:

- assessing the size, composition and performance of the Board, the Chief Executive Officer(s), the Board's committees and the Chairman's Council in order to ensure that the decision-making process is effective;
- appointing or re-electing members of the Board, the Chief Executive Officer(s), members of the Board's committees and the Chairman's Council.

3. Liaising between the Board and the Chairman's Council. This involves:

- meeting regularly with the Chief Executive Officer(s) and other members of the Chairman's Council;
- ensuring that relations between the Board of Directors and the Chairman's Council are professional and constructive, and that the Chairman's Council provides the Board with the information it needs to perform its duties of assessment, decision, supervision and oversight;
- if it deems it to be in the Company's interest, the Board may entrust the Chairmanship to a Director who also performs executive functions within Econocom;
- in the absence of the Chairman, the Vice-Chairman replaces him. Should both the Chairman and the Vice-Chairman be prevented from attending a Board meeting, the Directors present elect a Chairman for the meeting in question.

The Board of Directors may appoint a Company Secretary who reports on how the procedures, rules and regulations applicable to the Board are implemented and respected. Directors may consult the Company Secretary at their own initiative.

6.1.1.1.4. Compensation (article 14 of the Bylaws and article 10 of the Board of Directors' internal rules)

Directors may or may not collect compensation for the performance of their duties. Any fixed or variable compensation may be set by the General Meeting acting on a recommendation from the Board of Directors assisted by the Compensation Committee.

Compensation is set for each Director or on an aggregate basis for the Board as a whole, in which case the Board shall decide how to allocate the compensation according to criteria it defines.

Compensation due to non-executive Directors is determined based on a realistic assessment of their responsibilities, the associated risks and market practices.

6.1.1.2. Powers of the Board of Directors (article 20 of the Bylaws and article 2 of the Board of Directors' internal rules)

The Board of Directors is vested with the power to undertake all actions necessary or useful for the Company to fulfil its corporate purpose, except for those actions set aside Bylaw for the General Meeting, and without prejudice to the powers it may delegate.

The Board represents the Company in its dealings with third parties and in legal proceedings, either as plaintiff or defendant.

It has the following duties and responsibilities, which it performs with the support of the Chairman's Council and the committees it has established:

- appoint, monitor and evaluate the Chief Executive Officer(s) and Managing Directors, members of the committees established in accordance with the provisions of the Belgian Companies Code, as well as members of the Chairman's Council and, more broadly, ensure the establishment of a clear and effective management structure;
- approve the strategic plans proposed by the Chairman of the Board, after reviewing them with the Chairman's Council;
- assess Econocom's functioning in relation to its strategic and budgetary targets, based notably on a quarterly review of financial results and any other reports made to the Board;
- approve any acquisitions, investments or internal reorganisation considered strategic by the Chairman of the Board or the Chairman's Council;
- take all steps necessary to ensure the integrity of the financial statements and other important information that must be disclosed to investors, and their publication within the prescribed timeframe;
- approve an internal control and risk management framework and oversee the work of the Statutory Auditor and Internal Audit;
- approve any other matters that the Chairman, Chief Executive Officer or Chairman's Council member believes should be submitted for approval by the Board due to its strategic significance (even in relation to matters delegated by the Board to the Chairman's Council, the Chief Executive Officers, the Managing Directors or any third party);
- take all decisions on matters set aside for it by law and the Bylaws, including any decision to be submitted to the General Meeting;
- assess its own functioning and interaction with the Chief Executive Officer(s), the Managing Directors and the Chairman's Council.

6.1.1.3. Functioning of the Board of Directors

6.1.1.3.1. Meetings (article 17 of the Bylaws and article 7.1 of the Board of Directors' internal rules)

The Board of Directors meets at least four times a year. Board meetings are convened and chaired by the Chairman, or, if the Chairman is prevented from attending a particular meeting, by the Vice-Chairman, whenever it is deemed to be in the Company's interest or each time a minimum of two Directors so request.

The Chairman prepares the agenda for each Board meeting together with the Chief Executive Officer(s) or the Chairman's Council.

Board meetings are held at the location indicated in the convening notice.

Members of the Board are convened at least five working days before the date of the meeting, unless a shorter timeframe is in the Company's interests or the Directors decide upon one.

Important information needed to allow the Directors to understand the matters to be discussed at the meeting are sent to each Director as soon as possible before the date of the Board meeting.

A Director unable to attend a Board meeting may be represented by another Director provided a proxy request is submitted in writing.

The Board may invite any persons whose presence it deems useful to attend its meetings.

6.1.1.3.2. Quorum and deliberations (article 18 of the Bylaws and article 7.3 of the Board of Directors' internal rules)

The Board of Directors may only validly debate and take decisions if at least half of its members are present or represented.

Decisions of the Board are adopted on the basis of a majority of votes cast; abstentions are not counted. In the event of a tied vote, the Chairman or, in his absence, the Vice-Chairman or, in his absence, the Director replacing him, has the casting vote.

In exceptional circumstances, when urgency and the best interests of the Company so dictate, decisions may be adopted pursuant to the unanimous consent of the Directors, expressed in writing. However, this procedure cannot be used for the approval of the annual financial statements or the utilisation of the authorised capital.

6.1.1.3.3. Proxies (article 18 of the Bylaws and article 7.1 of the Board of Directors' internal rules)

All Directors may ask one of their colleagues to represent them at a given meeting of the Board of Directors and vote on their behalf. This request may be made in writing, by email, by fax, or by any other means used to grant unequivocal special representative powers. In this case, the Director (proxy giver) represented is deemed to be present.

A Director may represent one or more other members of the Board.

Directors may also express opinions and vote in writing, by email or by fax, but only if half of the Board members attend the meeting in person.

6.1.1.3.4. Minutes (article 19 of the Bylaws and article 7.5 of the Board of Directors' internal rules)

Deliberations of the Board of Directors are recorded in the minutes of the meeting signed by at least the majority of the members present.

These minutes are recorded in a special register together with any delegations of authority granted.

Copies or extracts required for legal or other purposes are signed by the Chairman, by a Chief Executive Officer, by two Directors or by a Managing Director.

6.1.1.3.5. Information provided to the Board (article 9 of the Board of Directors' internal rules)

The Directors have access to all of the information needed to exercise their duties in a due and proper manner. Non-executive Directors may raise issues with members of the Chairman's Council, after having consulted the Chairman of the Board or a Chief Executive Officer and made sure that this will not jeopardise the proper conduct of business.

Directors may not use the information received in their capacity as Director for purposes other than the exercise of their office. They are required to keep any information they receive in their capacity as Director confidential.

6.1.1.4. Day-to-day management – delegation (article 21 of the Bylaws and article 3 of the Board of Directors' internal rules)

The Board of Directors may delegate the power to manage the Company's day-to-day affairs or to represent the Company with regard to its day-to-day management to one or more Directors who are also Chief Executive Officers and/or to one or more executives who are also General Managers, regardless of whether or not they sit on the Board.

Their roles and responsibilities are set out in the agreement governing their appointment. Nevertheless, the limits placed on their representative powers for the purposes of day-to-day management shall not be binding on third parties, even if they are published.

The Board of Directors and those responsible for day-to-day management, within the limits of the powers of day-to-day management, may grant special and precise powers to one or more persons of their choice, who need not be shareholders or Directors. Holders of these special powers may substitute one or more persons in the exercise of their powers, subject to the consent of the Board of Directors or the person responsible for day-to-day management (as appropriate).

In the event of a special delegation of powers, the deed of appointment defines the relevant powers and the related compensation.

6.1.1.5. Liability of the Board of Directors (article 25 of the Bylaws)

The Directors and the Statutory Auditor(s) are not personally liable for undertakings made by the Company.

Pursuant to common law and the provisions of the Belgian Companies Code, they may be held liable for the performance of their duties and any faults committed in their management.

6.1.1.6. Representation (article 22 of the Bylaws)

The Board of Directors represents the Company as a collegial body in its dealings with third parties and in legal proceedings.

Notwithstanding the Board's general powers of representation as a collegial body, the Company is legitimately represented in any legal proceedings and in its dealings with third parties, including with public officers (and mortgage registrars):

- either by the Chairman of the Board of Directors, acting alone;
- or by two Directors, acting in concert;
- or by a Chief Executive Officer, acting alone;
- or by a General Manager, acting alone.

The aforementioned persons are not required to provide any justification of a prior decision of the Board of Directors.

The Company is also legitimately represented by special proxies acting within the scope of their mandate.

6.1.2. COMMITTEES OF THE BOARD OF DIRECTORS (ARTICLE 21 OF THE BYLAWS)

The Board of Directors may set up any committee it deems useful, permanent or temporary, in an advisory or technical capacity. The internal rules of these committees are set by the Board of Directors.

Each committee is governed by its own internal rules, which define its composition, role, function and responsibilities as well as its functioning. These internal rules are adopted by the Board of Directors.

The Board of Directors shall establish an Audit Committee within the meaning of article 526 *bis* of the Belgian Companies Code, as well as a Compensation Committee within the meaning of article 526 *quater* of the Belgian Companies Code. The composition of these committees, their tasks and internal rules are established by the Board of Directors, pursuant to the provisions of the Belgian Companies Code.

The Board of Directors may establish specialised committees tasked with examining and advising on specific issues. The composition and role of these committees are governed by law.

6.1.2.1. Chairman's Council (article 21 of the Bylaws, article 3 of the Board of Directors' internal rules and the Chairman's Council's internal rules)

6.1.2.1.1. General information

Pursuant to articles 898 and 525 of the Belgian Companies Code and article 21 of Econocom's Bylaws, the Board may establish a Chairman's Council, consisting of several persons, Directors or not, and delegate to it the operational management of the Company, as well as special powers other than those relating to operational management, without prejudice to the day-to-day management powers conferred to the Chief Executive Officers.

However, the Board of Directors retains exclusive powers for overall policy and for acts reserved for the Board pursuant to the law, the Bylaws or the Board's internal rules. The Board may also address any question relating to operational management, if it considers it appropriate. In accordance with the decisions of the Board, the Council may, in turn, delegate any of its responsibilities to an Executive Committee (ExCom), of which the Chairman's Council determines the powers and composition.

6.1.2.1.2. Composition of the Chairman's Council

The members of the Chairman's Council are appointed by the Board of Directors. The Chairman's Council has at least three members, who may or may not be Directors or Econocom Group employees. The Board of Directors shall in principle ensure that each Chief Executive Officer and each Managing Director in charge of Econocom's day-to-day management is a member of the Chairman's Council.

The members of the Chairman's Council may, in their capacity as Council members, be removed by the Board of Directors at any time (without prejudice to employment or management contracts binding them to Econocom Group).

The members of the Chairman's Council are appointed for a maximum term of six years. They may be re-elected.

The Chairman's Council is chaired by a Chief Executive Officer appointed by the Board.

6.1.2.1.3. Role of the Chairman's Council

The Chairman's Council's responsibilities include, but are not limited to:

- taking all steps necessary to implement the decisions or recommendations of the Board;
- proposing strategic guidelines to be set by the Board, and framing budgets within the strategic guidelines laid down by the Board;
- managing the Group's operating entities (in accordance with the powers of the bodies of these entities), and supervising their financial and operating performance;
- entering into all agreements, making and approving all pricing proposals, placing and accepting all orders to buy, sell or lease any equipment and other capital goods and services;
- leasing and renting out, even for long periods, any properties, equipment or intangible assets, and entering into any lease and rental agreements concerning such assets;
- concluding financing, with or without the provision of collateral, except for the following transactions, which fall within the powers of the Board: any capital market transaction (other than commercial paper), any financing that has the effect of causing consolidated net debt to exceed consolidated equity or to represent more than 2x consolidated EBITDA;
- performing any external growth transaction, investment or disinvestment, with the exception of strategic transactions (including any transaction whose value or consideration exceeds €4 million), which fall within the scope of the powers of the Board of Directors;

- acting in dealings with the national government or EU, regional, state and municipal authorities, the Crossroads Bank for Enterprises (Banque-Carrefour des Entreprises), the tax authorities, the postal service, customs authorities, telecommunications companies and any other public departments or authorities;
- managing all legal or arbitration proceedings, as plaintiff or defendant, negotiating all settlements, taking all steps necessary in this respect, and obtaining and enforcing all rulings;
- representing Econocom in its dealings with trade union and employer representative bodies;
- drafting and signing all documents necessary for implementing the powers delegated to it.

Without prejudice to the powers set aside for the Board or the Board's committees, such as the Audit Committee, the Chairman's Council is also responsible for:

- implementing internal controls;
- preparing full, timely, reliable and accurate financial statements in accordance with accounting standards and with Econocom's overall policies as defined by the Board;
- presenting the Board with an impartial and comprehensible assessment of the Company's financial position and, more generally, promptly providing the Board with all of the information it needs to perform its duties;
- the Council may in turn delegate all powers assigned by the Board of Directors, both to Econocom employees and third parties. It notably delegates to the Executive Committee the powers set out in the internal rules of the Chairman's Council.

The powers conferred on the Chairman's Council shall in no event include the powers reserved by law, the Bylaws or internal rules for the Board of Directors. It is also the responsibility of the Chairman's Council to:

- submit to the Board any question relating to a strategic transaction bearing on Econocom or the Group, without prejudice to the Board's powers to examine any issues relating to operational management;
- respect the day-to-day management powers delegated by the Board of Directors to one or more Chief Executive Officers and/or General Managers.

The Chairman's Council has no powers of representation in respect of third parties; such powers are set out in the Bylaws and the Board's internal rules.

6.1.2.1.4. Functioning of the Chairman's Council

With the exception of the matters described below, the rules set out in the Bylaws applicable to Board meetings, deliberations and minutes also apply to the Chairman's Council.

The Chairman's Council meets at the initiative of its Chairman, or when requested by two Chairman's Council members. The Chairman's Council meets at least ten times a year. Meetings are held at the location indicated in the convening notice.

The agenda for the meetings is set by the Chairman. However, members are entitled to propose the addition to the agenda of any item they deem necessary. The Chairman's Council's discussions are based on files containing all information needed for decisions to be made, distributed to each member. The Chairman's Council may invite any persons whose presence it deems useful to attend its meetings.

The Chairman's Council acts as a collegial body; its decision-making is based on a consensus-building process. Where appropriate, the Chairman of the Chairman's Council may put matters discussed to the vote, at his own initiative or further to the request of two other members. Matters are then decided by a majority vote of all members present. When there is no majority, the Chairman holds the casting vote.

The Chairman's Council reports to the Board of Directors on its management and on any significant issues falling within the scope of its responsibility. The Chairman of the Council or any other Council member appointed for the purpose issues a quarterly report in this regard for the Chairman of the Board of Directors; this report includes internal reporting of financial results for the quarter.

The Chairman's Council takes all steps it deems necessary to allow the Board to fulfil its duty of oversight as required by law, the Bylaws and its internal rules.

At 31 December 2017, the Chairman's Council consisted of Jean-Louis Bouchard, Robert Bouchard, Bruno Grossi, Sébastien Musset and Martine Bayens.

6.1.2.2. Audit Committee (article 21 of the Bylaws and the Audit Committee's internal rules)

6.1.2.2.1. General information

The Board of Directors has set up an Audit Committee in accordance with article 21 of Econocom's Bylaws and with article 526 *bis* of the Belgian Companies Code.

The role of the Audit Committee is to assist the Board of Directors in performing its duties of oversight of Econocom's business in the broadest sense of the term. More specifically, the Audit Committee assesses financial information and monitors internal control, risk management and internal and external audit processes. It issues opinions.

6.1.2.2.2. Composition of the Audit Committee

The Audit Committee comprises at least two non-executive Directors. If additional Directors are appointed to the Audit Committee, the committee must always include at least one independent Director with accounting and audit expertise.

Members of the Audit Committee are appointed by the Board of Directors for a renewable three-year term.

The Chairman of the Audit Committee is appointed by the Board of Directors. The Chairman of the Board of Directors cannot chair the Audit Committee.

The term of office of a member of the Audit Committee ends at the same time as his term of office as Director.

At 31 December 2017, the Audit Committee consisted of Jean-Philippe Roesch, Rafi Kouyoumdjian, Gaspard Dürrleman and Marie-Christine Levet. The committee is chaired by Jean-Philippe Roesch.

6.1.2.2.3. Role of the Audit Committee

The Audit Committee is responsible for the tasks described below.

1. Financial reporting

Monitoring the process of preparing financial information and ensuring its reliability, i.e., the accuracy, completeness and consistency of the financial statements;

Discussing any material financial reporting issues with the members of the Chairman's Council and with the Statutory Auditor. In particular, the Chairman's Council informs the Audit Committee of the methods used to account for material and unusual transactions when several possible approaches exist, and of the existence and justification of activities carried out through special purpose vehicles.

2. Internal control and risk management

- Understanding the risk management and control systems established by Econocom's management, assessing whether the systems are appropriate and, where applicable, making recommendations to mitigate any material risks;
- Reviewing the results of any investigations undertaken within the Company in response to alleged fraud or errors, or for any other reason: reviewing decisions taken at such times and, where appropriate, making its own recommendations;
- Enquiring about the systems in place within the Company and its subsidiaries to ensure compliance with the main legal and regulatory requirements applicable to them.

3. Internal audit

- Reviewing and making recommendations on proposals by the Chairman's Council on the appointment or replacement of the head of Internal Audit, and on the annual budget set aside for its operation;
- Taking note of the work programme of the head of Internal Audit and his reports;
- Reviewing the effectiveness of the internal audit function, chiefly by analysing how management applies the findings and recommendations of Internal Audit.

4. External audit

- Making recommendations to the Board of Directors regarding the appointment or re-election of the Company's Statutory Auditor, the amount of fees payable to the Statutory Auditor and, where applicable, the Statutory Auditor's removal or resignation;
- Ensuring Statutory Auditor independence, chiefly in light of the provisions set forth in the Belgian Companies Code and the Royal Decree of 4 April 2003;
- Identifying the Statutory Auditor's work programme and reports;
- Periodically reviewing the effectiveness of the External Audit process and analysing how the Chairman's Council follows up on any recommendations made by the Statutory Auditor;
- Defining, together with the Company's Statutory Auditor, the nature, scope and cost of the Statutory Auditor's involvement in any work performed that is unrelated to the statutory audit engagement.

5. Other

- Formulating recommendations to the Board of Directors concerning matters falling within the scope of responsibility of the Audit Committee;
- Fulfilling any other roles assigned by the Board of Directors.

6.1.2.2.4. Functioning of the Audit Committee

The Audit Committee meets as often as necessary and at least four times a year. At least two meetings a year deal chiefly with the financial statements.

The Chairman of the Audit Committee determines the agenda for each meeting. A Chairman's Council or Audit Committee member may ask the Chairman of the Audit Committee to place any item he or she considers appropriate on the agenda.

The Audit Committee takes care to preserve free and open communication with the Chairman's Council.

The Audit Committee may invite the Statutory Auditor, the head of Internal Audit and any other member of the Chairman's Council or Econocom employees to attend all or part of its meetings. The head of Internal Audit and the Statutory Auditor must each attend at least two Audit Committee meetings per year.

Before meetings of the Audit Committee, its Chairman is responsible for ensuring that members receive accurate, complete and clear information in connection with the items on the agenda. The Chairman's Council is required to provide all necessary information, and the Audit Committee may request any clarification it deems necessary.

Except in emergencies identified by the Chairman of the Audit Committee, Audit Committee meetings are convened at least five working days before they are due to take place. A shorter timeframe may apply provided that all members agree.

The Audit Committee can deliberate if at least two of its members are in attendance or legitimately represented. Decisions are made by a majority of votes cast.

The Audit Committee annually assesses its functioning and effectiveness. It meets for this purpose with the head of Internal Audit and the Statutory Auditor for an exchange of views on the audit process and the Audit Committee's internal rules. It reports this assessment to the Board of Directors and makes, if necessary, proposals for modifications.

6.1.2.3. Compensation Committee (article 21 of the Bylaws and the Compensation Committee's internal rules)

6.1.2.3.1. General information

The Board of Directors has established a Compensation Committee in accordance with article 526 *quater* of the Belgian Companies Code and article 21 of the Company's Bylaws.

The Compensation Committee advises and assists the Board of Directors. It conducts its work under the supervision and responsibility of the Board of Directors. The Compensation Committee takes care to preserve free and open communication with the Chairman's Council.

6.1.2.3.2. Composition of the Compensation Committee

The Compensation Committee consists of three non-executive Directors. The majority of members are independent as defined by article 526 *ter* of the Belgian Companies Code. The Compensation Committee has the necessary expertise in matters of compensation.

The term of office of Compensation Committee members is three years, and does not exceed their term of office as Directors. The term of office as Compensation Committee members may be renewed at the same time as their term of office as Directors.

The Compensation Committee is chaired by a non-executive Director.

The Chairman of the Compensation Committee oversees its work and takes all necessary steps to create a climate of trust within the committee by contributing to open discussions and encouraging constructive debate.

Members of the Compensation Committee choose a Secretary from among themselves.

At 31 December 2017, the Compensation Committee consisted of Jean Mounet, Rafi Kouyoumdjian and Anne Lange. The committee is chaired by Jean Mounet.

6.1.2.3.3. Role of the Compensation Committee

The Compensation Committee assists the Board of Directors, under the responsibility of the Board, in all matters relating to the compensation paid to the Chairman and Chief Executive Officer, the Directors, and the members of the Chairman's Council.

More specifically, on the recommendation of the Chairman and Chief Executive Officer, the Compensation Committee is in charge of:

- making proposals and recommendations to the Board of Directors with respect to the compensation of members of the Chairman's Council, and, as required by law, with respect to any resulting recommendations that the Board of Directors must submit to the shareholders for approval;
- making proposals and recommendations to the Board of Directors with respect to the individual compensation of Directors and members of the Chairman's Council, including the variable portion and long-term benefits (long-term share incentives) – whether or not shared-based – granted as stock options or other financial instruments, termination benefits and, if required by law, any resulting recommendations that the Board of Directors must submit to the shareholders for approval;
- making recommendations and proposals to the Board of Directors about setting and assessing performance targets linked to the individual compensation of Directors' and Chairman's Council members;
- drafting the compensation report, in accordance with article 96, section 3 of the Belgian Companies Code, which is subsequently appended to the corporate governance statement;
- commenting on the compensation report during the Ordinary General Meeting;
- submitting recommendations to the Board of Directors with respect to the terms and conditions concerning the Directors' and Chairman's Council members' employment or other contracts;

- generally carrying out all the tasks assigned by the Board of Directors with respect to compensation.

In accordance with article 21 of the Bylaws, the Board of Directors grants the Compensation Committee the power to implement Board decisions with respect to stock option plans or any other existing or future plans for granting financial instruments such as warrants, i.e., issuing stock options or other financial instruments within the limits authorised by the Board of Directors, to whom the Compensation Committee is accountable.

6.1.2.3.4. Functioning of the Compensation Committee

The Compensation Committee meets as often as necessary and at least twice a year.

Compensation Committee meetings are convened by the Chairman, who also determines the agenda. A Director or Chairman's Council member may ask the Chairman of the Compensation Committee to place any item he or she considers appropriate on the agenda.

Except in the event of emergencies identified by the Chairman of the Compensation Committee, notice of Compensation Committee meetings (and the agenda for said meeting) are sent by any means ordinarily used by the Company within a reasonable period before the meeting is due to take place.

Before meetings of the Compensation Committee, its Chairman is responsible for ensuring that members receive accurate, complete and clear information and all relevant documents related to the items on the agenda. The Chairman's Council is required to provide all necessary information, and the Compensation Committee may request any clarification it deems necessary.

The Compensation Committee may invite any persons whose presence it deems useful to attend its meetings. The committee may ask for an independent professional opinion on issues it considers necessary to perform its duties, at the Company's expense.

Directors may not attend Compensation Committee meetings that deliberate on their own compensation, and therefore may not take part in any decisions in this respect.

The Chairman and Chief Executive Officer may participate in meetings of the Compensation Committee in an advisory capacity when said meetings discuss compensation for other Chief Executive Officers and other members of the Chairman's Council.

The Compensation Committee can deliberate if at least two of its members are in attendance or legitimately represented. Decisions are made by a majority of votes cast.

6.2. CONFLICTS OF INTEREST

The Company's corporate officers must comply with the recommendations of article 523 (conflicts of interest between the Company and a Director) and 524 (intragroup conflicts of interest) of the Belgian Companies Code.

To comply with the Corporate Governance Code, the Company has issued a number of recommendations for its Directors and the members of its Chairman's Council concerning transactions and other contractual relationships between the Company (and any companies related to it), its Directors and the members of its Chairman's Council when such transactions and other contractual relationships are not covered by legal provisions on conflicts of interest. These recommendations are outlined in the conflicts of interest procedure adopted on 22 November 2012 by the Board, and in the stipulations outlined in the Board of Directors' internal rules and in the Chairman's Council's internal rules relating, respectively, to conflicts of interests of Directors and of members of the Chairman's Council.

In short, Directors and Chairman's Council members must at all times act in the interests of the Company and its subsidiaries. They apply rigorous discipline to exclude potential conflicts of interest in respect of personal assets, professional or other aspects as much as possible, and to comply strictly with rules on conflicts of interest between Econocom and its Directors or Chairman's Council members.

When a Director or a Chairman's Council member, directly or indirectly, has an interest that is contrary to a decision or transaction made by Econocom, bearing on personal assets or not, he or she shall immediately inform the Chairman of the Board, and, if he or she is a Director, the other Directors, and if he or she is a member of the Chairman's Council, the other members of said Council, no later than the beginning of the meeting at which the matter giving rise to the conflict is discussed. He or she shall then not take part in the discussion or vote on the matter. The Chairman shall then decide whether it is appropriate to make a report to the Board.

The transactions covered by this section are submitted to the Audit Committee, whose task is to ensure that said transactions comply with the procedures outlined above or, where applicable, that they are normal transactions conducted under normal market conditions and guarantees generally applied to transactions of a similar nature. The Audit Committee found that almost all of agreements reached during the 2017 financial year were normal transactions conducted under normal market conditions.

All material agreements between Econocom Group and its related parties are disclosed in Note 22, "Related party information", to the consolidated financial statements in the 2017 annual report.

6.3. BIOGRAPHIES OF DIRECTORS

Jean-Louis Bouchard began his career in 1966 as an Account Manager at IBM, spending two years at IBM World Trade in New York. Between 1971 and 1981, he created and served as Chairman and Chief Executive Officer of Informatiques Inter Ecoles. In 1973, he founded Europe Computer Systèmes (ECS), where he served as Chairman until he sold his non-controlling interest to Société Générale in 1984. In 1982, he founded Econocom in Brussels, and in 1985 became Chairman of the Executive Board of Econocom International NV. In 1987, he was named "Entrepreneur of the year" by *Challenges* magazine.

Robert Bouchard began his career as negotiator with Cardif in 1995. In 1997, he became an executive shareholder of a number of restaurants in Paris (La Gare, L'Ampère, Meating and Carmine). In 2010, he took over as Chairman of APL (specialising in the design, construction and maintenance of data centres), and is currently its majority shareholder. He was Chairman of Digital Dimension from November 2016 to November 2017. He was appointed Chief Executive Officer and Chief Operating Officer of Econocom Group by the Board of Directors on 18 May 2017. Robert Bouchard is Jean-Louis Bouchard's son.

Walter Butler, who has French and Brasilian citizenship, is a graduate of the Ecole Nationale d'Administration (ENA). He began his career with the Inspectorate General of the French Ministry of Finance before going on to become Executive VP of Goldman Sachs in New York. He founded Butler Capital Partners (BCP) in 1991. His group currently specialises in private equity and credit in Europe (Butler Investment Managers in London), as well as investing in companies, including Osiatis. Walter Butler was formerly Chairman of the French private equity and venture capital association (*Association Française des Investisseurs en Capital* – AFIC), a member of the French Strategic Investment Fund Committee (*Comité du Fonds Stratégique d'Investissement* – FSI) and France's National Economic Analysis Council (*Conseil d'Analyse Économique de la République Française*).

Philippe Capron is currently Deputy Managing Director in charge of Finance for Veolia group and a member of the Supervisory Board of Virbac. He was previously Managing Director of Banque Duménil Leblé, a partner at Bain, CEO of SFAC (now Euler Hermes France), Finance Director of Usinor and then Chairman of Arcelor Packaging, and a member of the Management Board and Finance Director for Vivendi. He has experience in the most senior financial positions with very large groups.

Adeline Challon-Kemoun began her career as a communications consultant with Image 7 and then joined the Office of the French Minister of the Economy and Finance. She subsequently held executive management positions (Euris and Rallye) and served as Communications Director for major groups (Casino, France Télévisions and Air France). She was Executive Vice President of Marketing, Digital & Communications for Air France-KLM and a member of the group's Executive Board from July 2015 to June 2017. She has been an Independent Director of Bourbon Corporation since March 2017. As a specialist in marketing and digital, she has a sound understanding of the expectations of individual and corporate customers.

Gaspard Dürrleman began his career with Basaltes group in 1982. He went on to head Econocom Trading from 1985 to 1987, then Innovation et Gestion Financière from 1987 to 1992. He was subsequently head of the leather goods division at Hermès until 2000, and then of Delvaux in Belgium until 2003. He then joined Arthus-Bertrand group, which he ran for three years. In 2009, he became Chairman and CEO of Cambour, a jewellery manufacturer, a position he held until the end of 2015. Since then, he has established a consultancy business with large French and international groups in the luxury goods sector and taught in a business school.

Véronique di Benedetto started out as an Account Manager at IBM. In 1985, she became a sales agent with ECS, and in 1995 was appointed Sales Director for ECS in Paris. She then headed ECS's international operations, before going on to become Managing Director in 2009. After the merger between Econocom and ECS, she was appointed Deputy Managing Director of the new Group, running operations in France. In 2015, she was appointed Vice-Chair France, responsible primarily for CSR strategy, innovation governance and B2B and B2C digital business development in various sectors, including education and culture.

Bruno Grossi worked for over 20 years at Accenture, where he was partner, in charge of the telecom and media sectors in France, Belgium and Luxembourg. Co-Chairman of Osiatis between 2010 and 2013, before its merger with Econocom Group in September 2013, he has been a member of the Company's Chairman's Council since October 2013, with responsibility for acquisitions, strategy and communication.

Rafi Kouyoumdjian began his career as an Account Manager for IBM in 1983. He joined Econocom Group in 1987, spending 13 years in various positions of responsibility, including senior management from 1995 to 2000. In 2001, he became Chairman of Liberty Surf Group (now Tiscali France), before serving as Chief Executive Officer of NextiraOne Group from 2006 to 2010. He was Chairman of Vizada in satellite communications from 2011 until its sale. Since June 2015, he has been shareholder and manager of Oteis, an engineering company.

Anne Lange began her career in the Office of the French Prime Minister, where she was in charge of the supervisory body for public broadcasting. She was then appointed head of e-business for Europe at Thomson, then Company Secretary of the Forum for Rights on the Internet. She went on to hold a number of senior management positions with Cisco. More recently, Anne embarked on an entrepreneurial venture as co-founder and CEO of Mentis, a software company specialising in the Internet of Things, which has since been sold. She now splits her time between her directorships and her role as a Senior Advisor, working with CEOs and helping them deal with major digital transformation challenges. Anne Lange is a Director of Orange, Imprimerie Nationale and Pernod Ricard. Her strong technological skills, especially related to the world of the Internet, give her a clearer understanding of the major changes underway in the digital world.

Marie-Christine Levet is one of France's pioneering figures in the Internet world and has over 20 years' experience in the new technologies sector as both an entrepreneur and investor. She has run several French Internet and media companies (Lycos, Club-Internet, Tests group, etc.). Leveraging her entrepreneurial experience, Marie-Christine Levet switched over to the investment sector, taking part in the founding of Jaina Capital, one of France's first investment funds specialising in seed funding. Convinced of the education sector's need to undergo transformation, Marie-Christine Levet founded Educapital, the first

European investment fund devoted to the innovative education sector, in October 2017. She is also a Director of Iliad, Mercialys, Maisons du Monde SoLocal and AFP. Her entrepreneurial experience as both an investor and director of pioneering companies in the digital market as well as in digital transformation consulting is an asset in supporting Econocom Group's development strategy.

Jean Mounet trained as an engineer (ESCPE Lyon). Holder of a doctorate in Physical Sciences, he graduated from Stanford University in Strategic Marketing. He occupied a number of positions with IT manufacturers (IBM and Bull). In 1988, he joined Sopra Group as Managing Director, becoming Vice-Chairman in 2005. He is now a Director of Sopra Steria Group and Special Advisor to the Chairman. He was also Chairman of Syntec Numérique from 2003 to 2010.
As part of the MEDEF (Mouvement des entreprises de France), France's largest union of employers, Jean oversaw the publication of two landmark reports for the Information and Communication Technology industry:

- "PME-TIC", which was designed to promote the use of digital technologies at French small- and medium-sized companies;
- "*Faire de la France un leader de l'Economie Numérique*" (Making France a Leader in the Digital Economy).

Jean Mounet was appointed Chairman of the Statutory Committee of Syntec Numérique, France's first professional association for the digital sector. Its members include digital service companies, technology consulting firms, software publishers and web companies, almost half of which are based regionally.

Jean-Philippe Roesch began his career with six years at Arthur Andersen. He joined Econocom Group at the end of 1989 as Chief Financial Officer for Econocom France. After heading various subsidiaries within the Group, Jean-Philippe Roesch held a number of roles (Company Secretary of Econocom Group in 2001, Deputy Managing Director in 2004), culminating in his appointment as Managing Director in 2006. He stepped down at the end of 2016.

The Econocom Board of Directors declares that, to its knowledge, none of the Directors have ever been convicted of fraud or subject to any official or public indictment and/or sanction preventing him/her from acting as a member of the management or supervisory body by any legal or supervisory authority, and that none of the Directors have been prevented by a court of law from serving as a member of the governing body and that, in this capacity, they have never been involved in bankruptcy proceedings.

7. RESEARCH & DEVELOPMENT

Innovation is the key component of Econocom's DNA. Digital technology has transformed every sector of the economy, and Econocom must offer its customers integrated solutions that require a perfect understanding of the new uses this technology can bring. The Group is therefore innovating constantly, which is key to its competitiveness in the digital transformation market.

In 2017, its R&D efforts focused on security, robotics, the development of web, mobile and vertical applications, Big Data, the Internet of Things and virtual reality.

As a result, one of its product innovations won the 2017 IT Innovation Trophy. The Group's Captain DC autonomous robot was the winner.

The robot can perform numerous tasks in customers' data centres, including inventory and surveillance tasks, and sending alerts in real-time. In addition, based on the data it collects, it can offer solutions to problems. With embedded sensors, the autonomous robot can patrol data centres for visual surveillance purposes and also monitors hygrometry and temperature levels, all in real-time, 24/7. The Innovation Trophy is a reward for all of the work performed by the R&D teams, and the combination of robotics and Big Data used to offer predictive maintenance products to customers. This technological innovation is one of Econocom's strongest assets which will benefit customers and help the Group with its own transformation.

The acquisition of BiBoard is another example of the Group's constant innovation efforts. A major player in collaborative business intelligence in France, BiBoard has developed an alternative approach to decision-making processes thanks to the use of innovative technology. Through this acquisition, Econocom has added to the data services it can offer, rolling out an efficient and secure business intelligence solution that can be easily integrated with existing IT systems, both for its own and its customers' use. There are numerous areas where Econocom and BiBoard can work together to provide new, valued-added services. They include: Smart Business, Smart City, Smart Building, Smart Home, Smart Health, etc.

On the security front, in conjunction with Digital Security and Exaprobe, a specialist in the integration of security infrastructures and unified communication solutions, Econocom is at the forefront for securing hardware, processes and data. The Digital Security Research and Development unit analyses new radiofrequency protocols used in the Internet of Things, studying the physical security of connected devices and providing for the acquisition of digital evidence in the event of security incidents. Research work is regularly formalised in the form of studies and first-of-a-kind security conferences on innovative equipment and technologies.

To support this work and the launch of the new "e for excellence" strategic plan, the creation of an Innovation Department, announced at the end of 2017, is scheduled for completion in early 2018. The department will strengthen the Group's capacity to listen, develop and bring to fruition the best employee ideas.

It comprises:

- an Innovation Hub, responsible for:
  - ensuring pragmatic governance of innovation to prioritise projects, bring them to fruition and generate value from them,
  - building an open innovation platform that brings together the Group's main partners that it wishes to promote and integrate in the solutions offered to clients;
- an "Innovative Business Units" incubator, responsible for:
  - fast tracking their path to maturity and turning them into levers for future growth,
  - boosting their development, by strengthening synergies with the Group.

The Innovation Department adds to the expertise in the areas of consulting and innovation offered by Econova, whose purpose is to understand companies' business challenges and requirements, and to translate them into IT and digital solutions calling on the full breadth of Econocom's expertise and innovative ecosystem (partners, start-ups, etc.).

To support and develop innovation, Econocom has also invested in funds specialising in certain sectors, including IT/Internet/digital, science and life sciences/MedTech, education and training (EdTech). In 2017, Econocom invested in the Paris-Saclay Seed Fund and Educapital. More than an investment, Econocom's involvement in these funds is a reflection of its ongoing and tangible commitment to support innovation.

For some of its business, the Group is entitled to a research tax credit (*Crédit d'Impôt Recherche*) in France. As a result, it is able to forge ahead with bold medium- and long-term projects that will offer a significant advantage in terms of enabling the Group to differentiate its technological offering.

8. PRINCIPAL INVESTMENTS

In addition to developing new products and software tools, and recruiting new sales staff and engineers, Econocom Group carries out external growth transactions in order to acquire specific skills, accelerate its growth and increase its profitability.

The Group's main investments over the last three years are described below.

8.1. 2015

In 2015, Econocom devoted nearly €70 million to acquisitions, €20 million to capital acquisitions, mainly on equipment and premises to bolster team productivity, and approximately €60 million to its Technology Management & Financing business to fund highly innovative leases, notably through its subsidiary Econocom Digital Finance Ltd. The latter accounts for nearly one-third of the robust momentum enjoyed by the Technology Management & Financing business (organic growth of 10% in 2015).

The Group also made targeted acquisitions to boost its expertise in four strategic and dynamic segments.

In February, Econocom acquired a 45% stake in Helis, a French company that provides specialised digital transformation and engineering consulting in the field of IT infrastructure.

In the field of security, Econocom acquired Clesys in February and Altasys in October. These acquisitions dovetail with Econocom's existing operations in this area, giving the Group a security division generating more than €50 million in revenue with nearly 120 engineers. They give the Group a foothold in the integration of digital networks and security infrastructure solutions, and in auditing and consulting for information systems security; in 2015, it created the first European CERTTM dedicated to the security of connected devices and their environment (IoT). Security is the first obstacle faced by companies in their decision to implement a digital transformation; it is strategic to the development of the Group and its digital solutions offering.

Econocom also made acquisitions in web and mobile applications. In May 2015, it acquired a 64.45% stake in Alter Way, which specialises in open source programs and in the fields of web hosting, engineering, training and consulting; in June, it acquired a 70% stake in Italian company Bizmatica, which develops "Business & Mobile" application services with operations along the entire value chain of this market, from design consulting to managing the solution implemented.

Lastly, through its subsidiary Digital Dimension, Econocom strengthened its digital solutions offerings with the outright acquisition in March 2015 of Norcod, a French specialist in connected solutions for businesses, and the holder of compelling expertise in the design, integration, deployment and management of mobile solutions integrating voice and Wi-Fi technology, particularly suited to retail and logistics activities. Econocom also acquired the entire share capital of Spanish company Nexica in April 2015, and took control (90%) of European group SynerTrade in August. Nexica provides hosting for critical business applications and cloud infrastructure. With over 15 years' experience in the market, it manages two data centres for IaaS (Infrastructure as a Service) services, with the ability to host such value-added services as e-commerce platforms and portals. SynerTrade is a European software vendor specialising in e-procurement solutions for tracking procurement and analysing expenses. SynerTrade group, which is headquartered in Luxembourg, operates through five subsidiaries (in Luxembourg, Germany, France, Romania and the United States) and representative offices in Italy, the Netherlands, China, the United Arab Emirates and India.

These acquisitions represent proforma revenue of more than €75 million and an average operating margin of approximately 7%. They allowed the Group to strengthen its operations in the growing digital transformation market.

8.2. 2016

In 2016, Econocom focused its acquisition strategy on SMEs operating in high-growth markets. The five deals carried out in 2016 are as follows:

In January 2016, the Group acquired a 60% controlling interest in Cineolia. Cineolia provides digital services to hospital patients in France through multimedia equipment (connected televisions, telephones, tablets, etc.). It reported revenue of €2.1 million in 2016.

In January 2016, the Group also acquired a majority 66.7% interest in Caverin. This Spanish multimedia distribution company posted revenue of €18.8 million in 2016. The acquisition of Caverin enabled Econocom to successfully launch its Products & Solutions business in Spain, and to offer its Spanish customers a comprehensive range of services, as it does in France, Benelux and Italy.

In July 2016, the Group took control of Asystel Italia, a Milan-based service company, acquiring 51% of its capital. This acquisition enabled it to strengthen its services activities and to deploy its multi-business model in Italy. Asystel Italia posted full-year revenue of €29.9 million.

In July 2016, the Group also took control (81.3%) of MCNext, a consulting and computer engineering group based in France, specialising in software solutions and development tools using Microsoft technology. MCNext posted full-year revenue of €17.2 million in 2016. The alliance between MCNext and Infeeny, an entity specialising in cloud-based and mobile solutions created by Econocom in January 2016, makes the Group one of the top three players in Microsoft technology services in France.

Lastly, in October 2016, through its subsidiary Digital Dimension, the Group acquired a controlling interest in Gigigo group, based in Spain, Mexico and Brazil, specialising in the development of marketing and mobile promotion solutions (B2C). Digital Dimension owns a 70% interest in Gigigo, or 35.07% for Econocom Group. This acquisition strengthens the Services business in Spain, Mexico and Brazil. Gigigo posted full-year revenue of €7.2 million.

In terms of changes in ownership interest, Econocom Group acquired an additional tranche of shares in Rayonnance group in 2016, increasing its stake from 35.07% to 42.58%.

Econocom Brasil increased its capital for the benefit of its managers. The Group's interest in Econocom Brasil and its subsidiary Syrix stood at 56.87% at end-2016, compared with 61.25% in 2015.

Exaprobe also increased its capital for the benefit of its managers. As a result, the Group's interest in Exaprobe was 90% in 2016, compared with 100% in 2015.

8.2.1. OTHER INTERESTS ACQUIRED AND INVESTMENTS

As part of its strategy of keeping abreast of developments in the digital world and fostering corporate social responsibility (CSR), the Group invested in two start-ups operating in the fields of education and culture. Its aim is to play an active role in the transformation of learning, but also to promote entrepreneurship. In February 2016, Econocom acquired a 10.82% stake in Magic Makers. Magic Makers is a fledgling French start-up created by Claude Terosier in June 2014 and incubated at Paris Pionnières. Specialising in the teaching of programming, it is the first school in France to offer creative programming workshops for children.

In May 2016, Econocom also acquired an additional stake in Histovery, raising its interest to 9.59%. Histovery designs, produces and operates solutions for the enhancement of cultural sites and museum collections through new technologies and augmented reality. This investment will allow Econocom to take part in the development of this new way of experiencing culture.

Aside from the acquisitions and interests described above, the main investments made by the Group in 2016 were for fitting out new office buildings in Lyon, Paris and Brussels in order to group together and optimise the various premises, and to offer its teams an even more favourable working environment for exchange and innovation. The Group also invested in IT hardware and solutions designed to enhance staff performance, improve sales offerings and their delivery, and to develop innovative solutions for the Group's customers.

In its IT projects, the Group continued to harmonise its tools with a view to constantly improving its efficiency and productivity. Noteworthy projects include the deployment of SAP in all activities and countries – a project launched in 2014 and successfully completed in early 2016 – and the introduction of a single payroll tool for all entities in France.

8.3. 2017

In 2017, the deals carried out are as follows:

Products & Solutions

In April, the Group acquired 100% of BIS, a multimedia solutions integrator operating under Dutch law and comprising four companies (three in the Netherlands and one in Belgium). This acquisition enabled Econocom to strengthen its positioning on the strong-growth multimedia segment (digital signage, video-conference rooms, smart buildings, etc.) and to roll out its entire offering by developing new, cross-cutting solutions in the Benelux countries. BIS employs over 220 people and reported €55 million in revenue in 2017.

In October 2017, Econocom acquired 80% of the share capital of Energy Net, an existing partner. Energy Net is a distributor and integrator of Apple B2B solutions. Through expected synergies with Technology Management & Financing, this acquisition will make it possible to launch innovative solutions in Germany combining hardware, applications and services, which will be charged as a fee. Energy Net reported revenue of over €55 million in 2017.

Services

Through its Alter Way Satellite, Econocom acquired at end-April 100% of LP Digital Agency, a French company specialising in digital strategy consulting for major companies. LP Digital Agency reported revenue of €1.8 million in 2017.

At end-July, Econocom acquired an 85% stake in UK company Jade Solutions, which specialises in guest Wi-Fi and professional mobility solutions for major customers in the retail and logistics sectors. The company reported revenue of over €13 million in 2017.

Lastly, Exaprobe, an Econocom Group Satellite, acquired 51% of Aciernet, a French network and security solutions integrator with specific expertise in large data centres. A Cisco Gold Partner, the company has expertise which is very complementary to that of the Group. Aciernet reported revenue of over €183 million in 2017, and is experiencing robust growth driven by the strong momentum of its main customers and its international rollout, particularly in North America.

Changes in ownership interest

Econocom acquired all of the shares owned by Georges Croix, a minority shareholder in Digital Dimension, bringing the Group's share in Digital Dimension to 100% as of 1 October 2017. In the first quarter of the year, Econocom acquired 20% of Helis' share capital, bringing the Group's stake in the Satellite to 65%. Also in the first quarter of the year, Econocom acquired 35.98% of Econocom Brasil, bringing its stake to 92.85%.

8.3.1. OTHER INTERESTS ACQUIRED AND INVESTMENTS

In early May, Econocom acquired a minority stake (40%) in the share capital of JTRS, a digital solutions integrator in the UK education sector. JTRS is one of the main partners of Apple and Google Education in the United Kingdom.

9. ADDITIONAL INFORMATION

9.1. LEGAL AND ARBITRATION PROCEEDINGS

Governmental, legal or arbitration proceedings against the Group, pending or threatened, are subject to provisions established in accordance with IAS 17, taking into account all available relevant information on such proceedings.

The total consolidated amount of provisions for all of the Group's disputes (see Note 16 to the consolidated financial statements) includes all outflows of resources (excluding any possible reimbursements) deemed likely for all types of claims and litigation to which the Group may be party as a result of conducting its business. This amount was increased owing to a commercial dispute which could represent a counterparty risk for the Group.

9.2. MAJOR CONTRACTS

In the course of its operations, the Group signs substantial contracts with its customers, suppliers, funders and other partners, some of which are binding for several years. The importance of these parties is outlined in Chapter 4, section 3, "Dependency Risks".

03

CORPORATE SOCIAL
RESPONSIBILITY

1. EMPLOYEES, DRIVING GROUP CORPORATE SOCIAL RESPONSIBILITY

Through its hiring policy, professional development plans, after-work social events, health programmes and employee satisfaction surveys, Econocom has committed to making its employees the driving force behind corporate social responsibility (CSR) and the Group's top ambassadors. At 31 December 2017, Econocom had 10,760 employees, with nearly 80% in Services. The Group aims to stand out and be a one-of-a-kind employer.

Breakdown of workforce by business

	31 Dec. 2017	31 Dec. 2016
Technology Management & Financing	639	622
Services	8,851	8,429
Products & Solutions	394	182
Holding and support functions	757	650
Total employees	**10,641**	**9,883**
Sales agents	119	125
Total	**10,760**	**10,008**

Breakdown of workforce by geographical area

	31 Dec. 2017	31 Dec. 2016
France	7,643	7,150
Benelux	749	570
Southern Europe	1,706	1,593
Northern & Eastern Europe/Americas	662	696
Total	**10,760**	**10,008**

Econocom's Human Resources policy is designed to attract and retain talent, both essential contributors to the Group's long-term performance. Turnover stood at 24.6% for France in 2017.

1.1. HIRING AND ONBOARDING POLICY

1.1.1. TALENT ACQUISITION

The Group wants every employee to be able to grow in an exciting and rewarding work environment. This begins with putting the right skills in the right places, by managing hiring and mobility.

Econocom has defined three priority areas of action to meet the expectations of both current and future employees:

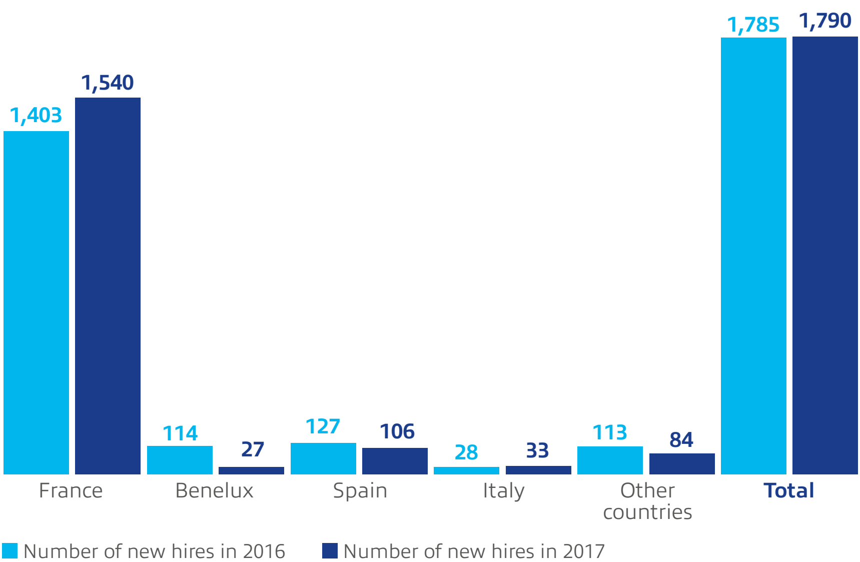
- increase presence on social media. These platforms give applicants and employees the opportunity to interact, and primarily target younger generations (57% of new hires at Econocom are under 30);
- make good use of Group employees' networks to hire people with more targeted profiles who embrace Econocom's corporate culture;
- promote internal employee mobility.

As part of this drive, the Career & Ambassador Programme (CAP) has been launched on an innovative gamified mobile app, providing a single interface for employees to:

- refer potential candidates using the Group's website or mobile app;
- manage their career with a short procedure for applying to the Group's job offers;
- share Group information on social media.

In 2017, the Group hired 1,540 people in France (including 1,134 on permanent contracts, 210 on temporary contracts, 121 on work-study contracts and 75 on internships), nearly 10% more than in 2016, and 1,790 people worldwide.

Number of new hires by region in 2017 (excluding Satellites)



1.1.2. TALENT INTEGRATION

New hires benefit from a personalised onboarding programme in which they meet fellow team members, gain a better understanding of the company's organisational structure and learn more about the business activity of their department.

To round out the programme, new hires also take part in a nation-wide onboarding seminar known as the Welcome Day, where they are introduced to Econocom's organisation and businesses. The Welcome Day seminars are extremely popular, surpassing a 95% satisfaction rate with participants.

Employees working at customer sites, on the other hand, attend Welcome Dates. Organised every three to six months depending on the region, this event informs them about the history of their local branch office and local stakeholders, as well as about national communication tools and the Group's career development programmes.

1.2. CAREER DEVELOPMENT

1.2.1. TRAINING

Econocom Group supports the career development of its employees by providing a wide range of training options. The Group's training programme offers three main types of courses:

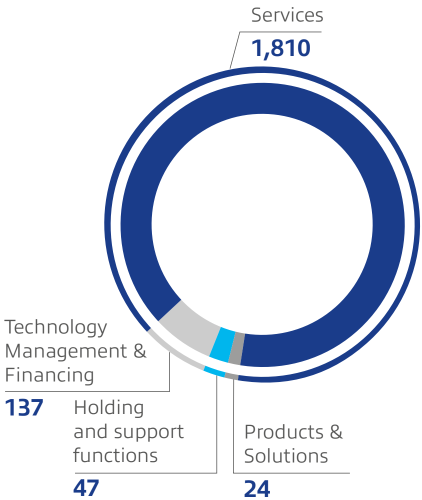
- an e-learning system available to all employees via the new Learn'up platform;
- the Econocom Management Academy aimed at managers;
- "on demand" training provided by specialised third-party organisations.

Training sessions designed specifically for a given category of employees are also organised regularly.

To meet the training requests of all employees and encourage them to engage in self-training, Econocom draws on the wealth of opportunities available through digital technology, and redesigned its e-learning system. In 2017, a total of 2,300 training modules were available, with 100 new options launched online over the year. MOOCs are also offered throughout the year, particularly on subjects relating to the digital transformation of the Group's businesses.

Econocom believes that training is a key factor in both employees' professional advancement and the Group's success. In France, 63,137 hours of training were provided in 2017.

Number of employees trained by business in France in 2017



The Econocom Management Academy was set up to develop managerial skills. Its training courses help managers prepare for the digital transformation and the collaborative, cross-disciplinary practices that come with it.

1.2.2. INTERNAL DIGITAL TRANSFORMATION

Econocom has introduced a training programme call the "digital passport" to improve employees' knowledge and awareness of the impact of digital technology on their business, and help them learn to use the new tools available to them so that digital solutions can be a true source of professional fulfilment. In 2017, almost 400 employees in France signed up on a voluntary basis to obtain the digital passport.

Digital transformation also involves adapting workspaces. To this end, Econocom has redesigned the layout of its offices to create spaces where people can come together to share ideas under the watchwords of co-creation and collaboration. The Group's different sites are equipped with digital solutions, such as displays in walkways to enable staff to perform quick tasks (reserve a meeting room, find their way around, check available offices, etc.), and web conferencing solutions that can be used either from a meeting room or a work device, such as a computer, tablet or smartphone.

At the end of 2017, ten sites were designed or redesigned to meet the Group's standards for collaboration and digital solutions. Nearly 3,000 employees benefit from working conditions adapted to changes in their business and work methods.

A Digital Bar has been set up at the Group's main site, and the concept will gradually be rolled out at its other major sites. These physical spaces provide a forum for employees and users to get answers to their questions about digital tools, along with more personalised guidance than the training courses provided to obtain the digital passport. Technical assistance is also available to help employees and users solve IT and digital issues.

The creation of an in-house social network has marked a real turning point in the digital transformation, particularly in the ways employees communicate with one another. Nearly 6,500 employees, or 70% of total staff, have signed up to the network, and more than half of them use it regularly as a work tool. The number of communities, from non-professional, interest-based communities to work-based or project communities, has also doubled to a total of more than 350. The in-house social network has also developed into a way of facilitating communication within the Services business in France between managers and their teams working on long-term assignments at customer sites.

In early 2018, a new in-house tool called OneLink was launched to standardise the Group's digital practices and resources. OneLink icombines all IT solutions and digital communication systems (intranet, Microsoft Office 365, newsletter, social media, CRM, HRIS, etc.) so that employees can access all information, documents and company news on a single platform. It will eventually replace the current in-house social media.

1.2.3. CAREER MANAGEMENT

Career management and professional development of employees are prime concerns at Econocom and part of a structured process to target specific initiatives for different employee profiles.

Econocom's Talent Reviews feature top management from each business line, the Career and Development team and the operational HR team to discuss the business challenges and human resources needs within their scope. These reviews are conducted to prioritise development actions based on employee category (high-potential employees, key managers, etc.) and to ensure that HR programmes are in line with the requirements and expectations of each business line and with employee aspirations.

In 2017, for example, Econocom developed an in-house coaching programme to support staff in their personal development in areas such as public speaking, posture, delegating and managing priorities.

1.3. EMPLOYEE SATISFACTION

Econocom operates in a highly competitive market and is confronted with labour issues inherent to the digital sector, including high turnover and downtime between contracts.

1.3.1. ENGAGEMENT PROGRAMME

Launched in 2011 in France, Econocom's Engagement programme aims to enhance work-life balance and improve well-being in the workplace. The programme is based on four key focuses: Easy Life, Flexi'work, Share and We Care We Cure.

Easy Life: by your side every day

Improving employee well-being in the workplace means providing a variety of services and innovative programmes to support employees and make their day-to-day lives easier. For example, the following services are available in France:

- advantageously priced concierge services, such as ironing, shoe repair, dry cleaning, clothing alterations, delivery of seasonal fruit and vegetable baskets and performance of administrative procedures;
- online tutoring for primary and secondary school children of employees;
- coding workshops designed for children;
- a free online sports coaching service to encourage employees to exercise;
- an innovative application to promote car-pooling among colleagues;
- a Share'n'Shop community opened on Econocom's social network, which allows employees to buy and sell second-hand goods and thereby promotes the circular economy with a simple solution to give a second life to items they no longer use;
- an employee assistance fund to grant staff a salary advance in the event of a life change or unexpected expenses. Employees must apply for the advance, which is then approved based on specific conditions.

Flexi'work: innovative flexible work arrangements

Achieving harmonious work-life balance is key to improving employee well-being. Econocom is sensitive to the well-being of its employees and therefore offers teleworking, and more broadly mobile working, and part-time work programmes. Several options are open to employees:

- teleworking: a flexible, modern work arrangement to promote multisite work or remote working one or two days a week (if possible, depending on job requirements). Teleworkers are trained on the specific requirements of this arrangement to make sure it benefits all concerned;
- occasional teleworking: employees may work from home if they cannot get to the office for exceptional reasons, such as a transport strike or bad weather conditions;
- mobile work: as a digital technology firm, Econocom encourages this form of work by designing Group sites to offer the services that mobile workers need, providing temporary workspaces and gradually rolling out the Share Your Desk policy. The Clean Desk initiative is also highly encouraged through an incentive programme;
- part-time work option: employees who have family responsibilities or want to devote more time to non-professional interests can choose to work a four-day week (based on pre-defined criteria).

Share: a commitment to the community

The Engaged, Now! programme was launched in 2016. The idea is simple: promote charity work performed by employees in their own time. Employees can therefore submit an application:

- for support for a charitable organisation for which they volunteer. The organisation will then receive a financial contribution from Econocom to support its development. The organisation's charitable purpose must also be in line with the Group's CSR strategy; or
- for support for an individual commitment, such as taking part in a charity sports event or fun run.

Twelve organisations have received support over the past two years. The programme has been a huge success and lets employees draw attention to the action taken by their organisation and recruit potential volunteers.

Throughout the year, Econocom takes part in specific initiatives alongside its employees. The Share Solidarity Month launched in December 2017 provides employees with the opportunity to get involved in community assistance and programmes to improve the living conditions of children. Long-term programmes have been implemented, such as the Rounding Up initiative (employees can donate cents of their salary), lunchtime donations of meal vouchers to fight child malnutrition, and Centimeo (installation of vending machines to support the community).

Other one-off initiatives, including clothing drives, in partnership with Secours Populaire, and book collections with the organisation Double Horizon, were also coordinated at the three main sites.

We Care We Cure

In 2017, Econocom launched its employee health programme in France, We Care We Cure. This programme takes action in two key areas:

1. Prevention (awareness, screening, preventive action) is the first step towards improving employee health. Targeted measures have been taken at numerous sites in the Paris region and throughout France, such as:

- organising conferences to support employees who want to stop smoking;
- deploying a flu vaccination campaign at 12 Econocom sites.

2. The Group also provides day-to-day support for employees in treating illnesses. The Consult Station, a connected medical office, was set up in September 2017 at the Puteaux site. Employees can perform a check-up independently or have a doctor visit via videoconference. In addition, osteopathy workshops and remote consultations with doctors or psychologists are also available for all employees in France.

1.3.2. HAPPY LIFE @ ECONOCOM

In 2015, Econocom launched the Happy Dej and Happy Cheers initiatives at its sites in France. These events, which take place every three months either at lunchtime or after work, give coworkers the chance to get together in a friendly, relaxed atmosphere by taking part in various activities.

Sports is also a vector for sharing and offering mutual support. That is why the Group holds sports challenges for its employees every year. Since 2016, about 100 runners from across all Group businesses, regions and countries have got together to run in high-profile races, such as the Trail de Porquerolles, Paris marathon, Médoc marathon, Porto marathon and, more recently, the 32-kilometre Run & Bike race through the Gorges du Verdon.

1.3.3. MEASURING EMPLOYEE SATISFACTION

Econocom reached a turning point in 2017 with the first-time launch of an in-house survey, Face Reality, in France.

In 2017, Econocom wanted to measure employee perception and better grasp their day-to-day reality in order to use the findings as a basis for designing action plans and improving employees' job experience at the Group. This led to the launch of the Face Reality in-house survey for the first time in France.

Satisfied employees mean satisfied customers. Econocom therefore set out to improve the customer experience by focusing on this programme, to align customer care with employee care.

Survey participation was extremely high, with 70% of employees expressing their opinion.

The findings, both for the Group as a whole and at business line level, were openly presented to all staff.

Following the presentation of the findings, nearly 1,000 employees participated in more in-depth workshops to come up with recommendations to enhance their satisfaction.

Based on these recommendations, Group Management will set priority actions to drive employee satisfaction and therefore engagement.

This process is planned as a continuous improvement approach, refreshing the virtuous circle every two years by measuring, analysing and synthesising, examining findings and monitoring actions.

1.4. DIVERSITY POLICY

Diversity contributes to openness and collective performance. Econocom has always based recruitment, partnerships and career development on the skills of each individual, and condemns any form of discrimination.

1.4.1. GENDER PARITY

Econocom closely monitors gender parity within its workforce and encourages women to join this highly male-dominated industry.

The Group ensures that fair treatment is applied in terms of representation and promotion to strengthen the balance between men and women.

Econocom is particularly attentive to ensuring that men and women enjoy the same career opportunities, especially in access to training, professional development and management positions.

Progress in gender parity cannot be made without raising the awareness of management and involving men in the process.

The Group has increased the number of women on its Board of Directors. In 2017, three out of the four new directors appointed were women. One-third of the members of the Board of Directors are now women, in line with the Group's target.

Gender breakdown in France in 2017 (excluding Satellites)

France	Holding and support functions	Products & Solutions	Services	Technology Management & Financing	Total
Women	26	45	397	71	539
Men	10	32	2,528	22	2,592
Non-managers	**36**	**77**	**2,925**	**93**	**3,131**
Women	89	51	447	86	673
Men	77	67	2,015	110	2,269
Managers	**166**	**118**	**2,462**	**196**	**2,942**
Total	**202**	**195**	**5,387**	**289**	**6,073**

1.4.2. ANTI-DISCRIMINATION POLICY

Professional integration of young people

For its Services business in France, Econocom clearly encourages hiring young graduates and final-year students on work-study programmes. Econocom plays an important role in training by supporting young workers every year in internships and work-study programmes. These undergraduate and master's-level training programmes are monitored by tutors in technical and functional jobs.

As Econocom's Services business has the highest recruitment needs, it has established special partnerships with more than 40 schools.

Econocom has also partnered with *Un Stage Et Après* since 2015. This organisation supports young people in building their professional identity by enabling them to explore the working world as early as possible, to develop their drive to learn and work, and to prevent drop-outs.

As part of this commitment to opening the business world to young people, several years ago Econocom formed a partnership with *Journée Nationale des Jeunes* (JNDN). Once a year, the Group opens its doors to middle and secondary school students from underprivileged backgrounds so that they can learn more about the business world and the solutions the Group provides for its customers.

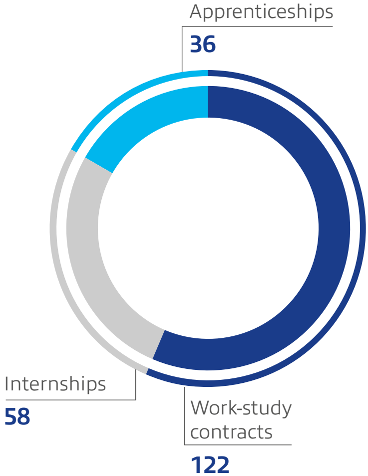
The Group works to get its employees involved in its diversity policy and strongly encourages them to participate in local awareness and integration initiatives. Through the Group's partnership with the organisation 100,000 Entrepreneurs and its network of partner organisations, several managers speak at secondary schools all over France to give students greater insight into entrepreneurship, intrapreneurship and the business world in general.

Taking its policy to support the professional integration of young people a step further, Econocom signed a generation contract for its different subsidiaries in France. This contract has three main goals:

- facilitate the long-term integration of young people into the workforce by providing access to a permanent work contract;
- encourage hiring senior workers and keeping them in the workforce;
- ensure the transfer of skills and expertise.

This agreement also aims to create synergies among the different generations of employees that make up the organisation and bring their expertise, a source of strength and innovative force. For this reason, the generation contract not only supports younger and older workers but also the generations in between, by giving them a key role in working with young people, transferring skills and training.

Breakdown of apprenticeships, internships and work-study contracts in France in 2017



In 2017, in France, 10% of the interns and work-study trainees were offered a contract following their internship or work-study programme.

Supporting employees aged over 45

Employees in France aged 45 and over can organise a career development meeting to discuss their situation and professional development plans. They are also given the option of having a skills assessment performed by an authorised independent organisation. In addition, these employees enjoy priority access to training programmes and support from the Human Resources Department to guide them through their internal mobility project.

Employees aged over 55 also benefit from additional measures. They are granted one paid day of absence every two years to have a health check-up. They can also opt for flexible working time arrangements such as part-time work, adjusted hours and teleworking. In addition, the Group gives them the opportunity to pass on their expertise in a tutoring programme involving younger Econocom employees.

People with disabilities

Econocom has committed to a proactive approach to supporting people with disabilities. *Mission Handicap*, or Disability Mission, is an inclusive Group-wide project that took shape with the signing of an agreement with *Association pour la Gestion du Fonds pour l'Insertion Professionnelle des Personnes Handicapées* (AGEFIPH), an organisation and fund in France that helps people with disabilities find work, in November 2014. The support from AGEFIPH has been used to develop several programmes that aim to raise staff awareness about integrating people with disabilities into the workforce and keeping them in their job. The Group has also made commitments relating to purchases from the sheltered employment sector.

A training campaign was implemented for management and recruitment teams to encourage the hiring and acceptance of people with disabilities. Additionally, Econocom has introduced several awareness initiatives aimed at all staff members, such as e-learning modules showing real-life situations of people with disabilities in the workplace, and a special intranet site.

Lastly, Econocom continues its involvement alongside 11 leaders in the digital industry (Accenture, Akka, Altran, Assystem, Atos, Capgemini, CGI, GFI, Open, Orange and Sopra-Stéria) as part of the disability and digital collective *Handicap et Numérique* founded in 2010 under the aegis of Syntec Numérique. This organisation is involved in managing www.handi-numérique.com. Created in 2014, it is the first website devoted entirely to jobs in digital technology and designed specifically for people with disabilities. Handi-numerique.com provides information about jobs in the industry and specialised training.

For the past three years, the Group has also offered internships for people with disabilities undergoing a career change.

2. CSR PROGRAMME

2.1. PURPOSE AND ORGANISATIONAL STRUCTURE

Econocom firmly roots its corporate social responsibility (CSR) policy in its businesses and operations so that CSR is fully integrated into its solutions. The Group has set a target **"to enable organisations to benefit from digital technology by offering innovative, realistic, sustainable solutions to address the major societal issues."**

Econocom aims to be recognised as a trusted partner in bringing digital solutions to address major social issues. For example, the Group is firmly committed to the social challenge of education, and innovates, with its ecosystem, to offer responsible solutions that contribute to the overall performance and competitiveness of organisations. Employee engagement is essential for the Group to achieve its goals. To drive this engagement, structured HR measures, such as those described above, must be implemented.

2.1.1. ROADMAP

Econocom set specific targets under its CSR policy presented in 2015. Together, they form the Group's first CSR roadmap, which has been approved by the Executive Committee and CSR Steering Committee.

This roadmap is used to measure progress on the first CSR action plan implemented by the Group.

Objectives	Deadline	Scope	Advancement
COLLABORATIVE, CROSS-DEPARTMENTAL ORGANISATION			
Cross-departmental environmental issues			
Define plans to reduce energy consumption at Group level.	2017	Group	Completed
Define a minimum environmental pack for all Group sites (recycling, equipment purchasing policy, etc.).	2017	France	In progress
Digital transformation and collaboration			
Define and implement an employee support plan for collaborative tools and, more broadly, issues involved in the digital transformation.	2017	Group	Completed
Define an office layout policy to create workspaces that foster collaboration, co-creation and employee fulfilment.	2017	Group	Completed
Implement a shared CRM tool for all business activities to promote a cross-business approach and collaboration between different departments.	2016	Group	Completed
Implement a workflow system to be used by the Group's businesses and Satellites to develop cross-business solutions and improve service quality.	2017	Group	In progress
Internal CSR drive			
Define and implement a sponsorship challenge aimed at employees involved in non-profit organisations to promote their commitment.	2016	France	Completed
EMPLOYEE SATISFACTION			
Redefine and extend the Share programme, which aims to improve well-being in the workplace and enhance work-life balance to benefit the vast majority of Group employees.	2016/2017	Group	Completed
Measure employee satisfaction and engagement through an in-house survey. Define and implement improvement plans based on the findings.	2017	Group	Completed
Implement a programme aimed at employees working on customer sites to share the Group's corporate culture and values and make these employees true Econocom ambassadors.	2017	France	In progress

Objectives	Deadline	Scope	Advancement
TRAINING AND PROFESSIONAL DEVELOPMENT			
Develop and diversify our training programmes, particularly through digital tools, and introduce incentives to encourage employees to take training.	2017	France	Completed
Encourage internal mobility, especially between the Group's different businesses and Satellites, and introduce an internal mobility policy.	2017	France	In progress
Develop the talent management programme to design career paths for high-potential employees.	2017	Group	In progress
Develop training courses available from the Econocom Management Academy and increase the number of participants.	2017	Group	Completed
Implement a CSR training programme for employees working in marketing, purchasing and sales, along with a general awareness programme aimed at all staff members.	2016	France	Completed
SOLUTIONS GEARED TOWARDS REDUCING THE NEGATIVE IMPACT ACROSS THE LIFECYCLE			
Factor CSR criteria into all new solutions.	2017	France	Completed
Identify and implement measures to promote sustainable development issues with Group customers.	2016/2017	France	Completed
A FIRM COMMITMENT TO THE KEY SOCIETAL ISSUE OF EDUCATION			
Strengthen our network of partners, and promote our expertise and the expertise of our partners.	2017	France	Completed
Open up a dialogue with the stakeholders in our ecosystem by playing a greater role in their initiatives and discussions (local and national government programmes, think tanks, etc.).	2017	France	Completed
Define and implement a sponsorship strategy in education to structure and reinforce our commitments.	2017	Group	Completed
PROMOTING ENTREPRENEURSHIP WITHIN OUR ECOSYSTEM			
Create and coordinate a support programme for start-ups and Satellites.	2017	Group	In progress
Encourage the development of intrapreneurial projects.	2016/2017	Group	In progress
RESPONSIBLE PURCHASING			
Step up the Group's responsible purchasing policy, mainly by implementing a system to review the CSR policies of our suppliers and make this a selection criterion.	2017	France	Completed

With the results of this analysis, the Group is better prepared to set its next targets under the new strategic plan "e for excellence". This plan will provide the opportunity to strengthen the CSR initiatives taken since 2015.

2.1.2. GOVERNANCE

Econocom's CSR policy involves all Group employees and is implemented by a dedicated organisational structure.

The CSR Department is overseen by Martine Bayens, Executive Director of Satellites, and ensures the operational implementation of the CSR programme by providing technical support to the various participants. It studies the Group's CSR issues and submits improvement plans.

Véronique di Benedetto, VP France, has a representative role for CSR policy on the Board of Directors and other departments.

The CSR Steering Committee comprises 11 directors representing the Group's main functions. The Committee met twice in 2017. It approves the strategic priorities and objectives of the CSR programme and ensures that objectives are met.

CSR Coordinators are part of the operational teams of members of the CSR Steering Committee. They are responsible for implementing action plans that cover their respective scopes.

2.1.3. CSR BAROMETER: A COMPREHENSIVE MEASUREMENT TOOL

To enhance transparency and sharing with its stakeholders, Econocom established a CSR barometer, which is monitored twice a year. The barometer is used to measure the impact of the Group's CSR actions and meet the 13 priority objectives identified in the CSR plan.

Of the objectives set, the Group is proud to have reached the following targets:

- 90% of sales, pre-sales and marketing teams trained in CSR in France;
- implementation of three joint initiatives with key account customers;
- 10 educational initiatives supported;
- more than 100 listed suppliers that have committed to meeting the Group's CSR standards.

2.2. ETHICS POLICY

Econocom has set out to unite all of its employees in support of an Ethics Charter, which lays down the daily practices and behaviour to embody its values.

In 2013, the Group adopted its Ethics Charter, drawn up in collaboration with the trade unions and based on the fundamental conventions of the International Labour Organization (ILO) and the principles of the United Nations Global Compact. The principles enshrined in this Charter are intangible signposts set out to guide the actions of all Group employees. Employees must be aware of and uphold its principles of integrity, respect, compliance, leadership, fairness and accountability.

The Group's Ethics Charter is available in six languages and has been explained to all managers, who are in charge of communicating the Charter's principles to their teams.

The Ethics Charter is available on the Econocom website: https://www.econocom.com/en/group/our-csr-commitment

Econocom carries out its business activities within a strict ethical framework. The Charter is an integral part of the general governance principles that apply to its business activities as do all applicable laws and regulations.

Conflicts of interest

Econocom takes steps to prevent any conflicts of interest. This means that no employee is allowed to compete knowingly with the Group, either directly or indirectly, or have a financial interest in the business of a supplier or competitor of the Group. Group Management must be informed of any such situation that should arise. It will ensure that any decisions or arbitration proceedings resulting from this situation are handled by neutral parties who can guarantee the integrity of Econocom Group.

Passive and active corruption

Econocom condemns any active or passive, or direct or indirect form of corruption or attempted corruption. Active corruption is defined as when an Econocom Group employee offers any customer, prospect, government agent or partner a benefit, invitation or gift that violates applicable laws and regulations, exceeds the limit of what is reasonably acceptable within the course of normal business relations, or could be construed as an attempt to influence the objective judgement of the third party.

Passive corruption is defined as when an Econocom Group employee accepts a benefit, invitation or gift from a supplier or partner that violates applicable laws and regulations, exceeds the limit of what is reasonably acceptable, or could be construed as an attempt to influence objective judgement within the course of normal business relations.

It is formally forbidden to accept any gift, invitation or benefit during a bidding process involving either customers or suppliers.

Any employee confronted with this type of situation should immediately inform his or her superior, who will indicate the procedure to follow and, if necessary, consult the Group's legal department.

Use of company resources or financial data

Econocom Group condemns the use or appropriation of company assets, resources, equipment, data or financial information for personal gain or for unauthorised professional use.

Communication about company solutions and products

Econocom makes sure that information about its solutions and products is communicated in good faith.

Anti-corruption

In line with its Ethics Charter and as a member of the United Nations Global Compact (especially the tenth principle of the Global Compact), the Group is actively involved in the fight against corruption.

Econocom has implemented a set of procedures to fight corruption and condemns the use or appropriation of company assets, resources, equipment, data or financial information for personal gain or for unauthorised professional use.

In concrete terms, Econocom conducts audits to ensure that values are applied within its functions potentially concerned by these abuses:

- as a customer: supplier listing, purchasing procedures, etc.;
- as a supplier, Econocom has introduced numerous mechanisms to prevent corrupt transactions:
  - no significant circulation of cash within the company,
  - review of expense sheets by the employee's superior,
  - fees paid to third parties only under business finder agreements. Financial terms (calculation, invoicing, settlement, fee caps) are described in our agreements.

Lastly, the customer gifts account shows an insignificant amount year after year.

Human rights

The Group mainly operates in Western European countries, where labour laws and regulations are stricter than required human rights standards. The Group has defined its HR standards in line with these regulations and applies them in all other countries where it is active. Econocom's staff is essentially made up of skilled personnel who expect human resources practices to meet the high standards of any European company.

For these reasons, the Group's human rights risks for the most part involve its suppliers and sub-contractors. In keeping with its purchasing practices, Econocom asks its tier-1 suppliers to comply with its own ethical and labour standards. The Group also requires its suppliers to comply with international standards such as the United Nations Global Compact and International Labour Organization fundamental conventions.

3. ECONOCOM, A PIONEER IN CORPORATE DIGITAL RESPONSIBILITY

3.1. SOLUTIONS GEARED TOWARDS REDUCING THE NEGATIVE IMPACT ACROSS THE LIFECYCLE

3.1.1. ENERGY PERFORMANCE MANAGEMENT

Watt's Green: managing the energy consumption of an IT system

Watt's Green was developed by Econocom to measure the energy performance of its IT system and provide an overview of power consumption and energy performance that can serve as a basis to launch or improve a reduction plan. The tool can also be used to create powerful visuals and comparisons to raise employee awareness.

Today, leveraging its first years of experience with Watt's Green, the Group aims to gain further expertise in the energy consumption of IT systems by extending its coverage to buildings. To achieve this, the Group has identified and organised an ecosystem of partners with skills and expertise to complement its own in developing a solution.

The Group has been testing its solution on its own IT system for 18 months, and expanded the scope to its buildings in 2017.

Smart Lighting: an eco-friendly lighting system that enhances well-being

Econocom's financing business provides its customers with the option of rethinking their lighting by introducing a smart lighting system. The Group's financing solution lets customers combine LED and digital technology with an immediate return on investment. The customer can optimise lighting in its buildings to reduce both costs and consumption. Furthermore, the smart lighting system improves visual comfort and enhances the well-being of building occupants.

3.1.2. END-OF-CONTRACT EQUIPMENT MANAGEMENT

As part of its Technology Management & Financing business (TM&F), Econocom manages the return of its used electrical and electronic equipment (EEE). Group-wide, Econocom records 500,000 product returns a year, half of which are specifically in France. Econocom encourages the reuse of all its products to limit the environmental impact caused by scrapping or incinerating, as, for example, some components contain heavy metals. This approach supports the social and solidarity economy and is in line with regulations on disability and waste electrical and electronic equipment (WEEE).

The Group has identified the environmental risks relating to end-of-contract equipment management as part of its financing operations (see section 4, "Risk factors", and section 1.6, "Environmental risks").

3.1.3. CUSTOMER PARTNERSHIPS ON MAJOR SUSTAINABLE DEVELOPMENT ISSUES

As part of its plan to involve stakeholders in its CSR strategy, Econocom aims to develop partnerships with its customers to address major social issues. The Group is convinced that this type of action helps form relationships built on trust and mutual respect between customers and suppliers, while bringing a more effective and relevant response to shared sustainable development issues.

Econocom and Schneider Electric are committed to supporting workers excluded from the professional world.

In March 2014, Econocom and Schneider Electric signed a joint agreement with the organisation *Travailler et Apprendre Ensemble* (TAE) to support its work to integrate workers excluded from the corporate world. This agreement is based on a community support initiative, which will, in its initial phase, involve contributing computer equipment for refurbishment and resale.

TAE is a pilot project of *Mouvement ATD Quart Monde*, whose main objective is to rethink company organisation using workers who are totally excluded from the labour market. Its original approach is to bring together workers who have experienced extreme poverty and employees who have deliberately chosen to leave their professional position for a certain period, to contribute to building a more community-driven business model. With the firm belief that job security can help people get a fresh start to their professional, family and social life, the organisation's strength lies in systematically offering all its employees a permanent, full-time work contract following their support contracts.

The employees of TAE are therefore tasked with renovating and reselling used equipment based on the needs of the organisation's customers.

3.2. PROMOTING ENTREPRENEURSHIP

Econocom consistently works in an entrepreneurial spirit and enjoys supporting entrepreneurs, in line with three of its key values: boldness, responsiveness and good faith. Econocom therefore naturally encourages the development of start-ups, and more generally initiatives undertaken around entrepreneurship.

The Group also supports intrapreneurial initiatives. For this reason, two business units were created to make employee ideas a reality:

- Econova offers its consulting and innovation expertise in digital transformation;
- the Green business unit develops solutions to support Econocom customers in managing their environmental impact.

3.2.1. 100,000 ENTREPRENEURS

To build bridges between schools and businesses, and to pass on the entrepreneurial drive to young people, Econocom supports the action of the organisation 100,000 Entrepreneurs.

This public-interest organisation arranges for entrepreneur volunteers to speak at establishments, from secondary schools to university-level institutions.

Led in close collaboration with the French Ministry of National Education and its academic representatives, these talks aim to raise students' awareness about entrepreneurship, provide them with concrete knowledge about the business world and show them the importance of subjects in their curriculum.

Around 700 students have attended these talks since the beginning of our partnership.

3.2.2. *PRIX DES TECHNOLOGIES NUMÉRIQUES*

For the past two years, Econocom has partnered with *Prix des Technologies Numériques*, a digital technology organisation made up of more than 300 leaders and decision-makers and holds an annual awards ceremony.

For the 2017 awards, the panel of the *Prix des Technologies Numériques*, including Véronique di Benedetto and other recognised figures from the digital industry, focused on EdTech to spotlight entrepreneurs who have dedicated their talent and creativity to shape the education of the future.

3.2.3. *TROPHÉES DES FEMMES DE L'ÉCONOMIE*

Created in 2010 by the Idecom group, which specialises in the communications strategies of top schools, the *Trophées des femmes de l'économie* awards aim to highlight the professional contribution of women business leaders to their regional economy, and recognise their work and involvement in this primarily male-dominated world.

The annual ceremony is held to reward these women entrepreneurs and business leaders in top positions within their organisation for their professional contribution and dedication.

In giving participants the opportunity to build strong professional relationships at its events over the past seven years, this community has developed considerably and now represents the leading regional women's network.

3.2.4. FRENCH ENTREPRENEURSHIP WITH PARTECH VENTURES

Since joining the seed fund Partech Entrepreneur in October 2013, Econocom has furthered its collaboration with the fund by working with Partech Shaker to support the development of digital entrepreneurship in France.

Partech Shaker is the world's first campus dedicated to open innovation initiated by a private equity fund management company (Partech Ventures). The campus, covering 2,200 square metres spread out on nine floors, is home to some 40 start-ups financed with seed funding from Partech Ventures and large international companies that invest in open innovation.

Open innovation has become a necessary component to support traditional R&D efforts of large companies, while start-ups need to be in contact with large companies to accelerate their business.

As a Corporate Innovation Partner for the fourth year running, among its others roles in this capacity, Econocom leads an annual calendar of business events on innovation with other organisations involved in Partech Shaker.

3.2.5. PARIS-SACLAY SEED FUND

Econocom has invested in the Paris-Saclay Seed Fund, which seeks to support and promote innovation and entrepreneurship within the IT/Internet/digital and life sciences/medtech markets. This new investment gives Econocom a lasting innovative edge in digital technology and changes in society to continue offering its customers the best solutions. Nearly 50 young, high-potential companies will benefit from support over the next three years.

Investing in the Paris-Saclay Seed Fund (comprising 17 educational institutions, including Polytechnique, HEC, CentraleSupélec and ENS Cachan) places Econocom at the very core of the digital industry. This position provides direct contact with tomorrow's talent that could one day be part of Econocom Group, as with Magic Makers and Kartable (see section 3.3.2). Supporting and developing start-ups is one of the central focuses of Econocom's CSR policy.

3.3. A FIRM COMMITMENT TO EDUCATION

Econocom is committed to promoting digital technology in school curricula in order to fight the digital divide and improve accessibility. The Group aims to be a leading player in this field.

The French government has decided to encourage the use of digital technology in schools to make up for France's lag in the area. Econocom wants to take action in this movement by providing schools with solutions adapted to the needs of students, teachers, parents and public authorities.

Econocom's goal through its commitment to education is to play a role in the transformation of learning, to ingrain a love of learning in students, to encourage new teaching practices and to promote parental involvement in the education of children.

Two priorities have been set to encourage the integration of digital technology in education:

1. Hardware

The world is changing and giving digital technology an increasingly important role in people's professional and personal lives. Students must therefore be prepared to face the challenges of tomorrow. Digital technology must "physically" enter the classroom so that all students can develop skills in using this equipment.

2. Support for teachers

This is a key point, as it will allow teachers to develop new relationships with their students based on the digital solutions available to them. Econocom regularly organises meetings with teachers to identify their needs and expectations in order to bring the right responses.

For several years, the Group has led a partnership policy with a number of educational organisations. For example, the Group has partnered with the organisation Double Horizon, which supports educational initiatives aimed at the poor. As part of this action, Econocom invites primary schoolchildren to its offices several times a year to introduce them to the business world and the digital solutions it provides for its customers.

In 2017, more than 20 people from Econocom participated in the *Course des Héros* race to support the organisation *L'école à l'hôpital*, which helps young people aged 5 to 25 continue their education from hospital. Econocom donated to an online fund set up to encourage people to take part in the race.

3.3.1. INVESTMENT IN EDUCATIONAL START-UPS

Magic Makers, a start-up specialising in developing and leading coding and creative programming workshops for children

Econocom has acquired a stake in the share capital of Magic Makers, a start-up founded in 2014 to work with experts from the education and digital sectors. It offers three types of workshops: weekly workshops, holiday workshops and events workshops. Magic Makers has developed its own method, which allows children starting at age 6 to learn coding concepts with trained facilitators and innovative tools. Today, more than 1,000 eager children attend Magic Makers coding classes or holiday workshops.

Magic Makers is also active in middle schools with initiatives designed to help struggling students. Coding courses for educators are available, mainly through the Class'Code project supported by INRIA and a number of partners, and backed by the French Investment for the Future programme coordinated by the Caisse des Dépôts et Consignations.

Children of Econocom employees are offered discounts for Magic Makers courses through the Group's Share programme. A demonstration workshop has been held at Econocom's registered office, with the participation of about 15 children.

Kartable, the first full, free learning and study platform

Three years ago, this start-up opened a platform allowing users to consult programmes, courses and exercises spanning all years of secondary school, free of charge. The idea for Kartable came from a widely shared observation that teenagers and young adults spend more time in front of their screens (computers, tablets and smartphones) than with a book in hand. With that in mind, Kartable set out to break down the barrier of the school textbook by giving young people a tool designed in an area they know and trust, digital technology.

3.3.2. A SOLID PARTNERSHIP WITH PASSERELLES NUMÉRIQUES

Econocom has been a partner to Passerelles Numériques since 2007. This organisation helps young people from underprivileged backgrounds in Cambodia, Vietnam and the Philippines to receive training and find skilled employment in the ICT sector. Since 2007, the Group has supported 421 students. Two new classes starting in 2015 were financed by Econocom in Cambodia. After completing the two-year programme, 50 students will graduate with a degree and a job in the IT industry.

The partnership established with Passerelles Numérique also works in skills sponsorship. In 2017, two Group employees worked with the organisation to share their skills. More than 50 employees have volunteered for the organisation since 2007, representing over 1,100 weeks of sponsorship.

3.3.3. REGULAR SPONSORSHIP PROGRAMMES IN EDUCATION

Joint action with *Fondation Croissance Responsable*

Econocom works with the *Fondation Croissance Responsable* in support of the *Prof en Entreprise* programme. Offered to middle and secondary school teachers in general and technological education, as well as guidance counsellors, the *Prof en Entreprise* programme is coordinated by the *Fondation Croissance Responsable* in partnership with the French Ministry of National

Education through the French Centre for Studies and Research into Partnerships with Companies and Industries (CERPEP). This programme aims to support the professional integration of young people into the job market by improving teachers' knowledge about the reality of working at a company and what jobs entail. This workshop also serves as the starting point for partnerships between the host company, the teacher and the school (e.g., a secondary school student does an internship, the company executive speaks to the class, the students visit the company, etc.). As part of this programme, Econocom regularly opens its doors to teachers so that they can learn more about what it is like to work at a company. Discussions are organised with the different Group functions so that they can better understand the company and how it operates.

Econocom, partner to Double Horizon

Econocom is a partner to the organisation Double Horizon, which supports educational initiatives aimed at the poor. As part of this action, Econocom invites primary school children to its offices several times a year to introduce them to the business world and the digital solutions it provides for its customers.

Econocom, partner to Start-up for Kids

In 2016 and 2017, Econocom partnered with the Start-up for Kids exhibition at the 42 Born to Code computer technology school created by French businessman Xavier Niel.

The main objectives of this partnership were to support innovative and fun initiatives in education and to highlight Econocom's commitment to this major social issue, especially alongside the organisation Magic Makers. Start-up for Kids is the first exhibition focused on start-ups that develop educational projects. The event was open free of charge for three days to children aged 6 to 15, parents and experts working with children or in education. This original event was organised to empower children and let them express themselves through various workshops.

3.4. RESPONSIBLE PURCHASING POLICY

Lasting cooperation between a company and its suppliers contributes to driving performance for all parties. In 2015, Econocom Group decided to structure its responsible purchasing policy to establish trust-based relationships with its suppliers by encouraging them to implement a CSR programme.

As part of this policy, the Group introduced a supplier code of conduct based on the ten principles of the United Nations Global Compact. This code of conduct is systematically sent to all Econocom suppliers to reinforce its responsible purchasing policy.

In 2017, all Purchasing Department employees received one day of training on responsible purchasing. This training enabled them to better understand CSR issues involved in purchasing and how purchasing responsibly can help them in their day-to-day work. Following this training, buyers were able to define their own roadmap, featuring relevant, achievable targets over the next few years.

Tender offers for the top two categories of purchases (mainly outsourced services) now factor in social and/or environmental supplier selection criteria.

Econocom plans to review its suppliers' commitments more closely and ensure that commitments are met. As a customer, the Group also takes on the role of supporting its suppliers, especially small businesses, in introducing CSR practices.

Econocom champions the idea that CSR should above all be based on dialogue with its stakeholders and on pooling strengths and resources. That is how the Group and its stakeholders can make the best contribution to sustainable development.

4. ENVIRONMENTAL POLICY

In 2015, Econocom expressed its commitment to reducing its CO_2 emissions by 20% across a limited scope. This initial target enabled the Group to more clearly define its goals to reduce CO_2 emissions over a larger scope for its new strategic plan launched in 2018.

Econocom has commissioned greenhouse gas emission audits for its businesses since 2012. Based on these audits, the Group has identified the breakdown of its CO_2 emissions and its main emission factors.

According to the audits, the Group's main emission factors are its vehicles and the energy consumption of its buildings. With these initial findings, the Group has focused its action on these two emission sources under its CSR programme.

4.1. OPTIMISING THE ENERGY CONSUMPTION OF BUILDINGS

In 2017, greenhouse gas emissions from the energy consumption of buildings in France totalled 895 tonnes of CO_2 . As a result, the Group has decided to take specific action to reduce its consumption. Energy audits were conducted at the Group's eight largest sites, which led to a better understanding and analysis of how energy is used within the organisation. Following this audit phase, Econocom decided to implement a solution to monitor energy consumption at certain sites. The first test site at Villeurbanne was equipped with the solution in October 2017, and data on lighting, heating and air conditioning and other items was collected and analysed.

The first improvement measures planned for these sites – occupancy control for heating, adjustment of power settings and lighting management – will soon be implemented. The impact of these improvements is expected to produce short-term energy savings without any major investment. Given the very encouraging estimated reduction in energy use, three other sites will be equipped with the solution in early 2018.

4.2. ANALYSING AND MANAGING THE ENERGY CONSUMPTION OF IT SYSTEMS

To test its solution for analysing the energy consumption of its IT system, Watt's Green, the Group itemised the information on data centres, workstations, mobile equipment, meeting rooms and other resources. After integrating this data into the Watt's Green system, four key energy and environmental indicators were defined: annual electricity consumption, CO_2 equivalent emissions, annual electricity costs, and proportion of WEEE out of total equipment.

Drawing on these findings, an action plan was adopted, and the following improvement measures were taken to reduce energy consumption:

- optimise the energy efficiency of data centres;
- replace equipment with low-energy models;
- implement a power management tool;
- raise employee awareness to improve behaviour and use patterns.

4.3. RETHINKING TRAVEL TO REDUCE EMISSIONS

The vehicle fleet is the Group's largest source of CO_2 emissions. The Group's target is to keep average emissions at less than 130 grams of CO_2 per kilometre for all types of vehicles. Econocom has also incorporated electric vehicles into its fleet. Employees in the Paris region can reserve electric vehicles that they can use for short-distance business travel, especially between sites.

With all these initiatives, the Group has reduced the CO_2 emissions produced by its vehicle fleet by 60% in three years. In 2017, the emissions of its vehicle fleet totalled 2,300 tonnes of CO_2.

04
RISK FACTORS

1. OPERATIONAL RISKS

1.1. RISKS ASSOCIATED WITH SERVICES CONTRACTS

The Group offers three types of Services contracts:

- Fixed-price contracts with a guaranteed result, whereby the Group undertakes to provide certain deliverables for a fixed price, irrespective of the timeframe. This type of contract may include financial penalties in the event of below-expectation performance, calculated according to the value of the contract and usually capped at a certain percentage of the annual amount of the contract. Econocom manages this risk by carrying out technical and financial monitoring of projects (measuring the achievement of contractual objectives, tracking the number of man-days used, estimating the remaining consultant time required, and measuring service quality and lead-time indicators, etc.). This monitoring enables the Group to measure and oversee the achievement of contractual obligations and, where applicable, anticipate any provisions for losses upon contract completion to be recognised in the financial statements. Contracts with a guaranteed result account for almost one-half of the Services business in terms of value.
- Fixed-price contracts with service level agreements, whereby the Group undertakes to provide a given service, within a given timeframe, for a fixed price per time unit (usually per month). Econocom manages this risk by carrying out regular technical and financial monitoring of the projects, particularly by tracking the number of man-days spent.
- Time-and-materials contracts, whereby the Group undertakes to provide technical skills and charges the client for the number of labour hours spent. Econocom manages these contracts by paying particular attention to the fee schedule and its consultants' fees.

Furthermore, Services contracts carry risks associated with termination notice periods. The Group ensures that this period allows sufficient lead time to adjust the workforce, particularly on large contracts. The Group plans in advance of contract terminations so that it may redeploy its staff and uses a measured level of sub-contracting to ensure flexibility.

1.2. RISKS ASSOCIATED WITH SUB-CONTRACTOR DEFAULT

For certain contracts, Econocom has performance obligations and sometimes calls upon the services of sub-contractors. Econocom's policy is to recover any penalties charged from its sub-contractors. Econocom may however be exposed to the risk of sub-contractor default, although no single sub-contractor is substantial enough to account for a material proportion of Econocom's business.

Econocom assesses the financial and operational capacities of its sub-contractors as and when required, and in particular when it uses sub-contractors that are new market entrants.

1.3. RISKS ASSOCIATED WITH PRICE FLUCTUATIONS AND HARDWARE OBSOLESCENCE

The Group is exposed to the risk of fluctuations in the future value of leased equipment within the scope of its Technology Management & Financing business. It deals with this risk by calculating the future value of equipment using the diminishing balance method, which is described in Note 4.1 to the consolidated financial statements. The method is regularly compared with actual transactions, and annual statistics are compiled to validate the suitable and prudent nature of the selected method.

For non-standard equipment, the Group ensures that the future value of leased equipment is estimated appropriately, namely by calling on independent experts.

For its Products & Solutions business, Econocom does not keep substantial surplus stock and as such limits its exposure to the risk of obsolescence.

For its data centre maintenance and outsourcing activity, the Group keeps dedicated stock. The components and levels of stock are constantly monitored to ensure that they are in line with the volume and type of equipment under maintenance, which addresses the risk of obsolescence.

1.4. RISKS ASSOCIATED WITH COMPETITION

The ICT services market is competitive. In each country where it has operations and in each of its businesses, the Group faces competition from international, national or local players. However, Econocom stands out from the competition due to the diversity of its activities and, especially, its expertise in Technology Management & Financing and the international scope of its activities.

1.5. EMPLOYEE-RELATED RISKS

As far as Econocom Group Management is aware, the Group is not exposed to any employee-related risks other than those arising in the normal course of business for companies of a comparable size based in Europe. The majority of the workforce is employed in the Group's French, Belgian, Spanish, Italian and Brasilian subsidiaries.

At a time of accelerating change, management and employee support for Econocom’s strategy going forward is key to its development. In April 2017, the Group conducted an internal survey, “Face Reality”, to gauge its employees’ commitment and direct its internal policies accordingly.

1.6. ENVIRONMENTAL RISKS

Econocom Group does not destroy the machines purchased from refinancing institutions at the term of the related leases. In accordance with the WEEE (Waste Electrical and Electronic Equipment) Directive, the Group collects all the equipment it owns from clients and arranges for all electrical and electronic waste to be processed and recycled. Since 2013, Econocom has been a client of Ecologic, an environmental organisation which collects and processes WEEE from businesses all over France, in compliance with environmental legislation.

1.7. INSURANCE AGAINST RISK

The Group is covered against liability claims and property damage via insurance policies taken out with first-rate insurers. It has elected not to take out business interruption insurance.

The Group reviews and evaluates its risks on an ongoing basis in conjunction with its insurers and experts so as to ensure optimal coverage in both the insurance and reinsurance markets.

1.8. PLEDGES, GUARANTEES AND COLLATERAL PROVIDED FOR BORROWINGS

Real security interests provided as collateral for borrowings or financial liabilities by the Group chiefly consist of receivables offered as collateral for its short-term funding. The amount of pledged and mortgaged assets is disclosed in Note 20 to the consolidated financial statements.

1.9. EXTERNAL GROWTH

As part of its strategy, the Group continues to develop its business by seeking targeted acquisition opportunities.

Acquiring and integrating companies gives rise to certain risks, including higher-than-anticipated financial and operating expenses, failure of the operational integration, which can lead to loss of major clients or the departure of important members of the acquiree's staff and a decline in financial performance.

Integration of the acquired companies may also disrupt the Group's existing businesses and lead to insufficient resources, particularly in terms of management. The synergies expected from an acquisition may fall short of forecasts or take longer to achieve than initially announced, and the costs of implementing these synergies may exceed expectations. The above-mentioned factors may also have a negative impact on the goodwill recognised in the consolidated financial statements (see also Note 9 "Goodwill and impairment testing" to the consolidated financial statements).

Each year, Econocom undertakes external growth transactions as part of its mixed growth strategy. The Group boasts recognised integration experience. In 2017, Econocom Group pressed ahead with its acquisition policy, taking control of six mid-sized companies specialising in three strategic growth sectors: the integration and distribution of multi-media solutions, digital transformation consulting and Big Data. Econocom Group has put in place an original integration and governance model for some of these new acquisitions (called "satellites") so as to preserve their agility, boost their performance and competitiveness and generate synergies at Group level. The founding shareholders of these satellites have retained a non-controlling interest in the share capital and have a very broad level of managerial autonomy. The related integration risk is mitigated by the fact that taken individually, these transactions are relatively small.

2. REGULATORY RISK

2.1. LEGAL RISKS

The Group operates as a service provider in various Western European countries and is therefore subject to numerous different laws as well as customs, tax and labour regulations. In order to limit its exposure to legal risks, the Group has set up subsidiaries in each country run by managers who are familiar with the applicable local laws and regulations, who work alongside the Group's legal teams and specialist external counsel.

Econocom monitors on an ongoing basis any litigation and one-off situations that could result in a financial risk. Any pending litigation is covered by provisions for appropriate amounts calculated by Group Management.

Disclosures concerning litigation or arbitration likely to have a substantial impact on Econocom Group's financial position, assets, business or the results of its operations at 31 December 2017 are presented in Note 16 to the consolidated financial statements.

2.2. RISKS ASSOCIATED WITH TAX INSPECTIONS

The Group undergoes regular tax inspections in the various countries in which it operates. Although the outcome of these inspections is uncertain, the Group has estimated as accurately as possible the associated risks and has recognised the appropriate provisions for those risks in its financial statements. The outcome of these inspections could have a negative impact on the Group's consolidated financial statements. However, this impact is limited on account of the provisions recognised.

2.3. RISKS ASSOCIATED WITH REGULATIONS APPLICABLE TO LESSORS' LEASING BUSINESS

Certain countries have decided to implement stricter legislation for leasing companies by aligning it with the legislation governing financial institutions. The associated risk, which is common to all companies in the industry, concerns the increase in administrative costs.

2.4. RISKS ASSOCIATED WITH REGULATIONS APPLICABLE TO TECHNOLOGY MANAGEMENT & FINANCING CLIENTS

The new accounting standard on leases, IFRS 16, was published in January 2016. When the standard enters into force on 1 January 2019, entities' "lease liabilities" must be presented on the statement of financial position within liabilities, except for small items with an insignificant unit value. In the Technology Management & Financing business, the risk of greater competition from clients choosing to finance their IT investments through corporate debt is limited due to the added value brought by the Group in its leases:

- upgrade management via leasing and in particular the Group's scalable offerings;
- asset management and expense management provided by Econocom's solutions (inventory tracking, telephone usage management, IT outsourcing for small and medium businesses, etc.), which give our clients optimal visibility and more effective management of their assets;
- better economic management of end-of-life assets;
- management of end-of-life assets in greater compliance with sustainable development commitments;
- smart and connected object (IoT) management capabilities.

3. DEPENDANCY RISK

3.1. DEPENDENCE ON REFINANCING INSTITUTIONS

In the course of its business, Econocom assigns most of its finance lease contracts to refinancing institutions.

These institutions generally focus on clearly-defined geographical areas or types of equipment. In addition, the Group strives to maintain a balanced portfolio of institutions in order to avoid being overdependent on one or more institutions.

The proportion of the Group's five biggest funders fell slightly year-on-year to 62% of the total value of refinanced rents in 2017. The Group's main funder in 2017 represented one-quarter of the total value of refinanced rents.

3.2. CUSTOMER DEPENDANCY RISK

The Group continually strives to broaden its client portfolio as part of its development strategy to gain market share. At 31 December 2017, no single client represented over 5% of the Group's consolidated revenue.

3.3. SUPPLIER DEPENDANCY RISK

Given the broad choice of potential suppliers and the fact that they are largely interchangeable, Econocom's dependence on suppliers is very limited.

For the Technology Management & Financing, Products & Solutions and Services activities, the choice of suppliers is ultimately made by our clients. For these activities, in the event of a supplier default, an alternative supplier is chosen.

At 31 December 2017, no supplier accounted for more than 15% of the Group's total purchases.

3.4. TECHNOLOGY DEPENDANCY RISK

For its Technology Management & Financing, Services and Products & Solutions activities, the Group develops partnerships with hardware manufacturers, telecoms operators, software publishers and solutions providers. However, it strives to remain independent from these companies in order to offer the best possible solution in terms of architecture, hardware and software.

4. FINANCIAL RISK

The Group's activities are subject to certain financial risks: market risk (including currency risk, interest rate risk and price risk), liquidity risk and credit risk.

The Group's overall financial risk management policy focuses on reducing exposure to credit risk and interest rate risk by transferring finance lease receivables to refinancing institutions and by using factoring solutions on a non-recourse basis in the Services and Products & Solutions businesses.

4.1. MARKET RISK

Financial market risks (interest rate and currency risk) and liquidity risks are handled by Group management.

4.1.1. CURRENCY RISK

The Group operates chiefly in the eurozone; however, following the expansion of operations in non-eurozone countries in Europe, as well as North and South America, the Group may be exposed to currency risk on other currencies, namely sterling, the US and Canadian dollars, Moroccan dirham, Czech koruna, Swiss franc, Romanian leu, Polish zloty, Brazilian real and Mexican peso. Since the large majority of subsidiaries' purchases and sales are denominated in the same currency, this exposure is limited. Econocom Group does not deem this risk to be material, but has nevertheless signed a number of foreign exchange hedging agreements to hedge risks on internal flows.

4.1.2. INTEREST RATE RISK

Econocom's operating income and cash flows are substantially independent of changes in interest rates. Sales of leases to refinancing institutions are systematically based on fixed rates. Income arising on these contracts is therefore set at the outset and only varies if the contract is amended.

The Group uses a combination of fixed rates and floating rates to hedge its interest rate exposure.

At 31 December 2017, the Group's floating-rate debt comprises short-term borrowings (credit lines, commercial paper and bridge loans), and short-term factoring agreements. There was no contract to cover open-rates as of 31 December 2017 for these floating-rate borrowings.

The Group's long-term debt is at fixed rates and comprises a euro private placement (Euro PP) for €101 million and a €150 million Schuldschein bond.

4.1.3. LIQUIDITY RISK

The Finance Department is responsible for ensuring that the Group has a constant flow of sufficient funding:

- by analysing and updating cash flow forecasts on a monthly basis for the Group's 15 main companies;
- by negotiating and maintaining sufficient outstanding lines of financing;
- by optimising the Group's cash pooling system in order to offset cash surpluses and internal cash requirements.

In 2017, Econocom continued to optimise its diversified sources of financing with the aim of (i) reducing borrowing costs, (ii) extending the maturities of its borrowings and (iii) bank disintermediation.

In order to meet its short-term financing requirements, the Group now has new bank credit facilities at improved rates and with longer maturities. The Group mainly uses its commercial paper programme, capped at €300 million and with maturities of up to two years, of which €102 million was outstanding at 31 December 2017.

At that date, Econocom had €296 million in bilateral bank credit facilities of which €85 million committed for two years and €100 million committed for more than two years.

Econocom also has €91 million in bilateral bank loans to finance its leases at rates that remain fixed for the duration of the loans.

To finance its development, Econocom issued:

- in December 2016, a Schuldschein bond (German private placement) for a total amount of €150 million, with tranches maturing at five and seven years and paying interest at an average rate of 1.54%;
- in May 2015, a private placement on the Alternext market for €101 million, broken down into two tranches: €45.5 million maturing at five years and paying interest at 2.364%, and €55.5 million maturing at seven years and paying interest of 2.804%.

In March 2017, Econocom exercised the early redemption clause on the full amount of its ORNANE bonds convertible into cash and/or into new or existing shares. The 2014 issue was for a total of €175 million, maturing in 2019.

On 1 March 2018, the Group issued OCEANE bonds convertible and/or exchangeable for new and/or existing shares. The issue was for a total of €200 million, maturing in 2023. The Group intends to continue its policy of diversifying its sources of financing in order to optimise its borrowing costs and further reinforce its financial independence.

Other than the outstanding amounts on its commercial paper programme, Econocom does not have any material loans or borrowings falling due in either 2018 or 2019.

4.2. CREDIT AND COUNTERPARTY RISK

The Group has policies in place to ensure that goods and services are sold to clients whose credit standing has been analysed in depth. The Group's credit risk exposure is also limited as it does not have any concentration of credit risk and uses factoring solutions for the Products & Solutions and Services businesses, as well as non-recourse refinancing with bank subsidiaries and credit insurance in the Technology Management & Financing business.

For its Technology Management & Financing business, the Group nevertheless has the option of retaining the credit risk on certain strategic transactions. These relate primarily to Econocom Digital Finance Limited (EDFL), the Group's internal refinancing unit with expertise in transaction security and non-standard contract financing. At 31 December 2017, contracts on which Econocom bears the credit risk represented €260 million or around 10% of total outstanding rentals for the Technology Management & Financing business (€151 million at end-2016).

The Group only invests with investment-grade counterparties, thus limiting its credit risk exposure.

4.3. EQUITY RISK

The Group does not hold any unlisted or listed shares apart from treasury shares.

As the treasury shares held by Econocom Group as of 31 December 2017 are deducted from shareholders' equity in the consolidated financial statements as of their acquisition, it is not necessary to compare their carrying amount to their actual market value.

05

MANAGEMENT

REPORT

MANAGEMENT REPORT OF THE BOARD OF DIRECTORS ON THE FINANCIAL STATEMENTS

for the year ended 31 December 2017 presented to the Annual General Meeting of 15 May 2018

In accordance with prevailing legislation and the Company's bylaws, we submit to you for approval our report on the Company's operations and the financial statements for the year ended 31 December 2017, as well as the compensation report.

The definitions of the performance indicators are provided as an appendix to this report when they differ from the commonly accepted definitions.

The non-financial information required under articles 96 section 4 and 119 section 2 of the Belgian Companies Code (Code des sociétés) is reiterated in Chapter 3, "Corporate Social Responsibility".

1. THE GROUP'S FINANCIAL POSITION AND 2017 HIGHLIGHTS

The Group confirms the achievement of the objectives of its Mutation five-year strategic plan launched in 2013, namely the doubling of its revenue to €3 billion and its recurring operating profit to more than €150 million.

2017 revenue totalled €2,980 million, compared with €2,536 million in 2016, an increase of 17.5%. Organic growth (up 11.2%) was strong. It gathered pace in the second half and was well above the full-year guidance of "greater than 5%". As in 2016 and 2015, all businesses enjoyed organic growth and contributed to business momentum.

Recurring operating profit[1] totalled €154.4 million, an increase of 10.1% compared with 2016, also in line with the full-year guidance ("double-digit growth"). It was driven by the Technology Management & Financing and Products & Solutions businesses, which reported double-digit growth in recurring operating profit[1] and an improvement in their operating margins.

Earnings per share attributable to owners of the parent increased by 159%, from €0.15 in 2016 to €0.37 in 2017. As a reminder, profit attributable to owners of the parent included a significant non-recurring expense related to change in the fair value of the ORNANE embedded derivative component in 2016.

Recurring profit attributable to owners of the parent also increased by 5.3%, despite the increase in the number of shares issued following the conversion of ORNANE bonds in the first half of 2017.

The improvement in these indicators confirms the pertinence of the Group's model and investments, which bring together within its Galaxy a Planet comprising wholly owned entities alongside Satellites, small- and medium-sized companies that are very effective in their area of expertise and in which founding entrepreneurs retain stakes. The stability and size of the Planet, which

[1] Before amortisation of intangible assets from acquisitions (ECS customer portfolio and Osiatis brand).

bolster the Group's credibility in relation to third parties, combined with the agility and innovation of the Satellites, help the Group conquer new markets.

In 2017, Econocom accordingly continued its investment strategy initiated in 2014 by taking majority shareholdings in new subsidiaries (see below), whilst launching a number of innovative initiatives on the Planet. The aim of these transactions was to sharpen the Group's skills in the most buoyant market segments and to roll out its original model in the leading European countries.

2017 was also shaped by several important events:

- The Board of Directors appointed Robert Bouchard as Group Chief Executive Officer and Chief Operating Officer, cementing the long-term commitment of the Bouchard family.
- In April 2017, Econocom carried out the early conversion of its January 2014 ORNANE bonds due in 2019, which increased the Company's capital by €183 million.
- The Group also carried out two capital transactions following the decisions of the Annual General Meeting of 16 May 2017:

  1. a two-for-one share split, on 2 June 2017;

  2. a refund of the issue premium, in the amount of €0.10 per post-split share, paid to shareholders on 3 August 2017

- Lastly, the Group unveiled its new five-year strategic plan in October. The "e for excellence" plan aims once again to double recurring operating profit[1] to €300 million on target revenue of €4 billion by 2022.

1.1. CHANGES IN THE SCOPE OF CONSOLIDATION IN THE YEAR

1.1.1. ACQUISITIONS

As in 2016, the Group focused its acquisition strategy on mid-sized companies operating in high-potential markets. The deals carried out in 2017 are as follows:

Products & Solutions

In April 2017, the Group acquired 100% of BIS, a multimedia solutions integrator operating under Dutch law and comprising four companies (three in the Netherlands and one in Belgium). This deal enabled Econocom to bolster its position in the buoyant multimedia segment (digital signage, videoconferencing rooms, smart buildings, etc.) and to roll out its entire offering by developing new cross-functional solutions in the Benelux countries. BIS employs over 220 people and reported revenue of €55 million in 2017.

In October 2017, the Group also acquired 80% of Energy Net, a B2B integrator and reseller of Apple solutions, with which it was already a partner. Thanks to the expected synergies with the Technology Management & Financing business, this acquisition will facilitate the launch of innovative solutions on the German market, combining hardware, applications and services, charged as a fee. Energy Net reported revenue of more than €55 million in 2017.

Services

Through its AlterWay Satellite, Econocom acquired 100% of LP Digital Agency, a French specialist in digital strategy consulting for major companies, at the end of April 2017. LP Digital Agency reported revenue of €1.8 million in 2017.

In the United Kingdom, Econocom acquired 85% of Jade Solutions, a specialist in crowd WiFi and professional mobility solutions for major companies, particularly in the retail and logistics fields, at the end of July 2017. Jade Solutions reported revenue of more than €13 million in 2017.

Lastly, Exaprobe, an Econocom Group Satellite, acquired 51% of Aciernet, a French network and security solutions integrator with specific expertise in large data centres. As a Cisco Gold partner, the company has very complementary expertise to the Group's. Aciernet reported revenue of more than €183 million in 2017, and is experiencing significant growth driven by the robust momentum of its main customers and its international expansion, particularly in North America.

1.1.2. CHANGES IN OWNERSHIP INTEREST

Digital Dimension – Acquisition of the non-controlling interest

Econocom acquired all of the shares held by Georges Croix, a minority shareholder of Digital Dimension, bringing its stake to 100% from 1 October 2017.

Helis

In the first quarter, Econocom acquired a further 20% of Helis' capital, bringing its stake in this Satellite to 65%.

Econocom Brasil and Syrix

In the first quarter, Econocom acquired a further 35.98% of Econocom Brasil's capital, bringing its stake to 92.85%.

1.1.3. OTHER INTERESTS ACQUIRED

In early May 2017, Econocom acquired a minority stake (40%) in the capital of JTRS, a digital solutions integrator in the education sector in the United Kingdom. JTRS is a leading partner of Apple and Google Education in Britain.

1.2. PRINCIPAL INVESTMENTS

Other than the acquisitions and interests described above, the main investments made by the Group in 2017 in order to consolidate and transform its operations were related to:

- creating new offers;
- recruiting for key positions and renewing and rejuvenating teams;
- constructing and modernising production facilities;
- fitting out new buildings in France and Italy in order to group together activities previously spread over different sites and as such provide teams with a working environment even more conducive to exchange and innovation;
- developing EDFL, the in-house funding company.

1.3. TWO-FOR-ONE SHARE SPLIT

The Extraordinary General Meeting of 16 May 2017 approved Econocom Group's two-for-one share split, which is designed to improve the liquidity and accessibility of the Econocom share.

New Econocom Group shares have been listed on the regulated Euronext Brussels market since 2 June 2017 under a new ISIN code (BE0974313455). The share split had no dilutive impact on Econocom Group's existing shareholders. As of the date of this report, the share capital comprises 245,140,430 shares, compared with 122,570,215 shares after the ORNANE bond conversion.

For the sake of simplification, financial information regarding earnings per share presented in this document has been restated retrospectively to reflect the two-for-one share split in the prior period.

1.4. FINANCING TRANSACTIONS

1.4.1. CONVERSION OF ORNANE BONDS AND INCREASE IN EQUITY

During the first quarter of 2017, Econocom redeemed on the market 2,698,900 of its ORNANE convertible bonds maturing in 2019, representing 16.3% of the bonds issued. These redemptions were backed by the sale of 2,580,020 treasury shares (i.e., 5,160,040 after share split).

During the first quarter, Econocom received four requests to convert ORNANE bonds, for a total of 2,398,194 bonds.

On 15 March 2017, Econocom Group also activated the early redemption clause applicable to its ORNANE bonds. Bondholders had previously been entitled to exercise their conversion rights up to 4 April 2017.

As expected, ORNANE bondholders overwhelmingly chose to convert their bonds into shares:

- at 15 March 2017, there were 7,671,594 ORNANE bonds outstanding, i.e., 46.5% of the January 2014 issue;
- 99.8% (7,652,734) of these ORNANE bonds were tendered to the conversion, with each bond converted into one new share (before the split);
- the 18,860 ORNANE bonds that remained outstanding following the conversion were redeemed in cash ahead of term on 19 May 2017 at the accreted principal amount plus accrued interest (i.e., €11.022 per ORNANE bond).

Further to these transactions, Econocom Group created a total of 10,050,928 new shares (i.e., 20,101,856 after share split), bringing the number of shares issued to 122,570,215 (i.e., 245,140,430 after share split), compared with 112,519,287 shares at 31 December 2016 (i.e., 225,038,574 after share split).

These transactions enabled the Company to reduce its net debt by €133 million and increase its equity by €183 million.

1.4.2. BOND AND SHARE BUYBACKS

The Group also continued to buy back its own shares in 2017. It acquired 3,269,544 shares (i.e., 4,698,269 after share split). After taking into account sales of treasury shares backing ORNANE bond redemptions and shares awarded to management personnel eligible for share ownership plans, Econocom Group held 9,529,793 of its own shares at 31 December 2017, i.e., 3.89% of the Company's share capital (including liquidity agreements).

These transactions reflect the Group's commitment to limiting dilution for its shareholders and its confidence in its growth outlook going forward.

1.5. RESEARCH & DEVELOPMENT

The Group places ever-greater emphasis on innovation and employees from its various business lines and countries therefore conduct research and development. R&D projects primarily cover the study of uses, the transformation of customers' information systems and the design and implementation of innovative digital solutions in the areas of security, robotics, web, mobile and vertical application development, big data, the IoT and virtual reality. At 31 December 2017, the Group had around 8,500 engineers and technicians.

2. RESULTS FOR THE YEAR

2.1. INCOME STATEMENT

in € millions	2017	2016 adjusted[2]	Change
Revenue	2,979.7	2,536.2	17.5%
Technology Management & Financing	1,378.7	1,259.0	9.5%
Services	1,006.6	802.3	25.5%
Products & Solutions	594.4	474.9	25.2%
Recurring operating profit[1]	**154.4**	**140.3**	**10.1%**
Recurring operating profit	150.2	136.1	10.4%
Non-recurring operating income and expenses	(19.9)	(12.3)	62.4%
Operating profit	**130.3**	**123.8**	**5.2%**
Change in fair value of the ORNANE embedded derivative component	4.1	(37.9)	N/A
Other financial income and expenses	(12.5)	(17.4)	(28.4%)
Profit before tax	**121.9**	**68.6**	**77.7%**
Income tax expense	(31.2)	(35.7)	(12.7%)
Profit (loss) from discontinued operations	-	-	N/A
Share of profit (loss) of associates and joint ventures	-	(0.2)	N/A
Profit for the year	**90.7**	**32.7**	**177.6%**
Non-controlling interests	4.3	(0.7)	N/A
Profit for the year attributable to owners of the parent	**86.4**	**33.4**	**159.0%**
Recurring profit for the year attributable to owners of the parent[1]	**94.5**	**83.0**	**13.8%**

1 Recurring operating profit before amortisation of intangible assets from acquisitions and recurring profit attributable to owners of the parent: to facilitate the monitoring and comparability of its operating and financial performances, Econocom Group presents two key indicators, "recurring operating profit before amortisation of intangible assets from acquisitions" and "recurring profit attributable to owners of the parent". Their definition is given in the notes to the financial statements.

2 Changes in the fair value of put liabilities are now recognised in equity. As the application of this change in accounting method are retrospective, the €5.5 million of debt reversals enhancing non-recurring items in 2016 are restated here.

Reconciliation of reported profit with recurring profit: 2017 with comparable 2016 data

in € million	2017 Reported	Amortisation of intangible assets from acquisitions	Change in fair value of the ORNANE embedded derivative component	Redemption of ORNANE convertible bonds[3]	Other non-recurring items[2]	2017 Recurring	2016 adjusted[2] Recurring
Revenue	**2,979.7**	**-**	**-**	**-**	**-**	**2,979.7**	**2,536.2**
Recurring operating profit[1]	**150.2**	**4.2**	**-**	**-**	**-**	**154.4**	**140.3**
Non-recurring operating income and expenses[2]	(19.9)	-	-	-	19.9	-	
Operating profit	**130.3**	**4.2**	**-**	**-**	**19.9**	**154.4**	**140.3**
Other financial income and expense	(12.5)	-	-	0.8	-	(11.7)	(12.9)
Change in fair value of the ORNANE embedded derivative component	4.1	-	(4.1)	-	-	-	-
Profit before tax	**121.9**	**4.2**	**(4.1)**	**0.8**	**19.9**	**142.7**	**127.4**
Income tax expense	(31.2)	(2.8)	-	(3.4)	(6.8)	(44.1)	(43.4)
Profit (loss) from discontinued operations	-	-	-	-	-	-	-
Share of profit (loss) of associates and joint ventures	-	-	-	-	-	-	(0.2)
Profit for the year	**90.7**	**1.4**	**(4.1)**	**(2.6)**	**13.1**	**98.6**	**83.8**
Non-controlling interests	**4.3**	**-**	**-**	**-**	**(0.2)**	**4.1**	**0.8**
Profit for the year attributable to owners of the parent	**86.4**	**1.4**	**(4.1)**	**(2.6)**	**13.2**	**94.5**	**83.0**

1 Before amortisation of intangible assets from acquisitions (ECS customer portfolio and Osiatis brand).
2 Changes in the fair value of put liabilities are now recognised in equity. As the application of this change in accounting method are retrospective, the €5.5 million of debt reversals enhancing non-recurring items in 2016 are restated here.
3 Restated for ORNANE bond redemption costs, net of tax (€2.2 million) and the accelerated amortisation of issue costs, net of tax (€0.4 million).

Earnings per share attributable to owners of the parent

in €	2017	2016 adjusted	Change
Earnings per share	0.37	0.15	139.7%
Diluted earnings per share	0.36	0.15	139.9%
Recurring earnings per share	0.41	0.39	5.3%

Number of shares outstanding (after share split)

	2017	2016 adjusted
Average number of shares outstanding[1]	232,763,830	215,443,594
Total number of shares at year-end	245,140,430	225,038,574
Number of shares outstanding at year-end[1]	235,610,637	214,241,846
Share price at 31 December (in €)	5.96	6.97
Market capitalisation at 31 December in € millions	1,461	1,569

1 Excluding treasury shares.

Comments on the Group's key figures

In 2017, Econocom Group posted consolidated revenue of €2,980 million, compared with €2,536 million in 2016, an increase of 17.5%, with organic growth of 11.2%. This performance was driven by all three businesses, which benefited from Econocom's valuable positioning in the digital transformation of organisations, as well as the lively business trend of the Satellites, which contributed €478 million to consolidated revenue in 2017, compared with €264 million in 2016.

Recurring operating profit before amortisation of intangible assets from acquisitions was €154.4 million, compared with €140.3 million in 2016, an increase of 10.1%. This growth was fuelled by strong business, especially in the last quarter of 2017. For the Group as a whole, all activities combined, profitability was 5.2%. It grew by 0.3 points at Technology Management & Financing and by 0.2 points at Products & Solutions. Recurring operating profit at the Services business was adversely impacted by the start of work on very substantial contracts signed in 2017, which are often complex because they combine several business lines from both the Planet and the Satellites, as well as by business transformation costs, especially in its shared service centres. The integration activities also recorded strong growth in 2017.

Operating profit was €130.3 million, compared with €123.8 million in 2016, an increase of 5.2%. Non-recurring expenses amounted to €19.9 million, an increase of €7.6 million compared with adjusted 2016 data. These expenses notably reflect restructuring measures and the costs related to the acquisition and integration costs of new investments.

2017 net financial expense was favourably impacted by a gain of €4.1 million corresponding to the fair value adjustment of the ORNANE embedded derivative component. In 2016, this adjustment represented an expense of €37.9 million. 2016 was also impacted by a €4.5 million expense representing the ORNANE redemption costs, which were negligible in 2017 (€0.3 million).

Adjusted for the impacts related to the ORNANE bonds (change in the fair value of the embedded derivative component and redemption costs), 2017 net financial expense was €11.7 million, down 9.3% compared with 2016 thanks to the reduction in short- and medium-term refinancing costs.

Despite the increase in net exceptional expense, favourable trends in recurring operating profit and net financial expense as well as in income tax expense and the change in the fair value of the ORNANE embedded derivative component resulted in consolidated net profit of €90.7 million, compared with €32.7 million in 2016 (adjusted).

Recurring net profit was €98.6 million, compared with €83.8 million in 2016 (adjusted).

These trends resulted in a 139.7% increase in earnings per share attributable to owners of the parent to €0.37, and a 5.4% increase in recurring earnings per share attributable to owners of the parent to €0.41.

2.1.1. BREAKDOWN OF KEY FIGURES BY BUSINESS

Revenue and recurring operating profit[1] can be broken down by business as follows:

Revenue

in € millions	2017	2016	Total growth	Like-for-like growth
Technology Management & Financing	1,379	1,259	9.5%	9.5%
Services	1,007	802	25.5%	12.7%
Products & Solutions	594	475	25.2%	12.7%
Total revenue	**2,980**	**2,536**	**17.5%**	**11.2%**

Recurring operating profit

in € millions	2017	2016	Total growth	2017 recurring operating margin	2016 recurring operating margin
Technology Management & Financing	92.4	80.2	15.2%	6.7%	6.4%
Services	43.4	46.4	(6.5%)	4.3%	5.8%
Products & Solutions	18.6	13.7	35.9%	3.1%	2.9%
Total recurring operating profit[1]	**154.4**	**140.3**	**10.1%**	**5.2%**	**5.5%**

Technology Management & Financing recorded revenue of €1,379 million in 2017, compared with €1,259 million in 2016, a purely organic increase of 9.5%. This performance reflects good business trends, driven by momentum in the digital transformation market and by the underlying market trend, which is increasingly favouring usage over ownership. It is also attributable to the realisation in the fourth quarter of commercial opportunities identified throughout the year (particularly in France and the United States). Growth was further driven by Econocom Digital Finance Ltd, the Group's in-house funding division, and the strengthening of the structured finance team. The effects of this trend can be seen in the recurring operating profit[1], which grew 15.2% year on year to €92.4 million from €80.2 million in 2016, and the margin, which firmed to 6.7% in 2017 from 6.4% in 2016. The business benefited from a rise in the resale price of some leased assets, partly offset by provisioning for certain risks. Together, these factors resulted in an increase of approximately 0.3 points in the margin.

[1] Before amortisation of intangible assets from acquisitions.

Revenue at the Services business exceeded €1 billion for the first time, coming to €1,007 million in 2017, compared with €802 million in 2016, an increase of 25.5% (12.7% on an organic basis). The Planet continues to grow (at a pace of 2%, in line with the market), notably thanks to the ramp-up of major outsourcing contracts. The business was driven by the Satellites, which posted double-digit organic growth over the year, mainly reflecting very good results in integration services and growth in the key digital segments (cybersecurity, mobility solutions, etc.). Recurring operating profit was €43.4 million in 2017, compared with €46.4 million in 2016, weighed down by the above-mentioned additional implementation and production costs and the costs incurred to redesign offers and delivery.

Lastly, Products & Solutions recorded revenue of €594 million in 2017, compared with €475 million in 2016, an increase of 25.2% (12.7% on an organic basis). The business benefited fully from IT and multimedia investment flows in Europe, together with market share gains, particularly in the public sector (education, hospitals, etc.). This trend was driven by France, Belgium and the Netherlands via BIS, acquired early in the year. It resulted in recurring operating profit[1] of €18.6 million, compared with €13.7 million in 2016 (an increase of 35.9%), and a margin of 3.1%, up from 2.9% in 2016.

2.1.2. KEY FIGURES BY GEOGRAPHICAL AREA

Revenue by geographical area can be broken down as follows:

in € millions	2017	2016	Change
France	1,596	1,363	17.1%
Benelux	347	344	0.7%
Southern Europe/Morocco	590	476	23.8%
Northern & Eastern Europe/Americas	447	353	26.6%
Total revenue	**2,980**	**2,536**	**17.5%**

All geographical areas posted double-digit growth, with the exception of Benelux, which was down slightly.

Growth in France was driven by all activities. France is the Group's leading geographical area, benefiting from its original positioning and the growing synergies between its three businesses, reflecting the success of the Galaxy development model (Planet and Satellites).

The Southern Europe/Morocco area performed well, particularly Spain and Italy, where the Group's cross-functional offerings were successfully deployed.

Northern & Eastern Europe and the Americas also posted strong sales. Growth was particularly strong in the United Kingdom, Germany, Poland and the United States thanks to the Technology Management & Financing business.

2.2. STATEMENT OF FINANCIAL POSITION

in € millions	2017	2016 adjusted
Goodwill	598.8	539.1
Property, plant and equipment, intangible assets and long-term financial assets	158.9	135.7
Residual interest in leased assets	141.4	107.1
Other non-current assets	32.7	24.0
Trade and other receivables	1,122.6	882.2
Other current assets	135.3	97.7
Cash and cash equivalents	237.9	348.7
Total assets	**2,427.7**	**2,134.5**

in € millions	2017	2016 adjusted
Equity attributable to owners of the parent	380.8	201.4
Non-controlling interests	102.4	77.6
Total equity	**483.2**	**279.0**
Financial liabilities	264.7	144.8
Convertible bonds (ORNANE)	-	137.5
Other non-convertible bonds	251.9	251.6
Short-term provisions	88.0	81.4
Gross liability for purchases of leased assets	77.5	68.3
Trade and other payables	961.1	862.6
ORNANE derivative	-	45.4
Other liabilities	301.3	263.9
Total equity and liabilities	**2,427.7**	**2,134.5**

Goodwill

At 31 December 2017, goodwill amounted to €598.8 million, up €59.7 million compared with the previous year (€539.1 million at 31 December 2016). This increase is attributable to acquisitions made during the year. Goodwill of companies acquired in 2017 was calculated on the assumption of the acquisition of 100% of the companies' share capital (using the full goodwill method), even for companies of which Econocom acquired only a portion of the share capital.

Equity

Total equity amounted to €483.2 million, compared with €279.0 million at the end of 2016. This increase of €204 million was attributable chiefly to the conversion of the ORNANE bonds, completed in April 2017 (positive impact of €175.7 million excluding items in profit or loss) as well as profit for the year (positive impact of €90.7 million, of which nearly €7 million related to the ORNANE bonds), which more than offset the refund of the issue premium (€23.7 million), the impact of other movements on treasury shares (€27.4 million) and additional purchases of Helis, Econocom Brasil and Digital Dimension securities (€10.2 million).

At 31 December 2017, Econocom Group held 9,529,793 treasury shares valued at €56.8 million not recorded in its balance sheet (at the share price on 31 December 2017, i.e., €5.96).

The breakdown of equity attributable to owners of the parent and to non-controlling interests varies as a result of acquisitions and the increased profitability of the Satellites. Accordingly, equity attributable to non-controlling interests stood at €102.4 million at 31 December 2017, compared with €77.6 million at the previous year-end, an increase of €24.8 million.

Net debt

At 31 December 2017, net debt stood at €278.6 million and broke down as follows:

in € millions	2017	2016
Cash and cash equivalents	237.9	348.7
Bank debt and commercial paper	(135.9)	(64.1)
Net cash at bank	**102.0**	**284.6**
Convertible bond debt (ORNANE)	-	(137.5)
Non-convertible bond debt (Euro PP)	(102.1)	(102.0)
Non-convertible bond debt (Schuldschein)	(149.7)	(149.6)
Finance lease liabilities	(4.7)	(3.3)
Contracts and receivables refinanced with recourse	(124.1)	(77.4)
Net debt	**(278.6)**	**(185.2)**

The conversion of the ORNANE bonds (which represented €137.5 million in debt at 31 December 2016) served to limit the impact on net debt of the significant investments made in 2017 in M&A, capex and the Technology Management & Financing business (in a total amount of €161 million), shareholder returns (in a total amount of €51 million, corresponding to share buybacks and the refund of the issue premium) and the increase in the working capital requirement resulting in large part from strong business at the end of the year.

Net debt thus remains under control: it represents less than 1.5 times 2017 EBITDA, while gearing (net financial debt to equity) eased to 57.7% from 66.4% at the end of 2016. Having its debt under control gives the Group the means to meet its future development ambitions, notably in the context of the launch of its new "e for excellence" strategic plan for 2018-2022.

APPENDIX – DEFINITION OF KEY PERFORMANCE INDICATORS

Performance indicators not defined by accounting standards but used by Econocom Group to assist the reader in assessing the Group's economic and financial performance are as follows:

Recurring operating profit

Recurring operating profit includes all income and expenses directly related to the Group's operations, whether recurring or not. It excludes other non-current income and expenses.

Recurring operating profit before amortisation of intangible assets from acquisitions

Recurring operating profit before amortisation of intangible assets from acquisitions measures the level of operating performance after the amortisation of intangible assets acquired through business combinations. At 31 December 2017, the main acquisitions of intangible assets made by the Group and whose amortisation is not taken into account for the determination of this aggregate are the ECS customer portfolio and the Osiatis brand.

Econocom uses recurring operating profit before amortisation of intangible assets from acquisitions as the main indicator to monitor the operational performance of its businesses.

Other non-recurring operating income and expenses

Other non-recurring operating income and expenses include items that, by their frequency, amount or nature, are liable to undermine the pertinence of the Group's operating performance as a performance indicator. Other non-recurring operating income and expenses include impairment losses on goodwill and other intangible assets, the results of significant disposals of fixed assets, restructuring expenses, costs relating to workforce adjustment measures, costs of relocating premises, changes in the value of acquisition debts (earn-out payments), as well as costs related to the various external growth transactions.

EBITDA (earnings before interest, tax, depreciation and amortisation)

The Group uses an intermediate management balance known as EBITDA. This financial indicator corresponds to recurring operating profit adjusted for depreciation and amortisation, additions to and reversals of provisions for asset impairment and provisions for contingencies and losses, and net impairment losses on current and non-current assets recognised in recurring operating profit.

Recurring profit for the year attributable to owners of the parent

Since the first half of 2016, recurring net profit attributable to owners of the parent has been the key performance indicator used by Econocom to assess its economic and financial performance. Recurring profit for the year attributable to owners of the parent corresponds to profit for the year attributable to owners of the parent, before the following items:

- amortisation of intangible assets from acquisitions (in the year ended 31 December 2017, amortisation of the ECS customer portfolio and the Osiatis brand), net of tax effects;
- adjustment of the fair value of the ORNANE embedded derivative component;
- other non-recurring operating income and expenses, net of tax effects;
- non-recurring financial income and expense, net of tax effects;
- profit (loss) from discontinued operations, net of tax effects.

Net and gross debt

The definition of net debt used by the Group (see Note 14.3 to the consolidated financial statements) is gross debt less gross cash and cash equivalents. It does not include the Group's gross liability for purchases of leased assets or its residual interest in leased assets.

Gross debt includes all interest-bearing debt and debt incurred by receiving financial instruments.

2.3. 2017 PARENT COMPANY FINANCIAL STATEMENTS OF ECONOCOM GROUP SE

Econocom Group SE, as the Group's holding company, manages a portfolio of securities, receives dividends from its subsidiaries and oversees the Group's development.

It also provides services to the Group's subsidiaries in the areas of management, IT, cash, guarantees, provision of staff, consulting, communication and marketing. These services are billed according to normal market terms.

The revenue stated hereafter refers to Econocom Group SE's parent company financial statements, prepared in accordance with Belgian legislation.

2.3.1. INCOME STATEMENT OF ECONOCOM GROUP SE

The cost of services rendered to the Group's subsidiaries during the year totalled €21.9 million, compared with €28.9 million in the previous year.

Operating profit for the year amounted to €2.8 million, compared with €2.6 million in 2016.

Recurring financial income totalled €8.8 million, compared with €53.2 million in 2016. It consists mainly of dividends received from subsidiaries in the amount of €10.3 million (compared with €49.1 million in 2016), income net of interest and guarantee commissions invoiced to the subsidiaries in the amount of €7.7 million (compared with €10.7 million in 2016), and the cost of external debt in the amount of €6.8 million (compared with €6.9 million in 2016).

Non-recurring financial expense totalled €6.6 million, compared with €7.3 million in 2016. It mainly reflects capital gains on disposal of treasury shares backing redemptions of ORNANE bonds in the amount of €17.8 million, reductions in the net asset value of equity securities and intra-Group receivables in the amount of €15.2 million, and losses on redemptions of ORNANE bonds in the amount of €9.3 million before tax.

Income tax expense came to €0 this year, compared with €0.7 million in 2016.

Net profit totalled €4.9 million, compared with €47.8 million in 2016.

2.3.2. BALANCE SHEET OF ECONOCOM GROUP SE

At 31 December 2017, Econocom Group SE's equity stood at €408.7 million, compared with €317.4 million at end-2016. This improvement can be ascribed to the capital increase in connection with the conversion of the ORNANE bonds in April 2017 in the amount of €110.1 million (including the issue premium) and profit for the year (€4.9 million), which more than offset the refund of the issue premium in August 2017 in the amount of €23.7 million.

External borrowings (non-Group) totalled €354.7 million, down €90.1 million compared with 2016. They include the EURO PP of €102.5 million (issued in May 2015 with maturities of five and seven years), the Schuldschein note of €150.2 million (issued in November 2016 with maturities of five and seven years) and the commercial paper programme worth €102 million (with short-term maturities of between one and three months).

Long-term receivables and investments in related companies increased by €54.8 million to €691.2 million due to new equity investments, net of impairment, which are described in detail below.

2.3.3. SHARE CAPITAL

At 31 December 2017, Econocom Group's share capital totalled €23,489,757.67, divided into 245,140,430 shares with no stated par value.

In 2017, the capital was increased by €1,925,758 as a result of conversions of ORNANE bonds, representing 10,050,928 new shares created (before the split).

In addition, the Extraordinary General Meeting of 16 May 2017 approved Econocom Group's two-for-one share split, bringing the number of shares representing the capital to 245,140,430 shares.

Changes in capital since 2008 have consisted of (i) capital increases in connection with the exercise of stock options by the Group's managers and (ii) capital increases either as part of external growth transactions to fund a portion of the acquisition price or as a result of the conversion of bonds.

The only items that could have an influence on Econocom Group's share capital, since the conversion and total redemption of the ORNANE bond in 2017, are the 2014 and 2017 stock option plans.

In December 2014, the Board of Directors approved a stock option plan ("2014 Stock Option Plan") and decided to issue, with cancellation of shareholders' pre-emptive subscription rights, 2,500,000 subscription rights entitling the holders to subscribe, under certain conditions, to a new Econocom Group share. The Compensation Committee had two years to determine the beneficiaries of the 2014 Stock Option Plan. A total of 2,480,000 stock options were granted to approximately 20 of the Group's managers under the 2014 Stock Option Plan. At 31 December 2017, taking into account the options lapsed due to departures and failure to meet performance conditions, a total of 2,275,000 of the 2014 stock options were still exercisable, corresponding to the maximum issue of 4,550,000 new shares, each option entitling holders to two Econocom Group shares following the two-for-one split.

In June 2017, the Board of Directors approved a stock option plan ("2017 Stock Option Plan") and decided to issue, with cancellation of shareholders' pre-emptive subscription rights, 2,000,000 subscription rights entitling the holders to subscribe, under certain conditions, to a new Econocom Group share. The Compensation Committee, which has a two-year period to determine the beneficiaries of this plan, granted a total of 1,950,000 of the 2017 stock options to approximately ten of the Group's managers in December 2017, representing the maximum issue of 1,950,000 new shares at 31 December 2017.

Furthermore, the Extraordinary General Meeting of 19 May 2015 renewed for a five-year period the authorisation given to the Board of Directors, in accordance with articles 603 and 604 of the Belgian Companies Code (*Code des sociétés*), to carry out one or more capital increases of up to a maximum total amount of €21,563,999.86 (excluding issue premiums). At 31 December 2017, authorised unissued capital (excluding issue premiums) amounted to €21,372,399.86, following the Board of Directors' decision to approve the 2017 Stock Option Plan.

The Company's ownership structure is described in section 5, "Corporate governance statement".

TREASURY SHARES

Econocom Group has a share buyback programme, which allows it to:

- deliver shares to avoid potential dilution of shareholders' interests due to the exercise of options;
- pay for any external growth transactions;
- cancel shares acquired.

The Extraordinary General Meeting of 20 May 2014 renewed for a five-year period the authorisation given to the Board of Directors to buy back treasury shares. The minimum purchase price was set at the equivalent of €2 and the maximum unit price at €10.

The maximum number of shares to be purchased throughout the five-year period is 49,028,086. Since the beginning of the buyback programme, 28,185,640 shares have been acquired.

Furthermore, the Extraordinary General Meeting of 19 May 2015 renewed for a three-year period the authorisation given to the Board of Directors to purchase Econocom Group shares without the prior approval of shareholders, if the Company faces a serious and imminent threat to its operations.

Lastly, the Extraordinary and Special General Meeting of 20 May 2014 authorised the Board of Directors, for a period of five years, to pledge the Company's treasury shares as security, in accordance with article 630 of the Belgian Companies Code, for up to 20% of the share capital, as provided for under article 620 of the Belgian Companies Code.

In 2017, the following treasury share movements took place, excluding liquidity contracts:

- Econocom Group acquired the post-split equivalent of 3,909,614 Econocom Group shares for an acquisition price of €26.6 million;

- Econocom Group transferred 140,000 treasury shares to cover the maturing tranche of the free share plan approved in 2016;
- Econocom Group delivered the post-split equivalent of 5,160,040 treasury shares as part of transactions backing redemptions of ORNANE bonds from bondholders.

In addition, the Company maintained its liquidity agreement with Exane BNP Paribas with a view to making a market in the Econocom Group share.

At 31 December 2017, Econocom Group held 9,338,102 treasury shares as part of the share buy-back programme, and 191,691 Econocom Group shares as part of the liquidity agreement with Exane, representing a total of 9,529,793 Econocom Group shares or 3.89% of the total number of shares outstanding.

The voting rights associated with the shares held by the Company have been suspended. The shares held by the Company do not give entitlement to dividends.

Econocom Group's distributable reserves (statutory data) stood at €239.2 million, in addition to retained earnings in the amount of €83.7 million.

Econocom Group's non-distributable reserves stood at €58.1 million.

2.3.4. BUSINESS OVERVIEW

2.3.4.1. Acquisitions, additional investments and formations of subsidiaries

In 2017, Econocom Group made investments focused on mid-sized companies specialising in strategic growth sectors: digital solutions and multimedia solutions.

Econocom Group acquired a majority stake (85%) in British company Jade Solutions, which specialises in professional mobility solutions and crowd WiFi.

Econocom Group took a minority stake (40%) in UK-based company JTRS, digital solutions integrator in the education sector in the United Kingdom.

Econocom Group acquired the shares held by Georges Croix in Digital Dimension. Further to this transaction, Econocom Group now holds the entire capital of Digital Dimension.

Lastly, together with Econocom Digital Security France, Econocom Group created Econocom Digital Security Luxembourg and Econocom Digital Security Belgium to roll out its cybersecurity activities in these two new geographies.

Moreover, as part of the management of its subsidiaries:

- Econocom Group acquired from Digital Dimension the Gigigo shares acquired by Digital Dimension in 2016. Econocom Group subsequently increased its stake in Gigigo following the exercise of a first tranche of put options by managers, thereby bringing its stake to 70%.
- Econocom also subscribed to the capital increases carried out by its subsidiaries Econocom SAS, Econocom do Brasil and Econocom International Italia.

2.3.4.2. Legal reorganisation

As is the case each year, Econocom Group implemented measures to streamline and simplify its legal organisation.

Measures performed in 2017 were aimed at combining companies with similar activities in the same country. In France, the various IT security subsidiaries were merged into Econocom Digital Security, while the Microsoft solutions services business was merged into MC Next, now renamed Infeeny. Econocom Services and Synopse were also merged into Econocom-Osiatis France.

Similarly, in Spain, Econocom Proyectos was merged into Econocom Servicios.

As a result of the reorganisations carried out in 2017, the number of legal entities within the Group was reduced by six, thereby streamlining the Company organisation.

3. RISK FACTORS AND DISPUTES

Risk factors did not change significantly in 2017. They are described in Note 19.

4. OUTLOOK FOR 2018 AND DIVIDEND FOR 2017

Group Management expects organic growth in 2018 to outpace that of the broader digital services market. It also anticipates growth in recurring operating profit[1].

The Group's growth will be driven by buoyant demand in the market for the digital transformation of businesses and public services, the Group's unique business model and investments in Satellites operating in the most promising segments of the digital market.

As a result of the Group's strong financial position and outlook, the Board of Directors will recommend to the Annual General Meeting that shareholders receive a refund of the issue premium, considered as paid-in capital, in the amount of €0.12 per share.

This refund represents a 20% increase in the gross shareholder return per share and a 37% increase over two years.

In addition, the Group plans to continue to buy back treasury shares, in particular to cover the Group's commitments under its stock option plans.

5. CORPORATE GOVERNANCE STATEMENT

5.1. APPLICABLE CORPORATE GOVERNANCE CODE

Econocom Group confirms that it adheres to the principles of the Belgian Corporate Governance Code that came into force in 2009 (the "2009 Code"). It is available at:

www.corporategovernancecommittee.be

Econocom publishes the various internal rules (in French only) that comprise its Corporate Governance Charter on its website:

www.econocom.com under Investors/ Governance/Board of Directors and Chairman's Council

During its meeting of 22 November 2012, the Board of Directors formally renewed its commitment to the Corporate Governance Code and updated the Group's Corporate Governance Charter, in particular the Internal Rules of the Board and Committees, to include the new provisions in force. The transformation of Econocom Group into a European Company (*Societas Europaea*) on 18 December 2015 prompted the Board of Directors to change the Internal Rules of the Board Directors and the Executive Committee on 19 May 2016. The Executive Committee's Internal Rules again changed on 7 September 2016, and the Committee was renamed the Chairman's Council at that time.

[1] Before amortisation of intangible assets from acquisitions.

5.2. EXEMPTIONS FROM THE 2009 CODE

Econocom Group applies the recommendations of the 2009 Code, except for those which the Board has deemed ill-suited to Econocom Group's size, or that it intends to implement over the long term. The principles with which Econocom Group does not comply, in whole or in part, are described below.

The Group currently only partially applies the recommendations of Principle 1 of the 2009 Code.

Jean-Louis Bouchard combines the duties of Chairman of the Board of Directors, Chief Executive Officer and Chairman of the Group's Chairman's Council. As such, the Group does not fully adhere to the principle of segregating the Board of Directors' powers of control and executive powers. At 31 December 2017, Jean-Louis Bouchard indirectly held 36.44% of Econocom Group's capital. Such a system meets the characteristics of Econocom Group's shareholdings and is aimed at ensuring management stability as Econocom implements its long-term strategy.

Moreover, the Board of Directors has to date decided against appointing a Secretary to advise it on governance and report to it on compliance with the applicable procedures and rules. This role is informally fulfilled by Galliane Touze, Econocom Group's Company Secretary.

Since 23 November 2017, one-third of the members of Econocom Group's Board have been women, pursuant to the conditions set out in article 518 *bis* of the Belgian Companies Code. At 31 December 2017, the Board had four women members: Véronique di Benedetto, whose term was renewed in 2017, and Adeline Challon-Kemoun, Anne Lange and Marie-Christine Levet, appointed in 2016.

Following the entry into force of the European Market Abuse Regulation, on 18 May 2017 the Board of Directors modified the provisions of its Internal Rules laying down procedures for controlling market transactions.

Econocom Group does not currently apply the recommendations in Principle 4 of the 2009 Code, which state that the Board should draw up nomination procedures and selection criteria for Board members and that a nomination committee should recommend suitable directorship candidates. This principle also recommends a periodic assessment of each Director and of the Board of Directors and its Committees, in accordance with procedures set by the Board.

To date, the Board of Directors has not set up a nomination committee or implemented any formal procedures for nominating members of the Board of Directors or the Chairman's Council. Management considers that this recommendation of the Code is not suitable for Econocom Group in view of its size.

Although the Group has no specific formal procedures for assessing the Board of Directors and its members and Committees or the members of the Chairman's Council, such assessments take place on an ongoing basis.

In 2004, the Board of Directors of Econocom Group established an Audit Committee. At 31 December 2017, its composition was not compliant with the 2009 Code, which requires that a majority of members of such committees be independent. The Committee comprises four Non-executive Directors selected by the Board for their recognised accounting skills, but three of whom (Jean-Philippe Roesch, Gaspard Dürrleman and Rafi Kouyoumdjian) are not independent.

The Chairman of the Board of Directors does not systematically attend Annual General Meetings as recommended by Principle 8 of the 2009 Code, but he ensures that the Board of Directors is always represented by at least one Chief Executive Officer.

Information about the main shareholders of Econocom Group and their relationship with each other and the Company, which should be published in the Corporate Governance Charter, is by nature shifting. For this reason, it is described and updated in the Management Report each year.

5.3. DESCRIPTION OF INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES IN THE CONTEXT OF THE PREPARATION OF THE FINANCIAL INFORMATION

The financial information communicated by the Group refers to its consolidated financial statements and to the management accounting aspects of the financial statements published in compliance with IFRS as adopted by the European Union and approved by the Board of Directors.

This financial information is, at every reporting date, presented to the Group's Audit Committee, and explained to all the Directors.

5.3.1. FINANCIAL ORGANISATION

The Group's financial organisation is both local and global. The Group is organised by business line and country, and the financial processes are implemented by finance teams, finance directors and financial controllers in each entity, all of whom report to the Group Chief Financial Officer. The Business Finance Directors ensure that the reporting rules and practices are applied consistently across the business lines, irrespective of the country.

Furthermore, in the interests of maintaining their independence from the operational teams, the finance teams report hierarchically to the Group Finance Department. This organisation does not apply to the Satellite companies in which the founding shareholders have maintained a non-controlling interest; the Finance Manager continues to report to the subsidiary's Senior Management in these companies.

5.3.2. COORDINATION OF REPORTING AND CONSOLIDATION

The accounts are consolidated by a dedicated team on a quarterly basis. The consolidated companies send their detailed financial statements via the consolidation tool for inclusion in the consolidated financial statements.

Each entity (i.e., company or business unit) draws up a budget. Profit forecasts are adjusted several times during the year and are monitored on a monthly basis based on the activity reports provided to Group Management. These reports are drafted jointly by the entity's operational manager and Chief Financial Officer.

The Group's Finance Department draws up schedules and specific instructions for the various budgets, reports and the items needed for the purpose of consolidation.

5.3.3. ACCOUNTING STANDARDS

The Group's accounting principles are set out in an accounting principles manual which is used as the basis for preparing financial information. This manual describes the method for recording transactions and presenting financial information.

The team in charge of consolidation is also responsible for keeping abreast of changes to IFRSs.

5.3.4. IT SYSTEMS

The Information Systems Department oversees the various information systems used by the Group. It ensures the gradual harmonisation of the solutions implemented and the continuity of operations. In the preparation of financial information, information flows from IT tools specific to the various businesses are centralised in a single accounting management and reporting solution.

5.3.5. RISK FACTORS, SURVEILLANCE AND MONITORING

The monthly reports enable the various operational and financial managers and the Group's Management to verify that the Group's results are accurate and consistent with the targets set. At the end of each quarter, they contain a comparison between the management data and the Group's consolidated financial statements in order to ensure that the financial information is reliable.

The Group's Internal Audit Department completes the risk organisation, and is in charge *inter alia* of drawing up a risk map. It also reviews the subsidiaries' financial statements in order to ensure that they comply with Group rules, and verifies that the reports are accurate and that risks are adequately covered. The Group's Internal Audit Department reports directly to the Audit Committee.

5.3.5.1. Risks associated with accounting systems

Risks associated with accounting systems are assessed on a regular basis with a view to implementing improvement plans.

The accounting systems used within the Group have now been harmonised, and are shared by all business lines and subsidiaries except the Satellite companies in which the Group has acquired stakes, some of which still use software other than that used elsewhere in the Group.

The various business line IT systems are interfaced with the accounting system in order to ensure that information on transactions is traceable, comprehensive and reliable.

The consolidation system is a standard tool.

5.3.5.2. Risks associated with accounting standards

The Consolidation Department, in conjunction with the Group Finance Department and the Business Finance Directors, monitors changes in IFRSs and adapts the Group's accounting principles accordingly. It also organises training for finance staff whenever necessary.

5.3.5.3. Main transaction control procedures

In order to ensure the reliability of the financial information on transactions, the Financial Control team verifies each month that the revenue and costs reported are in line with the flows expected at the time the transactions were approved.

The Finance Department draws up regular statistical analyses to ensure that the assumptions made when the lease contracts were recorded are prudent and appropriate.

The subsidiaries' finance teams also carry out monthly verifications for each business line.

5.3.6. PERSONS RESPONSIBLE FOR THE PREPARATION OF FINANCIAL INFORMATION

The financial information is prepared under the supervision and responsibility of the Board of Directors, which, since 2004, has had an Audit Committee, the role of which is set out in section 5.5.3 below.

5.4. OWNERSHIP STRUCTURE AND LIMITS ON SHAREHOLDER RIGHTS

At 31 December 2017, Econocom Group's share capital consisted of 245,140,430 shares, held as indicated below:

	2017	2016
Companies controlled by Jean-Louis Bouchard	36.44%	41.03%
Public shareholders	59.67%	54.20%
Treasury shares	3.89%	4.77%
Total	**100%**	**100%**

Econocom Group was notified that, at 31 December 2017, two shareholders (other than the companies controlled by Jean-Louis Bouchard) – Butler Industries Benelux (and, indirectly, WB Finance and Walter Butler) and US-based Kabouter Management, LLC – had exceeded the 5% share ownership threshold.

There are no shareholders with special controlling rights.

Each Econocom Group share gives its holder the right to cast a vote at Annual General Meetings. Article 10 of the Company's bylaws provides that the exercise of the voting rights and other rights attached to shares held in co-ownership or in which the usufruct and the bare ownership have been separated, or which are pledged, shall be suspended until such time as a sole representative has been appointed to exercise the rights attached to the shares in question. Treasury shares (3.89%) and shares held by the Belgian Caisse des Dépôts et Consignations (0.45% belonging to bearer shareholders who did not come forward when the Belgian Stock Market converted to electronic shares) also have no voting rights. There are no other particular legal or statutory restrictions with respect to voting rights.

Similarly, with the exception of the provisions limiting purchases and sales by Econocom Group of its own shares, the Company's bylaws do not impose any restrictions on the transfer of its shares.

5.5. COMPOSITION AND FUNCTIONING OF THE ADMINISTRATIVE BODIES AND COMMITTEES

5.5.1. COMPOSITION OF THE BOARD OF DIRECTORS

At 31 December 2017, the Board of Directors had 13 members:

Jean-Louis Bouchard,
(term of office expires at the May 2020 Annual General Meeting)
1, avenue de Montmorency, Villa Montmorency, 75016 Paris (France)
Chairman of the Board of Directors and Chief Executive Officer of Econocom Group,
Chairman of Econocom International BV

Robert Bouchard,
(term of office expires at the May 2021 Annual General Meeting)
23, avenue de Boufflers, 75016 Paris (France)
Vice-Chairman of the Board of Directors and Chief Executive Officer of Econocom Group

Bruno Grossi,
(term of office expires at the May 2019 Annual General Meeting)
13, rue Molitor, 75016 Paris (France)
Chief Executive Officer of Econocom Group

Véronique di Benedetto,
(term of office expires at the May 2021 Annual General Meeting)
86, rue Miromesnil, 75008 Paris (France)
Non-executive Director of Econocom Group

Gaspard Dürrleman,
(term of office expires at the May 2021 Annual General Meeting)
50, avenue Bosquet, 75007 Paris (France)
Non-executive Director of Econocom Group

Rafi Kouyoumdjian,
(term of office expires at the May 2019 Annual General Meeting)
25/27, rue de Lübeck, 75116 Paris (France)
Non-executive Director of Econocom Group

Jean-Philippe Roesch,
(term of office expires at the May 2020 Annual General Meeting)
21, avenue de la Criolla, 92150 Suresnes (France)
Non-executive Director of Econocom Group

Walter Butler,
(term of office expires at the May 2019 Annual General Meeting)
30, Cours Albert 1er, 75008 Paris (France)
Independent Director of Econocom Group

Philippe Capron,
(term of office expires at the May 2020 Annual General Meeting)
30, rue Madeleine Vionnet, 93300 Aubervilliers (France)
Independent Director of Econocom Group

Adeline Challon-Kemoun,
(term of office expires at the May 2020 Annual General Meeting)
32, avenue Duquesne, 75007 Paris (France)
Independent Director of Econocom Group

Anne Lange,
(term of office expires at the May 2020 Annual General Meeting)
Avenue Brugmann 382, 1180 Uccle (Belgium)
Independent Director of Econocom Group

Marie-Christine Levet,
(term of office expires at the May 2020 Annual General Meeting)
91, rue du Cherche-Midi, 75006 Paris (France)
Independent Director of Econocom Group

Jean Mounet,
(term of office expires at the May 2021 Annual General Meeting)
60, quai du Parc, 94100 Saint-Maur-des-Fossés (France)
Independent Director of Econocom Group

At 31 December 2017, the Board accordingly comprised:

- A Chairman, Jean-Louis Bouchard, appointed by the Board from among the Vice-Chairs. He is tasked with managing the Board of Directors and ensuring its efficient running, by monitoring its size and members and those of its Committees, and ensuring good communication with the Chairman's Council to guarantee effective decision-making.
- A Vice-Chairman, Robert Bouchard. At the Annual General Meeting of 19 May 2015, a decision was made to create a Vice-Chair of the Board of Directors. The Board appoints one or more Vice-Chairs from its members. In the event that the Chairman is unable to attend, the Vice-Chair chairs the Board meetings.
- Three Chief Executive Officers in charge of the day-to-day management of Econocom Group, Jean-Louis Bouchard (appointed on 2 March 2004), Bruno Grossi (appointed at the Board meeting of 4 November 2015, with effect from 18 December 2015) and Robert Bouchard (appointed at the Board meeting of 18 May 2017).
- Four Non-executive Directors, Véronique di Benedetto, Gaspard Dürrleman, Rafi Kouyoumdjian and Jean-Philippe Roesch. Véronique di Benedetto exercised operational functions within Econocom Group companies at 31 December 2017. However, she is not considered to be an Executive Director, as this status is reserved for Directors holding executive positions at Econocom Group itself, in accordance with a decision of the Board of Directors dated 24 November 2016.
- Lastly, six Independent Directors within the meaning of article 526 *ter* of the Belgian Companies Code, Walter Butler, Philippe Capron, Adeline Challon-Kemoun, Anne Lange, Marie-Christine Levet and Jean Mounet.

The bylaws do not stipulate any specific rules with respect to the appointment of Directors or the renewal of their term of office nor do they stipulate any age limit for Board membership.

Pursuant to a decision of the Extraordinary and Special General Meeting on 18 December 2015, the term of office for Directors has been reduced from six to four years in order to comply with the recommendations of the 2009 Code.

In 2016, Robert Bouchard was appointed Chief Executive Officer in charge of the day-to-day management of Econocom Group and Chief Operating Officer of Econocom Group (18 May 2017). Bruno Lemaistre ceased to hold any operational positions in January 2017 and his term as Chief Executive Officer expired on the same date. Georges Croix, who was a Non-executive Director of Econocom Group, ceased his duties in November 2017. The directorships of Véronique di Benedetto, Gaspard Dürrleman and Jean Mounet were renewed by decisions of the Annual General Meeting of 16 May 2017, for periods of four years.

Other than their office on the Board of Directors of Econocom Group, certain Directors have other offices, as set out below.

The Chairman of the Board of Directors has controlling interests in a number of companies outside Econocom Group and serves as Legal Manager or Chairman within them. Jean-Louis Bouchard is Chairman of Econocom International BV, Matignon Finance and Château Fontainebleau du Var, and Legal Manager of SCI Orphée, SCI de Dion Bouton, SARL Écurie Jean Louis Bouchard, SCI JMB, SCI LBB, SNC Fontainebleau International and SCI 1 Montmorency.

In addition to serving on the Board of Econocom Group and its subsidiaries, Bruno Grossi is Legal Manager of Vilnaranda and Vilnaranda II and Director of Norcod Solutions Santé.

Robert Bouchard is the permanent representative of GMPC, the legal entity that chairs APL France. He also serves as Chairman of Ecofinance SAS, Legal Manager of GMPC and Co-manager of SCI Maillot Pergolèse.

Véronique di Benedetto is Chairwoman of SAS Numeya. She is also an Independent Director of Maisons France Confort, and serves on the boards of a number of associations including Syntec Numérique (French professional federation of members of the digital industry) and Pascaline, an association created by Syntec.

Gaspard Dürrleman does not serve on any other boards outside those of Econocom Group.

Rafi Kouyoumdjian is Chairman of RKO Management & Investment BV, and a Director of RKO Edith Grove Ltd.

Jean-Philippe Roesch is Legal Manager of La Criolla and Chairman of Orionisa Consulting.

Walter Butler is Chairman and Chief Executive Officer of Butler Industries, Butler Capital Partners and WB Debt Partners, Legal Manager of SCI 30 Albert 1er, Chairman of Amstar Entreprises and FBT Développement, Nexis Fiber Holding, Eden Innovations and Doc, Chairman of the Board of Directors of NXO Expansion, Chairman of the Supervisory Board of NXO France, member of the Supervisory Board of Groupe Partouche and Corum Asset Management, Director of Butler Industries Benelux, NXO Experts and NXO Sécurité, and Director of Butler Investment Managers Limited, Butler Management Limited, Almas Industries Ltd and Almas Industries UK. Walter Butler is also the permanent representative of Butler Capital Partners in his capacity as member of the Supervisory Boards of Access Industries and Colfilm, and as Director of Holding Sports et Evenements.

Philippe Capron is a Director of Transdev Group, Veolia Energy International, Chairman of the Board of Veolia Environment Services Re, a member of the Supervisory Board of Veolia Eau – Compagnie générale des Eaux, Director of Veolia Environment UK Ltd, Chairman of the Board of Directors of Veolia North America Inc. (formerly Venao Inc.), and a member of the Supervisory Board and Chairman of the Audit Committee of Virbac.

Adeline Challon-Kemoun is a Director of Bourbon Corporation.

Anne Lange is a Director of Orange, Imprimerie Nationale and Pernod Ricard.

Marie-Christine Levet is a Director of Iliad, Mercialys, Maisons du Monde, HI-PAY and AFP.

Jean Mounet is a Director of Sopra Steria Group, Sopra Banking Software and Horizontal Software. He is Chairman and Director of SAS Trigone. He is also a Director of the Fondation Telecom and ESCPE, Chairman and Director of the Fondation CPE Lyon Monde Nouveau and Chairman of the Statutory Committee of Syntec Numérique.

5.5.2. FUNCTIONING OF THE BOARD OF DIRECTORS

The Board of Directors meets as often as it deems necessary.

In 2017, the Board met on seven occasions, including two meetings to approve the interim and annual financial statements, and a "technical" meeting held before a notary, where almost all Directors were represented by proxies.

The table below sets out the attendance of each Director at meetings of the Board and the various Committees in 2017:

	Board of Directors	Audit Committee	Compensation Committee
Jean-Louis Bouchard	6	-	-
Robert Bouchard	6	2	-
Bruno Grossi	7	-	-
Véronique di Benedetto	5	-	-
Gaspard Dürrleman	6	3	-
Rafi Kouyoumdjian	6	4	2
Jean-Philippe Roesch	6	2	-
Walter Butler	6	-	-
Philippe Capron	4	-	-
Adeline Challon-Kemoun	4	-	-
Anne Lange	6	-	2
Marie-Christine Levet	4	4	-
Jean Mounet	6	-	2
Total number of meetings	**7**	**4**	**2**

The Board of Directors is responsible for approving the Company's overall strategy proposed by the Chairman, authorising significant projects and ensuring that there are adequate resources to attain its objectives. It is entrusted with decision-making outside the scope of day-to-day management.

The Board of Directors entrusts the Company's operational management to the Chairman's Council, within the limits of the powers stipulated in the Internal Rules of the Chairman's Committee. It also entrusts the day-to-day management to the Chief Executive Officers or, if applicable, the Managing Directors.

The Board appoints the members of the Chairman's Council, the Audit and Compensation Committees and the Chief Executive Officer(s), and generally ensures that a clear and effective management structure is implemented.

It also oversees the quality of the management duties performed and ensures that they are consistent with the Group's strategic objectives. To that end, it receives information every quarter including the budget and revisions thereto, a consolidated summary of the quarterly report and any other information it deems useful.

The Board may only validly debate and take decisions if at least half of its members are present or represented. A Director may represent one or more other members of the Board. Decisions are adopted on the basis of a majority of votes. In the event of a split decision, the person chairing the meeting has the deciding vote. In exceptional circumstances, when urgency and the best interests of the Company so dictate, decisions may be adopted pursuant to the unanimous consent of the Directors, expressed in writing. However, this procedure may not apply in relation to the approval of the annual financial statements and the issuance of authorised capital.

5.5.3. COMMITTEES SET UP BY THE BOARD OF DIRECTORS

Pursuant to the Bylaws, the Board of Directors is authorised to set up specific committees and to determine their tasks and operating rules.

5.5.3.1. Chairman's Council

The Board of Directors has set up a Chairman's Council, whose creation was ratified by shareholders at the Extraordinary General Meeting of 18 May 2004.

Following the transformation of Econocom Group into a European Company, the Board of Directors revised the Internal Rules of the Chairman's Council on 19 May 2016 and 7 September 2016.

The Board entrusted the Chairman's Council with Econocom's operational management, in accordance with article 898 of the Belgian Companies Code and article 21 of the Bylaws.

The role of the Chairman's Council is to recommend strategic guidelines for the Group, implement the strategy chosen by the Chairman and approved by the Board of Directors, approve the budgets accordingly, manage the Group's operational departments (within the scope of the powers of their governing bodies) and monitor their financial and operating performance.

The composition of the Chairman's Council was amended several times during the year: in January 2017 following the termination of the operational duties of Bruno Lemaistre, and at the Board meetings held on 18 May 2017 and 27 July 2017, when Robert Bouchard (Chief Executive Officer) and then Sébastien Musset (Executive Director and Managing Director Resources and Transformation) and Martine Bayens (Executive Director and Managing Director Satellite Development) were appointed to the Chairman's Council. At 31 December 2017, the Chairman's Council consisted of Jean-Louis Bouchard, Chairman, Robert Bouchard, Chief Operating Officer, and Martine Bayens, Bruno Grossi and Sébastien Musset, Executive Directors. Jean-Louis Bouchard, Robert Bouchard and Bruno Grossi also serve as Chief Executive Officers.

The Chairman's Council meets at least ten times a year.

5.5.3.2. Compensation Committee

On 31 August 2011, the Board of Directors set up a Compensation Committee.

The role of the Compensation Committee is to advise and assist the Board of Directors with respect to its compensation policy. It is also charged with implementing plans for granting financial instruments (free shares, stock options, etc.). It drafts the compensation report, in accordance with article 96, section 3 of the Belgian Companies Code, which is subsequently appended to the corporate governance statement. One of its members will comment on the report at the Ordinary General Meeting.

The Board of Directors has also granted the Compensation Committee, in accordance with article 21 of the Bylaws, decision-making powers on behalf of the Board of Directors with respect to stock option plans or any other plans for granting financial instruments. In this respect, the Compensation Committee replaces the stock option committee set up in February 2003.

The Committee currently has three members appointed by the Board of Directors for three-year terms that cannot exceed their term as Directors. At its meeting of 7 September 2016, the Board of Directors renewed Jean Mounet's term as a member of the Committee and entrusted him with the Chairmanship of the Compensation Committee. Rafi Kouyoumdjian was appointed by the Board of Directors at its meeting of 29 August 2014, and Anne Lange by the Board of Directors at its meeting of 7 September 2016 with effect from 4 November 2016, when her appointment as Director of Econocom Group became effective.

The Committee met twice in 2017.

5.5.3.3. Audit Committee

The Audit Committee was created by the Board of Directors on 18 May 2004.

It is composed of four members, including three Non-executive Directors and an Independent Director. At its meeting of 18 May 2017, the Board of Directors appointed Jean-Philippe Roesch to the Audit Committee as Chairman for three years, following the resignation of Robert Bouchard from this position. It also renewed for three years the terms of Gaspard Dürrleman and Rafi Kouyoumdjian on 5 March 2015, and appointed Marie-Christine Levet on 7 September 2016.

The term of office is three years, provided that it does not exceed the holder's term of office as Director.

The Audit Committee meets as often as required. It met four times in 2017, with all members in attendance (as stated in section 5.5.2 above), as well as Robert Bouchard, after his appointment as Chief Operating Officer, Galliane Touze, Company Secretary, Eric Bazile, Chief Financial Officer, and Stéphane Pailler, head of Internal Audit. The members of the Audit Committee invite the Statutory Auditor and any other person deemed useful by the Committee as required by the agenda.

The Audit Committee is responsible for helping the Board of Directors perform its duty of controlling Econocom Group's operations. In particular, it examines the quality and relevance of internal and external audit engagements, monitors internal control and risk management procedures, ensures that the accounting methods used are appropriate, and that the Group's financial data are complete and accurate.

Article 96 of the Belgian Companies Code stipulates that companies must be able to demonstrate the independence and audit and accounting expertise of at least one of the members of the Audit Committee. Econocom complies with this requirement.

5.5.4. DAY-TO-DAY MANAGEMENT

The Board of Directors has entrusted the day-to-day management of the Econocom Group to the Chief Executive Officers, in accordance with articles 898 and 525 of the Belgian Companies Code.

All major decisions regarding the subsidiaries are made by the relevant body, with the assent of the Chief Executive Officer in charge of the issue or activity in question. The subsidiaries generally do not have any major decision-making powers other than those concerning day-to-day management. The powers of Group subsidiaries' managers and the limits to these powers are set out in an internal reference document.

The Chairman's Council is in charge of operational management.

5.5.5. IMPLEMENTATION OF PROVISIONS GOVERNING CONFLICTS OF INTERESTS

Article 523 of the Belgian Companies Code provides for a specific procedure within the Board of Directors to address conflicts of interest involving one or more Directors when it makes decisions or concludes transactions.

At its meeting of 22 November 2012, the Board of Directors also adopted a procedure governing transactions or other contractual relationships between Econocom Group and the Directors and members of the Chairman's Council when such transactions or other contractual relationships are not covered by the provisions of article 523 of the Belgian Companies Code.

Articles 523 and 524 of the Belgian Company Code were not applied in 2017, nor was the Group's conflict of interest procedure.

5.5.6. IMPLEMENTATION OF THE DIVERSITY POLICY

Econocom's commitments, objectives and actions in respect of diversity, as well as the results of this policy, are described in Chapter 3, "Corporate Social Responsibility", section 1.4. They mainly concern gender equality and support for people from disadvantaged backgrounds and people with disabilities.

Since 23 November 2017, one-third of the members of Econocom Group's Board have been women, pursuant to the conditions set out in article 518 *bis* of the Belgian Companies Code. At 31 December 2017, the Board had four women members: Véronique di Benedetto, Adeline Challon-Kemoun, Anne Lange and Marie-Christine Levet. Women also sit on each of the various committees created by the Board of Directors, namely the Chairman's Council (Martine Bayens), the Audit Committee (Marie-Christine Levet) and the Compensation Committee (Anne Lange).

Econocom's policy in favour of people from disadvantaged backgrounds is by nature deemed not to be designed for the Group's senior staff. Despite having made particular efforts in this regard, Econocom has not yet hired a senior manager with a disability.

5.6. COMPOSITION OF ADVISORY BODIES

Econocom Group's Statutory Auditor is PricewaterhouseCoopers Réviseurs d'Entreprises SCCRL (Woluwe Garden, Woluwedal, 18 1932 Saint-Stevens-Woluwe [Belgium]), whose term was renewed at the May 2016 Annual General Meeting and expires at the May 2019 Annual General Meeting.

Econocom Group's Statutory Auditor is represented by Damien Walgrave, auditor, who replaced Emmanuèle Attout on 20 May 2014 as Statutory Auditor on behalf of SCCRL PwC Réviseurs d'Entreprises.

5.7. 2017 COMPENSATION REPORT

This report was drafted in accordance with the provisions of articles 526 *quater* and 96 section 3 of the Belgian Companies Code. Its purpose is to describe in detail the policy for compensating Directors (in charge of day-to-day management, Executive and Non-executive), as well as members of the Chairman's Council (formerly the Executive Committee) of Econocom Group.

5.7.1. COMPENSATION POLICY FOR DIRECTORS AND MEMBERS OF THE CHAIRMAN'S COUNCIL

5.7.1.1. Procedure adopted to define compensation for Directors and members of the Chairman's Council and set their individual compensation

On 31 August 2011, the Board of Directors set up a Compensation Committee. The Committee comprises three Non-executive Directors, two of whom are independent as defined in article 526 *ter* of the Belgian Companies Code. The role of the Compensation Committee is to advise and assist the Board of Directors with respect to its compensation policy. It is also charged with implementing plans for granting financial instruments (free shares, stock options, etc.).

More specifically, the Compensation Committee is in charge of:

1) Upon recommendations of the Chairman and Chief Executive Officer:

a) Making proposals and recommendations to the Board of Directors with respect to the policy for compensating Directors and members of the Chairman's Council and, if required by law, any resulting recommendations which the Board of Directors must submit to the shareholders for approval.

b) Making proposals and recommendations to the Board of Directors with respect to the individual compensation of Directors and members of the Chairman's Council, including the variable portion and long-term bonuses (long-term share incentives) – whether or not shared-based – granted as stock options or other financial instruments, termination benefits and, if required by law, any resulting recommendations which the Board of Directors must submit to the shareholders for approval.

c) Making suggestions and recommendations to the Board of Directors about setting and assessing performance targets linked to the individual compensation of Directors and Chairman's Council members.

2) Drafting the compensation report, in accordance with article 96 section 3 of the Belgian Companies Code, which is subsequently added to the corporate governance statement.

3) Commenting on the report during the Ordinary General Meeting.

4) Submitting recommendations to the Board of Directors with respect to the procedure and conditions concerning the Directors' and Chairman's Council members' employment or other contracts.

5) Generally carrying out all the tasks assigned by the Board of Directors with respect to compensation.

In accordance with article 21 of the Bylaws, the Board of Directors also grants the Compensation Committee the power to implement Board decisions with respect to stock option plans or any other existing or future plans for granting financial instruments such as warrants or share grants, i.e., issuing stock options or other financial instruments within the limits authorised by the Board of Directors, to whom the Compensation Committee is accountable.

The Compensation Committee met twice in 2017.

5.7.1.2. 2017 compensation policy

Board of Directors

The Bylaws provide for attendance fees for Directors.

The Extraordinary General Meeting of 18 December 2015 decided to increase the compensation of Non-executive Directors from €3,000 to €5,000 per Board meeting from January 2016, subject to actual attendance at meetings.

At its meeting of 24 November 2016, the Board of Directors sought to clarify the status of Executive Director, excluding from the concept Directors having an operational function within subsidiaries but not holding executive positions at Econocom Group. People in this position are considered to be Non-executive Directors. However, they do not receive attendance fees and their compensation results from their contractual relationship with one or more Group companies or, where appropriate, the offices they serve in any of them.

Directors not exercising any operational function do not receive any payment other than the above-mentioned attendance fees. Lastly, Executive Directors receive no compensation for their directorship with Econocom Group. Their compensation is derived from contractual relationships or their offices in one or more Group companies.

Committees

At the Extraordinary General Meeting of 18 December 2015, the compensation of Chairs and members of the Audit and Compensation Committees was increased from €2,000 to €3,000 per meeting from January 2016, subject to actual attendance.

Executive Directors, Non-executive Directors with operational functions and members of the Chairman's Council

The compensation of Executive Directors and members of the Chairman's Council is set by the Chairman and Chief Executive Officer, based on advice from the Compensation Committee.

The compensation of Executive Directors and members of the Chairman's Council includes a significant variable portion, which accounts for between 30% and 50% of the total compensation. At the Extraordinary General Meeting of 28 September 2011, the Board of Directors was granted an exemption from article 520 *ter*, paragraph 2 of the Belgian Companies Code pertaining to the rules governing the distribution of the variable portion of compensation for 2011 and 2012. At the Annual General Meeting of 21 May 2013, this exemption was renewed indefinitely. The variable portion of compensation paid to Executive Directors and Chairman's Council members was set in 2017 based on annual performance criteria.

Variable compensation paid to Executive Directors and members of the Chairman's Council in 2017 was subject to the achievement of objectives, both qualitative and quantitative. A significant proportion of compensation paid to members of the Chairman's Council was subject to the achievement of a joint quantitative objective in line with the Group's budget targets, and in particular recurring operating profit in 2017. The other qualitative and quantitative objectives are specific to each Chairman's Council member and Executive Director, and depend on the scope of their duties and responsibilities. These objectives concern (i) the results (revenue and pre-tax profit) of the activity for which they are responsible, (ii) revenue or development targets in strategic market segments or offers for the Group, and lastly, (iii) qualitative objectives, notably concerning the design of the strategic plan and the new brand platform.

As is the case with all Econocom Group employees, the Executive Directors and Chairman's Council members who are employees of the Group are assessed on a continuous basis throughout the year by their managers and at the annual appraisal, which is held in the first quarter of the following year.

The compensation of Non-executive Directors with operational functions is set by the Chairman or a Chief Executive Officer, and its characteristics are similar to those described above.

The compensation policy for 2018 is consistent with the policy for 2017. Compensation includes a variable component of at least 30% of total compensation. The variable compensation of Executive Directors, Non-executive Directors with operational functions and Chairman's Council members is subject to the achievement of qualitative and quantitative objectives specific to each person, based on their duties and responsibilities. These objectives concern (i) the results (revenue and pre-tax profit) of the Group and of the activity for which they are responsible, (ii) revenue targets or development targets in strategic market segments or offers for the Group, targets relating to productivity and compliance with financial ratios, including working capital and net debt, and lastly, (iii) qualitative objectives, based in particular on quality indicators.

The Board of Directors did not deem it necessary, given the reliability of the Group's financial information, to implement a system for retrieving variable compensation granted on the basis of incorrect financial information.

5.7.2. COMPENSATION PAID IN 2017

5.7.2.1. Non-Executive Directors

This section sets out the individual compensation and benefits paid directly or indirectly to Non-executive Directors by Econocom Group or any of the Group's other companies in 2017.

Compensation paid in 2017, including payroll costs:

in €

Walter Butler	30,000
Philippe Capron	20,000
Adeline Challon-Kemoun	20,000
Georges Croix[1]	-
Gaspard Dürrleman	42,000
Rafi Kouyoumdjian	51,000
Anne Lange	36,000
Marie-Christine Levet	40,000
Jean Mounet	36,000
Jean-Philippe Roesch	39,000
Total	**314,000**

1 Georges Croix resigned in 2017.

5.7.2.2. Compensation paid to the Chairman of the Board of Directors

Jean-Louis Bouchard performs the duties of Chairman of the Board of Directors, Chief Executive Officer and Chairman of the Group's Chairman's Council. He receives no compensation whatsoever for these duties, and does not benefit from any special pension or insurance, or any other benefits paid either directly or indirectly by either Econocom Group or any companies in the scope of consolidation. Econocom International BV – whose Chairman is Jean-Louis Bouchard – bills fees to Econocom Group and its subsidiaries for managing and coordinating the Group. These fees amounted to €3.2 million in 2017, compared with €2.4 million in 2016.

Three-quarters of this amount is composed of personnel costs and the remainder of chargebacks of costs incurred by EIBV on behalf of Econocom (management seminars, etc.).

5.7.2.3. Total compensation paid to the Executive Directors of the Board, Non-executive Directors with operational functions and Chairman's Council members in 2017

This section sets out the overall compensation and benefits paid directly or indirectly to Executive Directors of the Board, Non-executive Directors with operational functions and Chairman's Council members by Econocom Group or any of the Group's other companies in 2017.

Total compensation paid in 2017, including payroll costs:

in €

Fixed portion[1]	1,711,671
Variable portion[2]	559,000
Pensions and other compensation, including benefits in kind	36,631
Attendance fees	0
Total	**2,307,302**

1 Of which €53,000 in respect of 2016 and paid in 2017.
2 Of which €510,000 in respect of 2016 and paid in 2017.

Total compensation allocated with respect to 2017, including payroll costs:

in €

Fixed portion[1]	1,811,790
Variable portion[2]	1,354,500
Pensions and other compensation, including benefits in kind[3]	39,206
Attendance fees	0
Total	**3,205,496**

1 Of which €153,000 in respect of 2017 to be paid in 2018.
2 Of which €1,306,000 yet to be paid in 2018.
3 Of which €3,000 yet to be paid in 2018.

This information refers to compensation including payroll costs paid to Executive Directors and Chairman's Council members in office in 2017, namely Martine Bayens, Robert Bouchard, Bruno Grossi and Sébastien Musset, as well as compensation paid to Non-executive Directors with operational functions, namely Véronique di Benedetto.

Three of the five Executive Directors, Chairman's Council members and Non-executive Directors with operational functions were compensated under their employment contract as employees of Econocom Group's companies. Three Non-executive Directors with operational functions indirectly received compensation through a company controlled by Econocom Group, as a corporate officer of an Econocom Group company and/or as a service provider. This lump-sum compensation is included in the summary table above.

Lastly, the compensation paid to Jean-Louis Bouchard, Chairman of the Board of Directors, Chief Executive Officer and Chairman of the Chairman's Council, is set out in section 5.7.2.2.

Two of the Executive Directors, Chairman's Council members and Non-executive Directors with operational functions have a company car.

5.7.2.4. Stock options and free shares granted

Some of the Executive Directors, Chairman's Council members and Non-executive Directors with operational functions benefit from stock option and/or free share plans.

In 2017, some received options entitling them to 850,000 Econocom Group shares (after the share split) at a total exercise price of €5.1 million.

Moreover, the Annual General Meeting of 17 May 2016 approved the terms of a free share plan for 1,125,000 shares (or 2,250,000 after share split), and the Board of Directors, at its meeting of 19 May 2016, granted 220,000 (440,000 after share split) of these free shares to an Executive Director and Chairman's Council member, of which 70,000 (140,000 after share split) were transferred to him permanently during the year.

At 31 December 2017, the Executive Directors, Chairman's Council members and Non-executive Directors held 1,350,000 stock options entitling them to 1,850,000 Econocom Group shares (after share split) at a total subscription price of €8.1 million, as well as 150,000 (300,000 after share split) free Econocom Group shares.

5.7.2.5. Termination benefits and other contractual obligations

The employment contracts of the Executive Directors, Chairman's Council members and Non-executive Directors with operational functions in office at 31 December 2017 contain standard clauses, in particular as regards notice period. They contain no specific clause with respect to pension benefits. One of the members of the Chairman's Council is eligible for termination benefits equal to 12 months of total gross average compensation (under certain conditions).

5.8. APPROPRIATION OF PROFIT AND DIVIDEND POLICY

At the Annual General Meeting to be held on 15 May 2018, the Board of Directors will recommend that shareholders receive a refund of the issue premium, considered as paid-in capital, in the amount of €0.12 per share.

This refund represents a 20% increase in the gross shareholder return per share and a 37% increase over two years.

In addition, the Group will also continue its share buyback policy.

5.9. RELATIONS WITH MAJOR SHAREHOLDERS

The transparency-related disclosures made to the Company designate Econocom International NV as the majority shareholder.

In accordance with article 74, section 6 of the Belgian law of 1 April 2007 on takeover bids, on 4 December 2007, Econocom Group received notification from Econocom International NV, which is controlled by Jean-Louis Bouchard, indicating that at 1 September 2007, Econocom International NV held 12,857,760 Econocom Group shares, representing 47.97% of the share capital. Econocom International NV changed its legal status in 2015 to Econocom International BV.

Jean-Louis Bouchard is the only shareholder who controls more than 30% of the Group. He is not required to launch a takeover bid as he acquired his 30% interest prior to 1 September 2007, and duly carried out all the legally required disclosures and publications regarding his interests.

On 2 February 2017, Econocom Group received joint notification of a threshold crossing from Econocom International BV, SCI de Dion Bouton and Econocom Group stating that they held a combined total of 44.54% of the Company's capital. This crossing below the 45% threshold occurred further to sales by Econocom Group of treasury shares backing redemptions of ORNANE bonds. On 29 June 2017, Econocom Group received a second joint notification from Econocom International BV, SCI de Dion Bouton and Econocom Group stating that they held a combined total of 39.98% of the Company's capital. This notification was sent further to the conversion of ORNANE bonds, which is the main reason for changes in the shareholding of Econocom International BV. Lastly, on 12 December 2017, the Company received a joint notification from the aforementioned shareholders, stating that their interests had risen to 40.01%.

At 31 December 2017, the number of shares issued by Econocom Group totalled 245,140,430, of which Jean-Louis Bouchard held 36.44% via Econocom International BV and SCI de Dion Bouton. Shares held in treasury by Econocom Group do not carry voting rights, meaning that, at 31 December 2017, Jean-Louis Bouchard held 37.96% of the Company's voting rights, directly and indirectly.

Changes in the shareholding of Jean-Louis Bouchard over the period was primarily attributable to the dilutive impact of the ORNANE bond conversion. The appointment of his son Robert Bouchard, also a shareholder, has cemented Econocom Group's status as a family company, with the long-term visibility that brings.

Relations with the majority shareholder, Econocom International BV, correspond to the provision of standard services on arm's-length terms. In March 2010, Econocom Products & Solutions SAS signed a lease with SCI Maillot Pergolèse, which is owned by Econocom International BV, for premises located in Les Ulis. This lease was signed on arm's-length terms. In October 2012, Econocom France signed a lease with SCI de Dion Bouton, which is owned by Econocom International BV, in order to relocate a number of the Paris area-based employees to premises in Puteaux in 2013. This lease was signed on arm's-length terms. In 2015, Econocom SAS signed a lease with SCI JMB, which is controlled by Jean-Louis Bouchard, in order to relocate the Lyon area-based employees to refurbished premises in Villeurbanne. This lease was signed on arm's-length terms. In 2016, Econocom SAS signed a lease with SCI Maillot Pergolèse for premises located in Clichy. This lease was signed on arm's length terms.

5.10. ECONOCOM GROUP EMPLOYEE SHARE OWNERSHIP

Econocom Group has set up several stock option plans for its employees, managers and executives.

During the year, 140,000 free shares were exercised by the beneficiaries of this plan.

Moreover, the 2013 options have been exercisable since 16 September 2017 , but none of the beneficiaries had exercised any of these options at 31 December 2017.

At its meeting of 22 June 2017, the Board of Directors decided to set up a stock option plan for a total of 2,000,000 shares, of which 1,950,000 were granted by the Compensation Committee during the year.

An updated summary of the Group's commitments in respect of these plans at 31 December 2017 is provided below:

Plan	Grant year	Number of stock options and free shares	Number of corresponding shares[1]	Expiry date	Exercise price (€) per option	Exercise price in € thousands
Options	2013	875,000	1,750,000	Dec. 18	5.96	5,215
Subscription options	2014	1,812,500	3,625,000	Dec. 19	5.52	10,005
	2015	237,500	475,000	Dec. 20	7.74	1,838
		120,000	240,000	Dec. 20	7.61	913
	2016	60,000	120,000	Dec. 21	9.57	574
		45,000	90,000	Dec. 21	13.60	612
Free shares	2016	160,000	160,000	May 18	–	–
		140,000	140,000	May 19	–	–
Options	2017	1,950,000	1,950,000	Dec. 23	6.04	11,778
Total	**–**	**–**	**8,550,000**	**–**	**–**	**8,550,000**

[1] The options granted prior to the two-for-one share split (in June 2017) each entitle the holder to two Econocom Group shares.

These plans cover Econocom Group shares listed on the Euronext Brussels stock exchange. They are granted with a view to involving employees, managers and executives more closely in the Group's operations and business development.

Vesting of some of the options is contingent on their beneficiaries achieving individual, collective, internal and external performance goals.

The exercise price is set in accordance with current legislation.

The options may not be transferred and Econocom Group does not hedge its exposure to decreases in the share price.

The stock options granted in 2013 are covered by a stock option contract signed by each beneficiary. The text of the standard stock option contract was approved by the Board of Directors on 25 January 2000. It was last amended to take into account changes in legislation. This amendment was approved by the Compensation Committee on 16 September 2013. These options will be covered by existing shares.

The stock options granted in 2014, 2015 and 2016 are part of a stock option plan approved by the Board of Directors on 17 December 2014. If exercised, these options will result in the issuance of new shares.

The free share plan issued in 2016 was approved by the Annual General Meeting of 17 May 2016 and the related documentation was finalised by the Board of Directors on 19 May 2016. The vesting of free shares by the beneficiary will result in delivery of existing shares.

The stock options granted in 2017 are part of a stock option plan approved by the Board of Directors on 22 June 2017. If exercised, these options will result in the issuance of new shares.

At 31 December 2017, unexercised free shares and options entitling their holders to a total of 8,550,000 Econocom Group shares represented 3.49% of the number of shares outstanding at the end of the year. Lastly, of the total number of shares corresponding to stock options and free shares granted and not yet exercised, 42.9% were subject to the achievement of quantitative and/or qualitative, and individual and/or collective performance conditions.

The exercise of all these options would result in a capital increase of €30.9 million.

5.11. STATUTORY AUDITOR'S FEES

in €	31/12/17	31/12/16
Statutory Auditor's fees for auditing the consolidated financial statements	**410,888**	348,960
Fees for audit-related engagements or similar assignments performed in the Group by individuals related to the Statutory Auditor	**826,030**	754,367
Fees for non audit-related engagements or specific assessments carried out by the Statutory Auditor for Econocom Group	**–**	–
Non-audit certification engagements	**15,500**	6,500
Tax advisory work	**–**	–
Other	**10,000**	–
Fees for non audit-related engagements or specific assignments performed in the Group by individuals linked to the Statutory Auditor	**–**	–
Non-audit certification engagements	**0**	12,500
Tax advisory work	**485,216**	770,012
Other	**0**	65,387

5.12. TREASURY SHARES

See section 2.3.3.3 above.

6. SUBSEQUENT EVENTS

On 1 March, the Group took advantage of good market conditions to successfully place approximately €200 million of bonds convertible into new shares and/or exchangeable for existing shares (OCEANE). This issue will enable Econocom to increase its financial resources, especially in the context of its "e for excellence 2018-2022" strategic plan which was announced on 3 October 2017. This plan is designed to enable Econocom to pursue its mixed growth strategy combining organic development and acquisitions.

06

CONSOLIDATED FINANCIAL STATEMENTS

1. CONSOLIDATED INCOME STATEMENT AND EARNINGS PER SHARE

For the years ended 31 December 2017 and 31 December 2016

in € millions	*Notes*	2017	2016 adjusted[a]
Revenue from continuing operations	*4.1*	**2,979.7**	**2,536.2**
Operating expenses		**(2,829.5)**	**(2,400.1)**
Cost of sales		(2,038.5)	(1,704.0)
Personnel costs	*4.2*	(560.7)	(513.2)
External expenses	*4.4*	(194.5)	(171.1)
Depreciation, amortisation and provisions	*4.5*	(27.7)	(11.2)
Taxes (other than income taxes)		(11.9)	(11.0)
Net impairment losses on current and non-current assets	*4.6*	(6.4)	0.7
Other operating income and expenses	*4.7*	9.3	5.8
Financial income – operating activities	*4.8*	0.9	3.9
Recurring operating profit before amortisation of intangible assets from acquisitions[1]		**154.4**	**140.3**
Recurring operating profit		**150.2**	**136.1**
Non-recurring operating income and expenses	*5*	(19.9)	(12.3)
Operating profit		**130.3**	**123.8**
Change in fair value of the ORNANE embedded derivative component	*6*	4.1	(37.9)
Other financial income and expenses	*6*	(12.5)	(17.4)
Profit before tax		**121.9**	**68.6**
Income tax expense	*7*	(31.2)	(35.7)
Profit from continuing operations		**90.7**	**32.8**
Share of profit (loss) of associates and joint ventures		-	(0.2)
Profit (loss) from discontinued operations	*2.2.5*	-	-
Profit for the year		**90.7**	**32.7**
Non-controlling interests		4.3	(0.7)
Profit for the year attributable to owners of the parent		86.4	33.4
Profit for the year attributable to owners of the parent[2]		**94.5**	**83.0**

Basic earnings per share[b] (in €)	*Notes*	2017	2016
Basic earnings per share – continuing operations		0.37	0.15
Basic earnings per share – discontinued operations		-	-
Basic earnings per share	*8*	**0.37**	**0.15**
Diluted earnings per share – continuing operations		0.36	0.15
Diluted earnings per share – discontinued operations		-	-
Diluted earnings per share	*8*	**0.36**	**0.15**
Recurring earnings per share[2]	*8*	**0.41**	**0.39**

[a] Change in accounting policy: changes in the fair value of liabilities under put and call options on non-controlling interests are now recognised in equity. Since this change in policy is applied on a retrospective basis, the €5.5 million in write-backs of liabilities credited to "Non-recurring operating income and expenses" in 2016 are restated in 2017 (see Note 1).

[b] The Extraordinary General Meeting of 16 May 2017 approved Econocom Group's two-for-one share split. To simplify matters, financial information regarding earnings per share presented in this report has been retrospectively restated to reflect the two-for-one share split in the prior period.

[1] Before amortisation of the ECS customer portfolio and the Osiatis brand.

[2] Since the end of first-half 2016, Econocom has used recurring profit attributable to owners of the parent to assess its economic and financial performance. Recurring profit excludes:
- amortisation of intangible assets from acquisitions, net of tax effects;
- non-recurring operating income and expenses, net of tax effects;
- adjustments to the fair value of the ORNANE embedded derivative component;
- non-recurring financial income and expenses, net of tax effects;
- profit (loss) from discontinued operations, net of tax effects.

A table showing the reconciliation of profit attributable to owners of the parent with recurring profit attributable to owners of the parent is included in section 2.1 of the management report.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended 31 December 2017 and 31 December 2016

in € millions	2017	2016 adjusted
Profit for the year	90.7	32.7
Items that will not be reclassified to profit or loss:	**(0.3)**	**(2.6)**
- Remeasurements of the net liability (asset) under defined benefit plans	0.3	(4.2)
- Deferred tax on remeasurements of the liability (asset) under defined benefit plans	(0.6)	1.6
Items that may be reclassified to profit or loss:	**(1.3)**	**(0.1)**
- Change in fair value of cash flow hedges	0.5	(0.3)
- Deferred taxes arising on changes in fair value of cash flow hedges	(0.2)	0.1
- Foreign currency translation adjustments	(1.6)	0.1
Other comprehensive income (expense)	**(1.6)**	**(2.7)**
Total comprehensive income for the year	**89.1**	**30.0**
Attributable to non-controlling interests	4.1	(0.1)
Attributable to owners of the parent	85.0	30.1

2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

Assets

in € millions	*Notes*	2017	2016 adjusted
Non-current assets			
Intangible assets	*10.1*	79.6	67.6
Goodwill	*9*	598.8	539.1
Property, plant and equipment	*10.2*	48.4	41.4
Long-term financial assets	*10.3*	30.9	26.7
Residual interest in leased assets	*11.1*	105.5	77.4
Other long-term receivables	*10.4*	12.5	10.1
Deferred tax assets	*7.2*	20.2	13.9
Total non-current assets		**895.9**	**776.2**
Current assets			
Inventories	*12.1*	**63.9**	39.2
Trade and other receivables	*12.2*	1,122.6	882.2
Residual interest in leased assets	*11.1*	35.9	29.7
Current tax assets		9.2	5.6
Other current assets	*12.2*	62.2	52.9
Cash and cash equivalents	*14.1*	237.9	348.7
Total current assets		**1,531.8**	**1,358.3**
Assets held for sale		-	-
Total assets		**2,427.7**	**2,134.5**

Equity and liabilities

in € millions	*Notes*	2017	2016 adjusted
Share capital		23.5	21.6
Additional paid-in capital and reserves		270.9	146.4
Profit for the year attributable to owners of the parent		86.4	33.4
Equity attributable to owners of the parent	*15*	**380.8**	**201.4**
Non-controlling interests	*15.4*	102.4	77.6
Total equity		**483.2**	**279.0**
Non-current liabilities			
Bonds	*14.2*	246.6	381.9
Financial liabilities	*14.2*	93.5	9.0
Gross liability for purchases of leased assets	*11.2*	59.6	52.5
Long-term provisions	*16*	1.1	1.8
Provisions for pensions and other post-employment benefit obligations	*17*	45.7	43.2
Other non-current liabilities	*12.5*	99.1	91.2
Deferred tax liabilities	*7.2*	9.5	6.3
Total non-current liabilities		**555.1**	**585.9**
Current liabilities			
Bonds	*14.2*	5.3	*7.3*
Financial liabilities	*14.2*	171.2	*135.8*
Gross liability for purchases of leased assets	*11.2*	17.9	*15.8*
Short-term provisions	*16*	41.2	*36.3*
Current tax liabilities		17.2	*19.0*
Trade and other payables	*12.3*	961.1	*908.0*
Other current liabilities	*12.4*	175.5	*147.4*
Total current liabilities		**1,389.4**	**1,269.6**
Liabilities related to assets held for sale		-	-
Total equity and liabilities		**2,427.7**	**2,134.5**

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3. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended 31 December 2017 and 31 December 2016

in € millions	Number of shares[1]	Share capital	Additional paid-in capital	Treasury shares	Consolidated reserves and retained earnings	Other comprehensive income (expense)	Attributable to owners of the parent	Attributable to non-controlling interests	Total (adjusted)
Balance at 1 January 2016 (reported)	**112,519,287**	**21.6**	**189.1**	**(43.1)**	**64.3**	**(3.8)**	**228.1**	**52.4**	**280.5**
Profit for the year (adjusted)	-	-	-	-	33.4	-	33.4	(0.7)	32.7
Other comprehensive income (expense), net of tax	-	-	-	-	-	(3.3)	(3.3)	0.6	(2.7)
Total comprehensive income for 2016 (adjusted)	**-**	**-**	**-**	**-**	**33.4**	**(3.3)**	**30.1**	**(0.1)**	**30.0**
Share-based payments	-	-	-	-	0.9	-	0.9	-	0.9
Refund of issue premiums	-	-	(19.7)		0.9	-	(18.8)	-	(18.8)
Treasury share transactions	-	-	-	(7.4)	(9.8)	-	(17.2)	-	(17.2)
Put and call options on non-controlling interests - change in fair value	-	-	-	-	6.2	-	6.2	(0.7)	5.5
Put and call options on non-controlling interests	-	-	-	-	(29.4)	-	(29.4)	(3.4)	(32.8)
Non-controlling interests in acquisitions in the year	-	-	-	-	-	-	-	32.8	32.8
Other transactions and transactions with an impact on non-controlling interests	-	-	-	-	1.5	-	1.5	(3.4)	(1.9)
Balance at 31 December 2016	**112,519,287**	**21.6**	**169.4**	**(50.5)**	**68.0**	**(7.1)**	**201.4**	**77.6**	**279.0**
Balance at 1 January 2017 (reported)	**225,038,574[1]**	**21.6**	**169.4**	**(50.5)**	**68.0**	**(7.1)**	**201.4**	**77.6**	**279.0**
Profit for the year	-	-	-	-	86.4		86.4	4.3	90.7
Other comprehensive income (expense), net of tax	-	-	-	-	-	(1.4)	(1.4)	(0.2)	(1.6)
Total comprehensive income for 2017	**-**	**-**			**86.4**	**(1.4)**	**85.0**	**4.1**	**89.1**
Share-based payments	-	-	-	-	0.9		0.9		0.9
Refund of issue premiums/Payments to shareholders	-	-	(24.5)		0.8	-	(23.7)	(0.4)	(24.1)
ORNANE bond conversion	20,101,856	1.9	108.1		29.4	-	139.4	-	139.4
Sales of treasury shares backing ORNANE bond redemptions	-	-	-	18.7	17.6	-	36.3	-	36.3
Treasury share transactions	-	-	-	(26.3)	(1.1)	-	(27.4)	-	(27.4)
Put and call options on non-controlling interests - change in fair value	-	-	-	-	1.3	-	1.3	-	1.3
Put and call options on non-controlling interests	-	-	-		(20.6)		(20.6)	(1.8)	(22.4)
Non-controlling interests in acquisitions in the year	-	-	-				-	22.1	22.1
Other transactions and transactions with an impact on non-controlling interests (see Note 15)	-	-	-		(11.7)	(0.1)	(11.8)	0.8	(11.0)
Balance at 31 December 2017	**245,140,430**	**23.5**	**253.0**	**(58.1)**	**171.0**	**(8.6)**	**380.8**	**102.4**	**483.2**

[1] In the 2017 table, after the two-for-one share split approved by the Extraordinary General Meeting of 16 May 2017.

4. CONSOLIDATED STATEMENT OF CASH FLOWS

At 31 December 2017

in € millions	*Notes*	**2017**	**2016 adjusted**
Profit for the year		90.7	32.7
Elimination of share of profit (loss) of associates and joint ventures	*18.1.1*	-	0.2
Provisions, depreciation, amortisation and impairment	*18.1.1*	32.2	8.2
Change in fair value of the ORNANE embedded derivative component	*18.1.1*	(4.1)	37.9
Elimination of the impact of residual interest in leased assets	*18.1.1*	(31.8)	(7.7)
Other non-cash expenses	*18.1.1*	0.8	2.1
Cash flows from operating activities after cost of net debt and income tax		**87.8**	**73.3**
Income tax expense	*7*	31.2	35.7
Cost of net debt	*18.1.2*	10.8	12.5
Cash flows from operating activities before cost of net debt and income tax (a)		**129.7**	**121.5**
Change in working capital (b), o/w:	*18.1.3*	(143.6)	40.5
Investments in self-funded TMF[1] contracts		(55.9)	(26.8)
Other changes in working capital		(87.7)	67.3
Tax paid before tax credits (c)		(41.3)	(31.4)
Net cash from (used in) operating activities (a+b+c=d)	*18.1*	**(55.2)**	**130.6**
o/w related to discontinued operations	-	-	-
Acquisition of property, plant and equipment and intangible assets		(44.2)	(33.1)
Disposal of property, plant and equipment and intangible assets		-	0.8
Acquisition of long-term financial assets		(2.7)	(2.3)
Disposal of long-term financial assets		0.5	0.8
Acquisition of companies and businesses, net of cash acquired		(60.5)	(21.9)
Disposal of companies and businesses, net of cash acquired		-	-
Net cash used in investing activities (e)	*18.2*	**(106.9)**	**(55.7)**
o/w related to discontinued operations		-	-

[1] Technology Management & Financing.

in € millions	*Notes*	2017	2016
Issue of other non-convertible bonds		-	150.0
Exercise of stock options		-	9.7
Redemption of ORNANE convertible bonds		(38.8)	(48.7)
Sales of treasury shares backing ORNANE bond redemptions		36.5	-
Other purchases of treasury shares (net of sales)		(27.3)	(29.8)
Payments to shareholders during the year		(23.6)	(18.8)
Changes in refinancing liabilities on lease contracts and liabilities on self-funded contracts		42.8	28.7
Increase in non-current financial liabilities		19.1	-
Decrease in non-current financial liabilities		(4.0)	(4.5)
Increase in current financial liabilities		62.8	3.5
Decrease in current financial liabilities		(6.4)	(12.3)
Interest paid		(13.7)	(12.8)
Net cash from financing activities (f)	*18.3*	**47.4**	**65.0**
o/w related to discontinued operations		-	-
Impact of exchange rates on cash and cash equivalents (g)		(1.0)	(0.8)
Impact of discontinued operations on the opening net cash position (h)		-	-
Change in net cash and cash equivalents (d+e+f+g+h)		**(115.6)**	**139.1**
Net cash and cash equivalents at 1 January[1]	*14.1/18*	**348.5**	**209.4**
Change in cash and cash equivalents		**(115.6)**	**139.1**
Net cash and cash equivalents at 31 December[1]	*14.1/18*	**232.9**	**348.5**

1 Net of bank overdrafts: €5.1 million at 31 December 2017 and €0.2 million at 31 December 2016.

Key movements in the consolidated statement of cash flows are explained in Note 5.14.

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2017

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1. BASIS OF PREPARATION

The consolidated financial statements of Econocom Group ("the Group") for the year ended 31 December 2017 include:

- the financial statements of Econocom Group SE;
- the financial statements of its subsidiaries;
- the share of the net assets and profit (loss) of equity-accounted companies (joint ventures and associates).

Econocom is an independent group that designs, finances and oversees companies' digital transformation.

Econocom Group SE, the Group's parent company, is a European company (*societas Europaea*) with its registered office at Place du Champ de Mars, 5, 1050 Brussels.

The Company is registered with the Brussels companies registry under number 0422 646 816 and is listed on Euronext Brussels.

The Board of Directors' meeting of 26 February 2018 adopted and authorised the publication of the consolidated financial statements for the year ended 31 December 2017. These financial statements will only be deemed final once they have been approved by the shareholders at the Annual General Meeting on 15 May 2018.

1.1. ACCOUNTING POLICIES

As required by European Commission Regulation no. 1606/2002/EC dated 19 July 2002, the Group's consolidated financial statements for the year ended 31 December 2017 have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as published by the International Accounting Standards Board (IASB) and adopted by the European Union as at that date.

The accounting principles applied at 31 December 2017 are the same as those used to prepare the consolidated financial statements for the year ended 31 December 2016, except as regards:

- the new standards, amendments and interpretations applicable as of 1 January 2017;
- the accounting for changes in the fair value of liabilities under put and call options on non-controlling interests, which are now recognised in equity. This change in accounting policy is applied on a retrospective basis (see Note 1.2.1).

These financial statements do not take into account any draft standards or interpretations which, at the end of the reporting period, were being developed as exposure drafts by the IASB (International Accounting Standards Board) or IFRIC (International Financial Reporting Interpretations Committee).

All the standards adopted by the European Union 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_fr#overview

1.1.1. NEW IFRS STANDARDS AND INTERPRETATIONS MANDATORILY APPLICABLE FOR ACCOUNTING PERIODS BEGINNING ON OR AFTER 1 JANUARY 2017

The new standards, amendments and interpretations mandatorily applicable for accounting periods beginning on or after 1 January 2017 did not have a material impact on the Group's consolidated financial statements.

The amendments applicable to Econocom are shown below:

Standard/interpretation	EU mandatory adoption date	Group application date	Impact on the Group
Amendments to IAS 7 – Statement of Cash Flows. These amendments introduce additional disclosures intended to enable financial statement users to assess changes in liabilities arising from financing activities.	1 January 2017	1 January 2016	A table showing changes in net debt has been presented since the 2016 financial statements in Note 14.3.
Amendments to IAS 12 – Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses. These amendments notably clarify the conditions where, when the fair value of debt instruments classified as "available for sale" (IAS 39) falls below their cost, the unrealised loss can give rise to a deferred tax asset (i.e., when the entity has the intention to hold the instrument to maturity and to collect all the contractual cash flows (interest and principal).	1 January 2017	1 January 2017	No impact.
Annual Improvements to IFRSs (2014-2016 cycle): standards affected include IFRS 12 – Disclosure of Interests in Other Entities, which now applies to discontinued operations.	1 January 2017	1 January 2017	No impact.

1.1.2. NEW IFRS STANDARDS AND INTERPRETATIONS APPLICABLE FOR ACCOUNTING PERIODS BEGINNING AFTER 1 JANUARY 2018 AND NOT EARLY ADOPTED

The Group did not early adopt any of the following standards:

1.1.2.1. IFRS 9 – Financial Instruments (applicable as of 1 January 2018)

IFRS 9 modifies the classification and measurement of financial assets and introduces a new impairment model based on expected losses.

It has no material impact on the classification of financial assets and liabilities. The main estimated impacts of the standard in terms of receivables impairment are set out in Note 1.1.2.3. No impact is expected in terms of hedge accounting, since the Group’s current hedging relationships will continue to meet hedge eligibility criteria under IFRS 9.

Econocom used the simplified retrospective method to apply IFRS 9, whereby the financial statements for the previous period are not restated. The impacts of the change in accounting policy will be recognised directly in opening equity at 1 January 2018.

1.1.2.2. IFRS 15 – Revenue from Contracts with Customers (applicable as of 1 January 2018)

IFRS 15 replaces IAS 11, IAS 18 and the related IFRIC and SIC interpretations dealing with revenue recognition, and introduces a new model of accounting for revenue.

Econocom carried out a Group-wide project aimed at bringing its revenue recognition policy in line with IFRS 15. This project covered each of the Group's businesses (TMF, Services, and Products & Solutions) and consisted of three main areas of work:

- selection of the main contracts and transactions representative of the Group's current and future business: the selected contracts and transactions were then analysed in light of the five-step model set out in IFRS 15 for identifying any changes resulting from applying the new standard;
- review and adjustment of revenue recognition processes in the Group's information systems;
- introduction of an internal control process within the Group and organisation of training sessions involving all parties affected by the Group's revenue recognition policy.

No material changes came to light as a result of the Group's analyses of performance obligations and the triggering event for revenue recognition:

- For commercial activities, mainly within the Products & Solutions business, revenue continues to be recognised when the goods are delivered.
- In the TMF business, lease contracts fall within the scope of IFRS 16 (see Note 1.1.3.1).
- In the Services business:
  - for maintenance activities, revenue continues to be recognised on a percentage-of-completion basis;
  - for outsourcing activities, projects continue to be split into a "build" phase and a "run" phase insofar as the deliverables are deemed to be distinct; revenue continues to be recognised on a percentage-of-completion basis for both phases, as and when control is transferred;
  - for activities involving the loan of employees under time and materials contracts, revenue continues to be recognised on a time spent basis; for the development of applications under fixed-price contracts, revenue continues to be accounted for on a percentage-of-completion basis, as and when control is transferred;
  - for infrastructure installation projects, the percentage-of-completion method still applies insofar as the transfer of control occurs over time.

For certain fixed-price contracts providing for a number of different service obligations, the transaction price is to be reallocated to the different performance obligations on a case-by-case basis in order to reflect the economic value of the services rendered (which may differ from their contractual value).

Based on an analysis of its relationship with the end customer, Econocom considers that it acts as agent rather than principal for certain commercial transactions in the Products & Solutions business and, to a lesser extent, in the Services business. For example, this applies to sales of licences or equipment where the contractor delivers directly to the end customer. In these cases, Econocom will recognise in revenue only the margin on its activities as agent.

An analysis of the impacts of IFRS 15 is included in Note 1.1.2.4. Econocom used the retrospective method in order to ensure a meaningful comparison between its 2017 and 2018 performance.

1.1.2.3. Presentation of the estimated impacts of IFRS 9 in the financial statements

The IFRS 9 financial asset impairment model based on expected losses leads to an increase in impairment to be charged against both the TMF and Services businesses.

As indicated above in Note 1.1.2.1, Econocom has adopted the simplified retrospective method for its application of IFRS 9, whereby only equity and the offsetting entries in the statement of financial position will be restated for the following items at 1 January 2018:

Assets

in € millions	31 Dec. 2017 reported	Impact of IFRS 9 on receivables impairment	1 Jan. 2018 restated
Total non-current assets[1]	895.9	1.1	897.0
Total current assets[2]	1,531.8	(5.4)	1,526.4
Total assets	**2,427.7**	**(4.3)**	**2,423.4**

1 Impact on the deferred tax assets line.
2 Impact on the trade and other receivables line.

Equity and liabilities

in € millions	31 Dec. 2017 reported	Impact of IFRS 9 on receivables impairment	1 Jan. 2018 restated
Equity attributable to owners of the parent	380.8	(4.3)	376.5
Non-controlling interests	102.4	-	102.4
Total equity	**483.2**	**(4.3)**	**478.9**
Total non-current liabilities	555.1	-	555.1
Total current liabilities	1,389.4	-	1,389.4
Total equity and liabilities	**2,427.7**	**(4.3)**	**2,423.4**

1.1.2.4. Presentation of the impacts of IFRS 15 in the financial statements

The Group has finalised its main projects analysing the impacts of IFRS 15 on each of its businesses (Products & Solutions, Services).

Based on the findings of its analyses:

- Econocom considers that it acts as agent rather than principal for certain commercial transactions in the Products & Solutions business and in the Services business. The presentation impacts are set out below.
- Econocom's current revenue recognition policy is not called into question by the new requirements of IFRS 15. Consequently, the expected impacts of first-time application of IFRS 15 should not be material.

As indicated above in Note 1.1.2.4, Econocom has adopted the full retrospective method for its application of IFRS 15, whereby only the 2017 financial statements will be restated.

1.1.2.4.1. Income statement

in € millions	2017 reported	IFRS 15 impact agent versus principal	2017 restated
Revenue from continuing operations	2,979.7	(330.4)	2,649.3
Cost of sales	(2,038.5)	330.4	(1708.1)
Other items of recurring operating profit	(791.0)		(791.0)
Recurring operating profit before amortisation of intangible assets from acquisitions[1]	**154.4**	**-**	**154.4**
Recurring operating profit	150.2	-	150.2

1 Before amortisation of intangible assets from acquisitions.

1.1.2.4.2. Segment reporting

Segment information presented in the management report and in the note below will be affected:

in € millions	Technology Management & Financing	Services	Products & Solutions	Total operating segments	Total
2017 revenue (reported)	**1,378.7**	**1,006.6**	**594.4**	**2,979.7**	**2,979.7**
IFRS 15 impact Agent versus principal		(104.2)	(226.2)	(330.4)	(330.4)
2017 revenue (restated)	**1,378.7**	**902.4**	**368.2**	**2,649.3**	**2,649.3**
Internal operating revenue	20.6	95.2	81.5	197.3	197.3
Total – Revenue from operating segments (restated)	**1,399.3**	**997.7**	**449.6**	**2,846.6**	**2,846.6**
Recurring operating profit from ordinary activities[1]	**92.4**	**43.4**	**18.6**	**154.4**	**154.4**
Amortisation of assets from acquisitions	(2.0)	(2.2)	-	(4.2)	(4.2)
Total — Revenue from operating segments	**90.4**	**41.2**	**18.6**	**150.2**	**150.2**

1 Before amortisation of intangible assets from acquisitions.

in € millions	2017 reported	IFRS 15 impact agent versus principal	2017 restated
France	1,595.9	(225.6)	1,370.3
Benelux	346.9	(61.3)	285.6
Southern Europe and Morocco	589.5	(0.9)	588.6
Northern & Eastern Europe/Americas	447.4	(42.6)	404.8
Total	**2,979.7**	**(330.4)**	**2,649.3**

1.1.3. NEW IFRS STANDARDS AND INTERPRETATIONS APPLICABLE FOR ACCOUNTING PERIODS BEGINNING AFTER 1 JANUARY 2019 AND NOT EARLY ADOPTED

The Group did not early adopt any of the following standards and interpretations:

1.1.3.1. IFRS 16 – Leases (applicable as of 1 January 2019)

IFRS 16 replaces IAS 17 and the related IFRIC and SIC interpretations and introduces new rules of accounting for leases. The Group has launched a project to prepare for the application of this new standard.

Virtually all of Econocom's lease transactions involving the Group as lessor relate to finance leases, under which Econocom acts as lessor-distributor. In such cases, no changes are expected to the Group's accounting policies.

Some *sale and leaseback*-type transactions will be accounted for:

- in accordance with IFRS 9 (to which IFRS 16 refers) when the conditions for recognising a sale within the meaning of IFRS 15 between the lessee and Econocom are not met;
- in accordance with IFRS 16 (direct finance lease) if the transfer of the asset to Econocom by the lessee meets the criteria set out in IFRS 15.

In both cases, Econocom will recognise a financial asset. Revenue will not be recognised at the transaction date and financial income relating to operating activities will be recognised over the entire lease term based on the interest rate implicit in the lease.

In the case of a sale without recourse to a refinancing institution of a sale and leaseback agreement, only the corresponding margin will be recognised at the date of sale.

The Group is currently analysing the impacts of IFRS 16, which will be disclosed at the latest in the notes to the consolidated financial statements for the year ended 31 December 2018. Econocom does not envisage early adopting IFRS 16.

As regards lessee accounting, the impact on the statement of financial position (increase in non-current assets and financial liabilities) of the first-time application of IFRS 16 can be seen in the amounts shown for firm lease commitments at 31 December 2017 (see Note 20.5 to the consolidated financial statements).

1.1.3.2. IFRIC 23 – Uncertainty over Income Tax Treatments (applicable as of 1 January 2019)

IFRIC 23 clarifies the application of the provisions set out in IAS 12 – Income Taxes in terms of recognition and measurement when there are uncertainties over income tax treatments:

- professional judgement should be used to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together;
- the most likely amount or the expected value of the tax treatment should be used for accounting purposes.

The Group is currently analysing the impacts of IFRIC 23.

1.2. BASIS FOR PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

All amounts in the consolidated financial statements are presented in millions of euros, unless otherwise specified. The fact that figures have been rounded off to the nearest decimal point may, in certain cases, result in minor discrepancies in the totals and sub-totals in the tables and/or in the calculation of percentage changes.

1.2.1. BASIS FOR REPORTING

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements were prepared on a historical cost basis, with the exception of:

- certain financial assets and liabilities which are measured at fair value;

- non-current assets held for sale, which are recognised and measured at the lower of carrying amount and fair value less costs to sell as soon as their sale is deemed highly probable. They are no longer amortised once they are classified as assets (or a group of assets) held for sale.

1.2.2. CHANGES IN PRESENTATION AND ACCOUNTING POLICIES

At 31 December 2017, the Group changed its accounting policy for changes in the fair value of liabilities under put and call options on non-controlling interests that do not transfer the associated risks and rewards of ownership.

IFRS standards do not provide any specific guidance on accounting for subsequent changes in liabilities relating to adjustments of the estimated value of the exercise price for a put option on non-controlling interests that does not transfer the risks and rewards of ownership. There is a conflict between (i) IAS 32, IAS 39 and IFRS 9 and (ii) IFRS 10 as regards the treatment applicable to subsequent changes in these liabilities. Based on existing standards, two approaches may be used:

- "Financial liabilities": this approach is more in keeping with IAS 39 and IFRS 9: the liability under the put option is treated as a financial liability and all subsequent changes in the liability must be recognised in profit or loss.
- "Other liabilities": this approach reflects the substance of the transaction. Changes in the liability under the put option are recognised in line with the treatment applied upon the acquisition of non-controlling interests, i.e., included in equity, either partly (to the extent of the change in the estimated value of the exercise price), or in full (including the cost of discounting).

To ensure a meaningful comparison of its financial information, in 2017 Econocom looked at how its main competitors in the digital services industry in Europe accounted for changes in the fair value of liabilities under put and call options on non-controlling interests.

It found that companies in the industry, and particularly those in France, tended to record such changes in equity. Econocom therefore chose to adopt the same approach in its 2017 financial statements to ensure comparability with these companies.

The resulting change in accounting policy is applied on a retrospective basis and is shown in the column presenting "adjusted" 2016 data. In its 2016 financial statements, Econocom had recognised the first significant changes in the fair value of liabilities under put and call options on non-controlling interests in non-recurring operating income and expenses (positive €5.5 million impact). This amount has now been reclassified to equity.

At 31 December 2017, changes in the fair value of liabilities under put and call options on non-controlling interests represented a positive €1.3 million impact and are recorded directly in equity.

There were no other changes in presentation or accounting policies in 2017.

1.2.3. USE OF ESTIMATES AND JUDGEMENTS

The preparation of Econocom Group's consolidated financial statements requires the use of estimates and assumptions by Management which may affect the carrying amount of certain items in assets and liabilities, income and expenses, and the information disclosed in the notes to the consolidated financial statements. These concern (i) the valuation and useful lives of operating assets, property, plant and equipment, intangible assets, goodwill and contingent consideration, provisions for risks and other provisions associated with the business, and (ii) the assumptions used for calculating obligations relating to employee benefits, share-based payments, deferred taxes and financial instruments. The Group uses discount rate assumptions (based on market data) to estimate assets and liabilities.

Group Management regularly reviews its estimates and assumptions in order to ensure that they accurately reflect both past experience and the current economic situation.

Depending on how these assumptions change, the items in future financial statements may differ materially from the current estimates. The impact of changes in accounting estimates is recognised in the period in which the change occurred and all future affected periods.

The main assumptions used by the Group are set out in the relevant sections in the notes to the financial statements and in particular in the following notes:

- **Note 2** – Basis and scope of consolidation
- **Note 4.3** – Government grants
- **Note 7** – Income tax
- **Note 9.3** – Impairment tests and impairment of goodwill
- **Note 11** – Residual interest in leased assets and gross liability for purchases of leased assets
- **Note 13** – Financial Instruments
- **Note 15.3.1** – Share-based payments
- **Note 16** – Provisions
- **Note 17** – Provisions for pensions and other post-employment benefits.

The main accounting methods that require the use of estimates are described in Note 24 – Assessments made by Management and sources of uncertainty.

2. BASIS AND SCOPE OF CONSOLIDATION

2.1. ACCOUNTING PRINCIPLES RELATED TO THE SCOPE OF CONSOLIDATION

2.1.1. BASIS OF CONSOLIDATION

These consolidated financial statements include the financial statements of Econocom Group SE and all the subsidiaries it controls.

According to IFRS 10, an investor controls an investee if and only if the investor has all of the following:

- power over the investee, i.e., the ability to direct the activities that significantly affect the investee’s returns;
- exposure, or rights, to variable returns from its involvement with the investee. The investor’s returns can be only positive (e.g., dividends or any other economic benefits), only negative or both positive and negative;
- the ability to use its power over the investee to affect the amount of the investor’s returns.

The assets, liabilities, income and expenses of subsidiaries are fully consolidated in the consolidated financial statements and the share of equity and profit attributable to non-controlling interests is presented separately under non-controlling interests in the consolidated statement of financial position and income statement.

All intra-group assets, liabilities, equity, income, expenses and cash flows arising from transactions between entities within the Group are fully eliminated on consolidation.

Investments in associates and joint ventures are consolidated using the equity method. Under this method the investment is initially recognised at cost and adjusted to recognise the Group’s share of the post-acquisition profits or losses and movements in other comprehensive income. If the Group's share in an associate's losses is greater than its investment in that associate, the Group ceases to recognise its share in future losses. Additional losses are only recognised if the Group is under a legal or constructive obligation to do so or if it has made payments on behalf of the associate.

2.1.2. BUSINESS COMBINATIONS AND GOODWILL

Acquisitions of businesses are accounted for using the acquisition method, in accordance with IFRS 3. The cost of a business combination (or "consideration transferred") is calculated as the aggregate of the acquisition-date fair values of:

- the assets transferred by the Group;
- the liabilities acquired by the Group from the former owners of the acquiree;
- the equity interests issued by the Group in exchange for control of the acquiree.

The Group may choose whether to measure non-controlling interests at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

Acquisition-related expenses are expensed as incurred.

Measuring goodwill

The difference between the consideration transferred and the acquirer's share in the fair value of the identifiable assets and liabilities and contingent liabilities at the acquisition date is recognised in goodwill on a separate line in the financial statements. These items may be adjusted within 12 months of the acquisition date (measurement period). Any contingent consideration due is recognised at its acquisition-date fair value and included in the cost of the combination. Subsequent changes in the fair value of contingent consideration are taken to profit or loss.

Acquisitions carried out on favourable terms

If, after remeasurement, the net of the acquisition-date amounts of the identifiable assets acquired and the financial liabilities assumed in a business combination exceeds the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Measuring non-controlling (minority) interests

Non-controlling interests entitle the holders to a proportionate share of the entity's net assets in the event of liquidation. Consequently, for each business combination, non-controlling interests can be initially measured:

- at fair value, resulting in the recognition of additional goodwill (the "full goodwill" method); or
- at the non-controlling interest's proportionate share in the recognised amounts of the acquiree's net identifiable assets (the "partial goodwill" method).

Changes in ownership interest

The recognition of subsequent changes in ownership interest (through acquisitions of additional interests or disposals) depends on the definition of the impact on the control of the entity in question.

If control is not affected by the change in ownership interest, the transaction is regarded as between shareholders. The difference between the purchase (or sale) value and the carrying amount of the interest acquired (or sold) is recognised in equity.

If control is affected (as is the case, for example, for business combinations achieved in stages), the interest held by the Group in the acquiree before the business combination is remeasured at fair value through profit or loss.

Impairment of goodwill

Following initial recognition goodwill is measured at cost less any accumulated impairment losses, determined in accordance with the method described in Note 9.3.

Goodwill impairment losses are recorded under "Non-recurring operating income and expenses" within operating profit in the consolidated income statement.

2.1.3. TRANSLATION OF FOREIGN CURRENCIES

2.1.3.1. Functional currency and presentation currency

The items in the financial statements of each Group entity are measured using the currency of the primary economic environment (or "functional currency") in which the entity operates.

The consolidated financial statements presented in this report were prepared in euros, which is the Group's presentation currency.

2.1.3.2. Recognition of foreign currency transactions

For the purpose of preparing the financial statements of each entity, foreign currency transactions of subsidiaries (i.e., currencies other than the entity's functional currency) are recorded using the exchange rates prevailing at the transaction date.

Monetary items denominated in foreign currencies are translated at the end of each reporting period at the year-end rate. Foreign exchange gains and losses resulting from this translation at year-end exchange rates, or arising on the settlement of these monetary items, are recognised in the income statement for the period in which they occur.

Non-monetary items denominated in foreign currencies and recognised at fair value are translated using the exchange rate prevailing at the date the fair value was determined. Non-monetary items denominated in foreign currencies and measured at historical cost are not remeasured.

When a gain or loss on a non-monetary item is recognised directly in equity, the "currency" component of this gain or loss is also recognised in equity. Otherwise, this component is recognised in profit or loss for the period.

2.1.3.3. Translation of the financial statements of foreign entities

The results and financial positions of the Group's entities with functional currencies other than the presentation currency are translated into euros as follows:

- statement of financial position items other than equity are translated at the year-end exchange rate;
- income statement and statement of cash flow items are translated at the average exchange rate for the year;
- all resulting exchange differences are recognised under "Foreign currency translation adjustments" within other comprehensive income.

2.1.4. LIABILITIES UNDER PUT AND CALL OPTIONS ON NON-CONTROLLING INTERESTS

The Group may grant put options to non-controlling shareholders of some of its subsidiaries. The exercise price of these options is generally measured based on future performance and profitability.

The Group initially recognises a liability in respect of put options granted to non-controlling shareholders of the entities concerned. The difference between the Group's liability under put options and the carrying amount of the non-controlling interests is recognised as a deduction from equity attributable to owners of the parent. Put options are remeasured each year; any subsequent changes in the option relating to changes in estimates or to the unwinding of the discount on the option are also recognised in equity. Changes in the liability under put options on non-controlling interests are accounted for in line with the treatment applied upon the acquisition of non-controlling interests.

2.1.5. NON-CURRENT ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS

IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations requires a specific accounting treatment and presentation of assets (or group of assets) held for sale and discontinued operations (corresponding to operations that have been disposed of or classified as held for sale).

A non-current asset (or disposal group) is classified as "held for sale" if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition and its sale must be highly probable. Management must be committed to the sale and the sale should be expected to qualify for recognition as a completed sale within one year of the date of classification.

These assets (or disposal group) are measured at the lower of their carrying amount and estimated sale price less costs to sell. They are no longer amortised once they are classified as assets (or a group of assets) held for sale and are presented separately in the consolidated statement of financial position, without restatement of prior periods.

An operation discontinued, sold, or held for sale is defined as a component of an entity with cash flows that can be clearly distinguished from the rest of the entity and which represents a major, separate line of business or area of operations. For all published periods, income and expense relating to discontinued operations are presented separately in the income statement under "Profit (loss) from discontinued operations" and are restated in the statement of cash flows.

Profit from discontinued operations

A discontinued operation is a component which the Group has either disposed of or has classified as held for sale, and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single, coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Profit from discontinued operations includes:

- the post-tax profit or loss of discontinued operations generated up until the disposal date, or until the end of the reporting period if the business was not disposed of by the year-end;
- the post-tax gain or loss recognised on the disposal of continued operations that have been disposed of by the year-end.

2.2. CHANGES IN THE SCOPE OF CONSOLIDATION

Econocom Group's scope of consolidation is presented in Note 2.3 – Main consolidated companies.

2.2.1. ACQUISITIONS DURING THE YEAR

The Group's investments in 2017 reinforce its presence in key sectors with strong growth potential.

The companies which entered the scope of consolidation are presented below by business.

For all these transactions, goodwill is determined on a provisional basis, in accordance with the revised IFRS 3. The Group has completed its preliminary purchase accounting (PPA) and where necessary, expects to finalise the purchase price allocation within 12 months of each acquisition date. All transactions in 2017 where the Group did not acquire the entire share capital have been accounted for using the full goodwill method.

The price of the net equity acquired in all of these transactions was €49.2 million, including a portion relating to contingent consideration based on revenue and/or profitability. Disbursements related to these acquisitions totalled €50.0 million (see Note 18.2).

Put and call options were set up with non-controlling shareholders on the remaining capital of certain companies that were acquired in 2017 for a total amount of €22.1 million (see Note 2.4). A liability was recognised against equity for each of these options and priced on the basis of the business plans and forecast future profitability.

The total amount of goodwill recognised in the year in respect of these acquisitions was €60.0 million (see Note 9).

The cumulative statement of financial position impacts resulting from acquisitions that were not material taken individually are presented below:

in € millions	*Notes*	Cumulative fair value of assets acquired and liabilities assumed	Acquisition cost[1]	Full goodwill	Impact of acquisitions
Goodwill	9	**-**	**-**	**60.0**	**60.0**
Non-current assets		3.8	-	-	3.8
Current assets[2]		67.0	-	-	67.0
Assets of acquired companies		**70.8**	**-**	**-**	**70.8**
Non-current liabilities		1.3	-	-	1.3
Current liabilities[2]		58.2	-	-	58.2
Liabilities of acquired companies		**59.5**	**-**	**-**	**59.5**
Net equity acquired	15.4	**11.3**	**-**	**-**	**11.3**
Profit for the year attributable to owners of the parent		*7.4*	*(49.2)*	*41.8*	*-*
Non-controlling interests		*3.9*	*-*	*18.2*	*22.1*

1 See Note 18.2.
2 Of which net cash and cash equivalents acquired: €5.9 million.

Services

LP Digital Agency

Through its Alter Way satellite, Econocom acquired 100% of French company LP Digital Agency in April 2017. LP Digital Agency is a specialist in digital strategy consulting for major companies and reported revenue of almost €2 million in 2017.

Jade group (Northern Technology Investments Ltd)

In July 2017, Econocom acquired an 85% controlling interest in the UK's Jade Solutions by purchasing the holding company Northern Technology Investments Ltd (NTIL) and its three UK subsidiaries. Jade Solutions specialises in Crowd Wi-Fi and professional mobility solutions for major clients in the retail and logistics sectors. The group reported revenue of over £12 million in 2017.

Aciernet group

In July 2017, Econocom acquired a 51% stake in the Aciernet group through its Exaprobe satellite. Aciernet is a French group comprising three companies, including a subsidiary in the US and a subsidiary in Canada. Aciernet provides network and security integration services and has specific expertise in large data centres. A Cisco Gold Partner, the company has expertise which is very complementary to that of the Group. Aciernet reported revenue of over €183 million in 2017, and experienced robust growth driven by the strong momentum of its main clients and its international rollout, particularly in North America.

Biboard

In August 2017 Econocom acquired Biboard, the French publisher of an innovative business intelligence solution. Econocom has been working with Biboard for over a year to integrate its digital solution into its own portfolio. The acquisition is part of the drive to develop value creation through groupwide data processing capabilities. Biboard posted €0.5 million in revenue in 2017.

Products & Solutions

BIS

In April 2017, Econocom acquired 100% of BIS, a multimedia solutions integrator operating under

Dutch law and comprising four companies (three in the Netherlands and one in Belgium). This acquisition enabled Econocom to strengthen its positioning on the strong-growth multimedia segment (digital signage, video-conference rooms, smart buildings, etc.) and to roll out its entire offering by developing new, cross-cutting solutions in the Benelux geographical area. BIS employs over 220 people and posted just over €55 million in revenue in 2017.

Energy Net

In October 2017, Econocom acquired 80% of the share capital of Germany's Energy Net, an existing Econocom partner and a distributor and integrator of Apple B2B solutions. Thanks to the expected synergies with the Technology Management & Financing business, this acquisition will facilitate the launch of innovative solutions on the German market, combining hardware, applications and services, charged as a fee. Energy Net reported revenue of over €55 million in 2017.

2.2.2. OTHER INTERESTS ACQUIRED

Econocom Group also acquired 40% of JTRS, a UK company for digital education solutions in the United Kingdom. JTRS is accounted for by the equity method. The company posted revenue of €8 million in 2017.

Put and call options set up with non-controlling shareholders on the entity's remaining capital continue to be valued at €0.3 million (see Note 2.4).

2.2.3. CHANGES IN OWNERSHIP INTEREST

Helis – Acquisition of an additional tranche of shares

The Group acquired an additional 20% stake in this company, bringing its total interest in Helis to 65%. Helis was already controlled by Econocom.

Econocom Brasil – Acquisition of an additional tranche of shares

The Group acquired founders' shares (representing 35.98% of the capital) in Interadapt (now Econocom Brasil), bringing its total interest in the company to 92.85%.

Aragon – Acquisition of non-controlling shares following the exercise of put and call options

Through its French subsidiary Digital Dimension, Econocom acquired all of the remaining share capital owned by the non-controlling shareholders of Aragon following the exercise of the put option granted.

Infeeny – Partial transfer of assets relating to the Services France business

Econocom Services entities (Econocom Services and Econocom Osiatis France SAS) transferred their Microsoft technology development activities to French company Infeeny, an Econocom satellite. These transfers increased Econocom's interest in Infeeny's share capital from 81.3% to 85%.

Econocom Digital Security – Merger of entities in the Security business

As part of the combination of entities in the Security business, Econocom merged Econocom Digital Security SAS, Clesys, ESR Consulting and Econocom Cyber Security to create a major player in cyber security boasting over 150 specialist engineers. Following the merger, Econocom held 65.5% of the combined entity based on ordinary shares and 82.4% of the combined entity based on ordinary and preference shares. Econocom is in fact entitled to non-voting preference shares which give it preferential rights to dividends paid and capital gains on disposals.

Digital Dimension – Acquisition of the non-controlling interest held by George Croix

In October 2017, the Group entered into an agreement with George Croix to acquire his non-controlling interest in Digital Dimension. Econocom now holds all of the company's share capital.

Consequently, as illustrated in the table set out in Note 2.3, its percent interest in Digital Dimension subsidiaries also changed.

2.2.4. COMPANIES CREATED

No material companies were created in 2017.

2.2.5. SOLD OR DISCONTINUED OPERATIONS

There were no material sold or discontinued operations in 2017.

2.2.6. ADJUSTMENTS TO ACQUISITIONS MADE IN PREVIOUS FINANCIAL YEAR

Adjustments made during the 12-month measurement period concerned Gigigo group. These net adjustments had a positive €0.5 million impact on the value of goodwill (see Note 9.2).

2.3 MAIN CONSOLIDATED COMPANIES

The Group's main fully consolidated subsidiaries in 2017 and 2016 were as follows:

Country	Company	2017		2016	
		% interest	% control	% interest	% control
Technology Management & Financing					
Germany	Econocom Deutschland GmbH	100.00%	100.00%	100.00%	100.00%
Belgium	Atlance SA/NV	100.00%	100.00%	100.00%	100.00%
Belgium	Econocom Lease SA/NV	100.00%	100.00%	100.00%	100.00%
Spain	Econocom SA (Spain)[1]	100.00%	100.00%	100.00%	100.00%
US	Econocom Corporation	100.00%	100.00%	100.00%	100.00%
France	Atlance SAS	100.00%	100.00%	100.00%	100.00%
France	Cineolia SAS	60.00%	60.00%	60.00%	60.00%
France	Econocom France SAS	100.00%	100.00%	100.00%	100.00%
Ireland	Econocom Digital Finance Limited	100.00%	100.00%	100.00%	100.00%
Italy	Econocom International Italia SpA[1]	100.00%	100.00%	100.00%	100.00%
Netherlands	Econocom Nederland BV	100.00%	100.00%	100.00%	100.00%
Netherlands	Econocom Public BV	100.00%	100.00%	100.00%	100.00%
Poland	Econocom Polska SP z.o.o	100.00%	100.00%	100.00%	100.00%
UK	Econocom Ltd	100.00%	100.00%	100.00%	100.00%
Products & Solutions					
Germany	Energy Net	80.00%	80.00%	N/A	N/A
Belgium	Econocom Products & Solutions Belux SA/NV	100.00%	100.00%	100.00%	100.00%
Spain	Caverin	66.66%	66.66%	66.66%	66.66%

[1] Econocom International Italia SpA also operates in "Services" and "Products & Solutions" businesses, while Econocom SA (Spain) also has "Services" operations.

Country	Company	2017		2016	
		% interest	% control	% interest	% control
France	Econocom Products & Solutions SAS	100.00%	100.00%	100.00%	100.00%
Luxembourg	Econocom PSF SA	100.00%	100.00%	100.00%	100.00%
Netherlands, Belgium	BIS group	100.00%	100.00%	N/A	N/A
Services					
Austria	Econocom Austria Gmbh (formerly Osiatis Compute Services)	100.00%	100.00%	100.00%	100.00%
Belgium	Econocom Managed Services SA/NV	100.00%	100.00%	100.00%	100.00%
Brazil	Econocom Brasil group (Interadapt)	92.85%	92.85%	56.87%	56.87%
Spain	Com 2002 SL Nexica[3]	100.00%	100.00%	50.10%	100.00%
Spain	Econocom Proyectos S.L. (formerly Econocom Ermestel SL)[2]	0.00%	0.00%	100.00%	100.00%
Spain	Econocom Servicios (formerly Econocom Osiatis SA)[2]	96.51%	96.51%	95.10%	95.10%
Spain, Brazil, Mexico	Gigigo group[3]	69.99%	69.99%	35.07%	69.99%
France/US/Canada	Aciernet group	45.90%	51.00%	N/A	N/A
France	Alter Way group	64.45%	64.45%	64.45%	64.45%
France	Aragon eRH[3]	100.00%	100.00%	33.40%	66.67%
France	ASP Serveur SAS[3]	80.00%	80.00%	40.08%	80.00%
France	Clesys SAS[1]	0.00%	0.00%	100.00%	100.00%
France	Digital Dimension SAS[3]	100.00%	100.00%	50.10%	50.10%
France	Econocom Cyber Security SA[1]	0.00%	0.00%	88.95%	88.95%
France	Econocom Digital Security SAS[1]	65.50%	65.50%	55.00%	55.00%
France	Econocom Services SAS[1]	0.00%	0.00%	100.00%	100.00%
France	ESR SAS	100.00%	100.00%	100.00%	100.00%
France	Exaprobe SAS	90.00%	90.00%	90.00%	90.00%
France	Helis SAS	65.00%	65.00%	45.00%	45.00%
France	Infeeny group (formerly MCNext)	85.04%	85.04%	81.30%	81.30%
France	Mobis SAS group (Rayonnance)[3]	85.00%	85.00%	42.58%	85.00%
France	Econocom - Osiatis France SAS	100.00%	100.00%	100.00%	100.00%

Country	Company	2017		2016	
		% interest	% control	% interest	% control
France	Econocom - Osiatis Ingénierie SAS	100.00%	100.00%	100.00%	100.00%
Luxembourg, France, Germany, Romania, US	SynerTrade group[3]	90.00%	90.00%	45.09%	90.00%
Italy/Poland	Bizmatica group	70.00%	70.00%	70.00%	70.00%
Italy	Asystel Italia	51.00%	51.00%	51.00%	51.00%
UK	NTIL group (Jade)	85.00%	85.00%	N/A	N/A
Holding companies					
Belgium	Econocom Finance SNC	100.00%	100.00%	100.00%	100.00%
France	Econocom SAS	100.00%	100.00%	100.00%	100.00%

1 In France in 2017, Econocom Cyber Security SA entities and Clesys merged into Econocom Digital Security SAS, while Econocom Services merged into Econocom Osiatis.
2 In Spain in 2017, Econocom Proyectos SL merged into Econocom Servicios.
3 Change in the percent interest following Econocom Group's purchase of the entire share capital of Digital Dimension.

At 31 December 2017, Econocom had an interest in only one associate (JTRS Limited), which was valued using the equity method:

Country	Company	% interest	
		2017	2016
France	Norcod Solutions Santé SAS	N/A	33.77%
UK	JTRS Ltd	40.00%	N/A %

This entity is not material in relation to the Group as a whole.

2.4. ACQUISITION-RELATED LIABILITIES

Acquisition-related liabilities include put and call options on non-controlling interests, contingent price consideration and deferred payments.

At the end of 2017, the Group has call options (and non-controlling shareholders have put options) on the remaining shares it does not already own, allowing it to acquire all or part of the share capital of the following entities: Alter Way, ASP Serveur, Asystel Italia, Bizmatica, Cineolia, Caverin, Econocom Digital Security, Energy Net, Exaprobe, Gigigo, Helis, JTRS, NTIL (Jade), Mobis (Rayonnance), Infeeny (formerly MCNext) and SynerTrade. Under these options, Econocom agreed to acquire the shares and also has the right to be sold the shares by the non-controlling shareholders.

The table below shows changes in acquisition-related liabilities over the year.

in € millions	*Notes*	Put and call options on non-controlling interests	Contingent consideration	Deferred payments	Total acquisition related liabilities	Current portion	Non-current portion
31 Dec. 2016		80.6	3.7	2.8	87.1	4.6	82.5
Increases against equity or goodwill		22.4	0.6	0.2	23.2	-	-
Disbursements		(2.2)	(1.8)	(1.9)	(5.9)	-	-
Change in fair value through equity		(1.3)	-	-	(1.3)	-	-
Change in fair value through non-recurring profit or loss[1]	5	-	(1.5)	(0.1)	(1.6)	-	-
Change in fair value through recurring profit or loss[2]		0.3	-	-	0.3	-	-
31 Dec. 2017		**99.8**	**1.0**	**1.0**	**101.8**	**13.2**	**88.6**

1 The offsetting entry for these changes in fair value is recorded within non-recurring operating income and expenses.
2 The offsetting entry for these changes in fair value is included in recurring operating profit. This line corresponds to options granted to employees on shares in entities controlled by Econocom. These options are accounted for as cash-settled instruments in accordance with IFRS 2 – Share-based Payment, since Econocom has agreed to ultimately repurchase the shares.

Put options on non-controlling interests are classified in "Other liabilities", with changes in fair value recognised in equity. Put options are measured based on the estimated future performance of the entities concerned (e.g. EBIT multiples, expected future cash flows, etc.).

Contingent consideration and deferred payments are classified within financial liabilities (see Note 13.3).

3. SEGMENT REPORTING

The segment information presented in accordance with IFRS 8 has been prepared on the basis of internal management data disclosed to the Chairman's Committee, the Group's primary operating decision-maker with respect to allocating resources and assessing performance. The Group's operating activities are organised into three strategic operating business segments: Technology Management & Financing, Products & Solutions, and Services, breaking down as follows:

Combined strategic operating business segments	Description	Countries
Technology Management & Financing	Innovative, tailored financing solutions to ensure more effective administrative and financial management of a business's ICT and digital assets.	Belgium, Canada, Czech Republic, France, Germany, Ireland, Italy, Luxembourg, Mexico, Morocco, Netherlands, Poland, Romania, Spain, Switzerland, United Kingdom, United States.
Products & Solutions	Services ranging from the design to rollout of solutions, and from the sale of hardware and software (PCs, tablets, servers, printers, licences, digital devices, etc.) to systems integration.	Belgium, France, Italy, Luxembourg, Spain.
Services	Assisting businesses in the transition to the new digital world by applying the Group's expertise in consultancy, infrastructure management, application development and digital solution integration.	Austria, Belgium, Brazil, France, Italy, Luxembourg, Mexico, Morocco, Netherlands, Spain, Switzerland.

Each segment has a specific profitability profile and has its own characteristics; segments are managed depending on the type of products and services sold in their economic and geographical environments. Sales and transfers between segments are carried out on arm's-length terms and are eliminated according to standard consolidation principles.

3.1. REPORTING BY OPERATIONAL BUSINESS SEGMENT

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

in € millions	Technology Management & Financing	Services	Products & Solutions	Total operating segments	Total
2017 revenue					
Revenue from external clients	1,378.7	1,006.6	594.4	2,979.7	2,979.7
Internal operating revenue	20.6	95.2	81.5	197.3	197.3
Total — Revenue from operating segments	**1,399.3**	**1,101.8**	**675.9**	**3,177.0**	**3,177.0**
Recurring operating profit from ordinary activities[1]	**92.4**	**43.4**	**18.6**	**154.4**	**154.4**
Amortisation of intangible assets from acquisitions	(2.0)	(2.2)	-	(4.2)	(4.2)
Recurring operating profit from ordinary activities	**90.4**	**41.2**	**18.6**	**150.2**	**150.2**

[1] Before amortisation of intangible assets from acquisitions (ECS customer portfolio and Osiatis brand).

in € millions	Technology Management & Financing	Services	Products & Solutions	Total operating segments	Total
2016 revenue					
Revenue from external clients	1,259.0	802.3	474.9	2,536.2	2,536.2
Internal operating revenue	17.6	68.1	77.6	163.3	163.3
Total — Revenue from operating segments	**1,276.6**	**870.4**	**552.5**	**2,699.5**	**2,699.5**
Recurring operating profit from ordinary activities[1]	**80.2**	**46.4**	**13.7**	**140.3**	**140.3**
Amortisation of intangible assets from acquisitions	(2.0)	(2.2)	-	(4.2)	(4.2)
Recurring operating profit from ordinary activities	**78.2**	**44.2**	**13.7**	**136.1**	**136.1**

[1] Before amortisation of intangible assets from acquisitions (ECS customer portfolio and Osiatis brand).

Internal transactions include:

- sales of goods and services: the Group ensures that these transactions are performed at arm's length and that it does not carry any significant internal margins;
- cross-charging of overheads and personnel costs;
- cross-charging of financial expenses.

The Group's segment profit corresponds to "Recurring operating profit from ordinary activities". This corresponds to operating profit before non-recurring operating income and expenses and amortisation of intangible assets from acquisitions.

3.2. BREAKDOWN OF REVENUE BY GEOGRAPHICAL AREA

	Revenue by geographical area (origin)	
in € millions	2017	2016
France	1,595.9	1,362.5
Benelux	346.9	344.4
Southern Europe and Morocco	589.5	476.0
Northern & Eastern Europe/Americas	447.4	353.3
Total	**2,979.7**	**2,536.2**

4. RECURRING OPERATING PROFIT

Operating profit includes all income and expenses that arise directly from the Group's business, both recurring items and items resulting from one-off decisions or transactions.

Recurring operating profit, representing operating profit restated for other non-recurring income and expenses, is an analytical line item intended to facilitate the understanding of the Group's operating performance.

4.1. REVENUE FROM CONTINUING OPERATIONS

Revenue from continuing operations can be analysed as follows by business:

in € millions	2017	2016
Technology Management & Financing	1,378.7	1,259.0
Services	1,006.6	802.3
Products & Solutions	594.4	474.9
Total revenue from continuing operations	**2,979.7**	**2,536.2**

4.1.1. REVENUE RECOGNITION: ACCOUNTING PRINCIPLES

Revenue is recognised when:

- it is probable that the economic benefits associated with the transaction will flow to the Group;
- the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably;
- at the transaction date, it is probable that the amount of the sale will be recovered.

Revenue comprises:

Sales of goods (Products & Solutions, Services)

Sales of these goods are recognised in accordance with IAS 18.

Revenue is recognised when the goods are delivered and title has been transferred, which implies the following:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

In practice, sales of goods are recognised when the delivery note has been issued, which corresponds to the date on which the risks and rewards of ownership are transferred.

Finance lease sales (Technology Management & Financing)

In accordance with IAS 17, the rules for recognising revenue differ depending on the type of contract (see section 4.1.2).

Sales of services (Services business)

Revenue earned on service agreements is recognised in accordance with IAS 18.

There are two main types of contract:

Fixed-price contracts

Fixed-price contracts are contracts under which the Group agrees to deliver a specified service at an agreed price. Large contracts are divided into phases and revenue generated from the services rendered in each phase is recognised by reference to the stage of completion (the "percentage of completion" method). This results in the recognition of revenue accruals or deferred income when invoicing does not reflect the stage of completion of the work. A contingency provision for the expected loss on a project is recognised if the cost of the project is higher than the expected revenue.

Time-and-materials contracts

Under time-and-materials contracts, the Group agrees to deliver a service against the reimbursement of allowed or otherwise defined costs, plus a percentage of these costs or a fixed fee.

Services in progress at the end of the reporting period are recognised in revenue accruals and are estimated based on the sale price.

4.1.2. LEASE ACCOUNTING

Virtually all leases entered into by the Technology Management & Financing business as lessor are finance leases, although operating leases may also occasionally be contracted.

4.1.2.1. Finance leases

The Group identifies finance leases based on the definitions set out in paragraphs 7 to 12 of IAS 17. A lease is classified as a finance lease (rather than an operating lease) if it transfers substantially all the risks and rewards incidental to ownership. When determining whether a lease transfers substantially all the risks and rewards incidental to ownership and should therefore be classified as a finance lease, the Group generally uses (i) the fair value criterion (i.e., the lease is a finance lease if, at inception, the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset), and then (ii) the economic life criterion (i.e., the lease is a finance lease if the lease term is for the major part of the economic life of the asset even if title is not transferred). The thresholds applied are based on those of ASC 840 under US GAAP, i.e., 85%, of the fair value of the leased asset and 75% of the asset's economic life. In practice, as it is the Group's policy not to use its equity to fund leases and to limit its risk on residual value, operating leases are fairly rare.

Finance leases where the Group is lessor are mainly refinanced contracts in which:

- the lease contracts and equipment are sold to refinancing institutions at an all-inclusive price representing the present value of future minimum lease payments receivable and the residual financial value of the equipment;
- residual financial value represents the amount for which the Group undertakes to repurchase the equipment upon expiry of the lease;
- lease payments due by lessees are paid directly to the refinancing institutions on a non-recourse basis, which means that the Group transfers the risk of payment default.

From a legal standpoint, the Group relinquishes ownership of the equipment on the date of sale to the refinancing institution and recovers ownership at the end of the lease term by repurchasing the equipment. In some cases, the Group asks the refinancing institutions to grant it invoicing and payment agency on their behalf. This does not alter the transfer of the risk of payment default from the lessees to the refinancing institutions.

Econocom acts as a dealer lessor and therefore recognises a margin as from the inception of the lease in accordance with the principle set out in IAS 17.42-46. Revenue, cost of sales and the residual interest in leased assets are recognised progressively as assets are delivered, pro rata to the amount of each delivery.

IAS 17 states that initial recognition of a lease must take place at the commencement of the lease term, i.e., the date from which the lessee is entitled to exercise its right to use the leased asset. The provisions of the Group's General Lease Conditions define this date as the date on which the leased asset is delivered, which is officially confirmed when the Statement of Acceptance is signed.

Refinanced contracts are accounted for as follows:

In the statement of financial position

For each lease, the Group's residual interest in the leased assets (see Note 11.1) is recognised in assets and the gross liability for purchases of leased assets (defined in Note 11.2) is recognised in liabilities.

In the income statement

Revenue on these contracts corresponds to the present value of future minimum lease payments (corresponding to the payments that the lessee is required to make throughout the realisation period and the lease term).

Financial income not yet acquired from lease payments is recognised in the income statement when the contracts are refinanced.

The impacts of discounting only concern the "Gross liability for purchases of leased assets" (see Note 11.2) and the "Residual interest in leased assets" (see Note 11.1) items.

The cost of sales represents the purchase cost of the asset.

The Group's residual interest in the leased assets is deducted from the cost of sales based on its present value.

4.1.2.2. Operating leases

The Group retains all the risks relating to operating leases as the significant risks and rewards incidental to ownership of the assets concerned are not transferred.

In the statement of financial position

The leased equipment is recorded as an asset in the statement of financial position and depreciated on a straight-line basis over the duration of the contract to write it down to its residual value, which represents the Company's residual interest in the asset at the end of the lease term.

In the income statement

Income statement entries are made on a periodic basis with the invoiced lease payments recorded as revenue and the depreciation described above recorded as an expense.

4.1.2.3. Lease extensions

Revenue is recognised on lease extensions in line with the initial classification of the lease, i.e.:

- if the initial contract was classified as an operating lease, revenue from the extension of the lease will be deferred over the period of the lease extension.
- if the initial contract was classified as a finance lease, revenue from the extension of the lease will be recognised in full on the last day of the initial contract.

4.2. PERSONNEL COSTS

The following table presents a breakdown of personnel costs:

in € millions	2017	2016
Wages and salaries	(402.1)	(365.3)[a]
Payroll costs	(148.1)	(135.6)[a]
Other	(10.5)	(12.2)
Total	**(560.7)**	**(513.2)**

[a] The French CICE tax credit to boost competitiveness and employment was reclassified from wages and salaries to payroll costs ahead of the decrease in payroll taxes intended to replace the tax credit as from 2019.

Expenses relating to defined benefit pension plans and included in other personnel costs concern the Group's subsidiaries in France, Italy, Belgium and Austria. The characteristics of these plans are set out in Note 17.

4.3. GOVERNMENT GRANTS

Government grants are recognised as a deduction from costs (e.g., wages and salaries), or within other operating income and expenses, as appropriate.

Government grants are only recognised when the Group is certain to collect them. In accordance with IAS 20, the Group applies different accounting treatment for grants related to assets (or investment subsidies) and grants related to income.

Grants related to assets are recognised in profit or loss over the periods in which the Group expenses the costs that the grants are intended to compensate. In practice, they are recognised over the periods and in the proportions in which depreciation expense is recognised on the depreciable asset covered by the grant, with the deferred income recognised in liabilities. Grants related to income are recognised to offset the costs that they are intended to cover.

Tax credits treated as research grants and competitive and employment (CICE) tax credits

Tax credits are accounted for depending on the tax treatment applicable in each country:

- if the tax credit is only calculated based on specific expenses, does not adjust the calculation of the subsidiary's taxable profit, is not limited by the tax liability of the subsidiary, and may be refunded in cash, it is treated as a grant within the meaning of IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance and included within operating profit;
- in all other cases it is recognised within income tax.

The French research tax credits (CIR) and employment and competitiveness tax credits (CICE) are accounted for as government grants.

4.4. EXTERNAL EXPENSES

The following table presents a breakdown of external expenses:

in € millions	2017	2016
Fees paid to intermediaries and other professionals	(56.6)	(49.9)
External services (rent, maintenance, insurance, etc.)	(37.5)	(33.1)
Agents' commissions	(27.1)	(26.0)
Other external expenses (subcontracting, public relations, transport, etc.)	(73.3)	(62.1)
Total	**(194.5)**	**(171.1)**

4.5. ADDITIONS TO AND REVERSALS OF DEPRECIATION, AMORTISATION AND PROVISIONS

Additions to and reversals of depreciation, amortisation and provisions break down as follows:

in € millions	2017	2016
Intangible assets – franchises, patents, licences, business assets, etc.[1]	(14.2)	(12.3)
Property, plant and equipment (leased assets)	(0.6)	(0.7)
Property, plant and equipment: other non-current assets	(11.5)	(8.6)
Depreciation and amortisation[1]	**(26.3)**	**(21.6)**
Movements in provisions for operating contingencies and expenses	**(1.4)**	**10.4**
Total	**(27.7)**	**(11.2)**

1 Including €4.2 million (in both 2016 and 2017) in amortisation of intangible assets from acquisitions.

4.6. NET IMPAIRMENT LOSSES ON CURRENT AND NON-CURRENT ASSETS

in € millions	2017	2016
Impairment of inventories	(6.3)	(2.1)
Reversals of impairment of inventories	4.0	6.6
Net losses/gains on inventories	(2.2)	4.5
Impairment of doubtful receivables	**(8.7)**	**(6.4)**
Reversals of impairment of doubtful receivables	7.0	7.2
Gains and losses on the sale of receivables	0.6	(0.7)
Net losses/gains on trade receivables	**(1.1)**	**0.1**
Gains and losses on the sale of other assets	**(3.2)**	**(3.9)**
Total	**(6.4)**	**0.7**

4.7. OTHER RECURRING OPERATING INCOME AND EXPENSES

Other recurring operating income and expenses break down as follows:

in € millions	2017	2016
Cross-charging and indemnities received	13.1	8.6
Capital losses on sales of property, plant and equipment and intangible assets – recurring operating activities	(0.5)	(1.2)
Cross-charging and indemnities paid	(3.3)	(1.6)
Total	**9.3**	**5.8**

4.8. FINANCIAL INCOME – OPERATING ACTIVITIES

The following table breaks down financial income and expense relating to operating activities by type of income/expense:

in € millions	2017	2016
Financial income related to Technology Management & Financing operations	12.6	12.0
Miscellaneous financial income from operating activities	0.9	0.4
Total financial income – operating activities	**13.5**	**12.4**
Financial expenses related to Technology Management & Financing operations	(9.5)	(5.3)
Financial expenses related to miscellaneous operating activities	(1.7)	(2.1)
Exchange losses	(1.4)	(1.1)
Total financial expenses – operating activities	**(12.6)**	**(8.5)**
Total	**0.9**	**3.9**

Financial income and expenses relating to Technology Management and Financing operations reflect the unwinding of the discount during the year on the gross liability for purchases of leased assets, the Group's residual interest in leased assets and lease payments outstanding.

Net exchange losses recorded in the income statement result mainly from fluctuations in the pound sterling and US dollar.

5. NON-RECURRING OPERATING INCOME AND EXPENSES

Non-recurring operating income and expenses mainly include:

- income and expenses that are deemed unusual in terms of their frequency, nature or amount;
- goodwill impairment losses;
- material gains and losses on disposals of property, plant and equipment and intangible assets, or of operating assets and investments;
- restructuring costs and costs associated with downsizing plans;
- costs relating to acquisitions (acquisition fees);
- the costs of relocating premises;
- changes in the fair value of acquisition-related liabilities (contingent consideration); changes in the fair value of put and call options on non-controlling interests are recognised directly in equity.

in € millions	2017	2016 adjusted[1]
Restructuring costs	(17.3)	(10.0)
Acquisition costs	(2.2)	(1.2)
Other expenses	(3.9)	(1.1)
Other operating expenses	(23.4)	(12.3)
Other income	3.6	-
Other operating income	3.6	-
Total	**(19.9)**	**(12.3)**

[1] Adjusted to reflect the change in accounting policy for changes in the fair value of liabilities under put and call options on non-controlling interests, which are now recognised in equity. Retrospective application of this change in accounting policy results in the reclassification of net gains from changes in fair value (€5.5 million in 2016) within equity.

Restructuring costs relate to performance improvement plans implemented during the year. Acquisition costs relate to the various acquisitions carried out by the Group.

Non-recurring operating income and expenses include the following movements in provisions:

in € millions	2017	2016 adjusted
Additions to provisions for contingencies	(2.8)	(5.0)
Additions to provisions for impairment	(0.9)	-
Reversals of provisions for contingencies	5.2	3.7
Reversals of provisions for impairment	0.7	0.5

6. NET FINANCIAL EXPENSE

in € millions	2017	2016
Capital gains on disposals of financial assets	-	-
Other financial income	0.2	0.5
Financial income	**0.2**	**0.5**
Interest expense on bonds	(6.5)	(7.6)
Loss on redemption of ORNANE bonds[1]	(0.3)	(4.5)
Accelerated amortisation of bond issue costs[1]	(0.5)	-
Expenses on non-current liabilities	(0.3)	(0.4)
Interest cost of retirement benefits and other post-employment benefits	(0.7)	(0.7)
Interest on short-term financing	(1.4)	(2.1)
Financial expenses on factoring	(2.8)	(2.4)
Other financial expenses	(0.2)	(0.2)
Financial expenses	**(12.7)**	**(17.9)**
Other financial income and expenses	**(12.5)**	**(17.4)**
Adjustment of the fair value of the ORNANE embedded derivative component[1]	4.1	(37.9)
Net financial expense	**(8.4)**	**(55.3)**

1 In 2017, non-recurring items include the fair value of the ORNANE embedded derivative component amounting to €4.1 million. The redemption by Econocom of 2,698,900 ORNANE bonds generated a €0.3 million expense (before the corresponding €3.2 million tax saving), while the early conversion of 10,050,928 ORNANE bonds generated a €0.5 million expense relating to the accelerated amortisation of the issue cost.

Restated for these non-recurring items, net financial expense was €11.7 million, representing a slight €1.3 million improvement on 2016 (€13 million).

7. INCOME TAX

Income tax expense for the year includes current taxes and deferred taxes.

Current tax is (i) the estimated amount of tax due in respect of taxable profit for a given period, as determined using tax rates that have been enacted or substantively enacted at the end of the reporting period, (ii) any adjustments to the amount of current tax in previous periods, and (iii) any other tax calculated on a net amount of income and expenses.

Deferred taxes are accounted for using the liability method for all temporary differences between the carrying amount recorded in the consolidated statement of financial position and the tax bases of assets and liabilities, except for non-tax-deductible goodwill. Deferred taxes are determined based on the way in which the Group expects to recover or settle the carrying amount of the assets and liabilities using the tax rates that have been enacted or substantially enacted at the reporting date.

Deferred tax assets and liabilities are not discounted and are offset when they relate to the same tax entity. They are classified in the statement of financial position as non-current assets and liabilities.

Deferred tax assets are only recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences or tax losses and tax credit carryforwards can be utilised.

7.1. RECOGNITION OF CURRENT AND DEFERRED TAXES

in € millions	*Notes*	2017	2016 adjusted
Current tax		(35.4)	(36.4)
Movements in tax provisions	*16*	1.1	0.5
Deferred tax	*7.2*	3.1	0.2
Total		**(31.2)**	**(35.7)**

Effective tax rate

in € millions	2017	2016 adjusted
Profit before tax	121.9	68.6
Income tax	(31.2)	(35.7)
Effective tax rate as a percentage of profit before tax	25.6%	52.1%
Effective tax rate as a percentage of profit before tax (restated)	**25.0%**	**29.7%**

Income tax expense was €24.6 million, plus €6.6 million in CVAE tax on value added in France and IRAP regional production tax in Italy, representing a total of €31.2 million.

Based on reported profit before tax of €121.9 million, the reported effective tax rate was 25.6% (52.1% in 2016). Taking account of the adjustment to the fair value of the ORNANE embedded derivative component (resulting in a non-taxable gain of €4.1 million in 2017 versus a non-deductible expense of €37.9 million in 2016), the restated effective tax rate came out at 25.0% in 2017 (29.7% in 2016).

Tax proof

in € millions	2017	2016 adjusted
Profit before tax	121.9	68.6
Theoretical tax expense calculated at the Belgian standard tax rate (33.99% in both 2017 and 2016)	(41.4)	(23.3)

Reconciliation

in € millions	2017	2016 adjusted
Impacts of changes in the fair value of the ORNANE embedded derivative component	1.4	(12.9)
Impact of ORNANE bond redemption	3.1	1.1
Unrecognised tax losses arising in the year	(2.0)	(4.2)
Previously unrecognised tax losses used in the year	1.0	3.5
Adjustment to current and deferred tax	(0.2)	(0.3)
Effect of taxes other than on income[1]	(6.6)	(6.1)
Effect of foreign income tax rates and changes in foreign income tax rates	6.9	5.4
Tax credits and other[2]	9.6	4.8
Other permanent differences	(3.0)	(3.7)
Total differences	**10.2**	**(12.4)**
Effective income tax expense	**(31.2)**	**(35.7)**

1 Taxes other than on income relate to taxes assessed on value added that meet the requirements of IAS 12. For Econocom, this caption relates to the tax on value added in France (net of income tax) and to the IRAP tax (*Imposta Regionale sulle Attività Produttive*) in Italy.

2 The change in this item partly reflects the impact of the additional tax depreciation in Italy (*superammortamento*) which allowed Econocom to benefit from an additional tax saving.

7.2. DEFERRED TAX ASSETS AND LIABILITIES

Analysis of deferred tax assets and liabilities

in € millions	31 Dec. 2016	Income / expense for the year (income statement)	Other comprehensive income (equity)	Reclassifications	Changes in scope of consolidation	31 Dec. 2017
Pension obligations	13.3	(2.1)	(0.6)	-	-	10.6
Temporary differences arising on provisions	3.5	(0.7)	-	0.4	0.6	3.8
Other assets and liabilities	8.3	0.8	(0.2)	(0.2)	-	8.7
Tax loss carryforwards	8.2	3.3	-	0.1	0.2	11.8
Impact of netting DTA/DTL	(19.4)	-	-	4.7	-	(14.7)
Total deferred tax assets	**13.9**	**1.3**	**(0.8)**	**5.0**	**0.8**	**20.2**
Deferred tax on TMF business	(15.3)	(0.5)	-	-	-	(15.8)
Amortisable intangible assets	(10.0)	1.4	-	(0.2)	-	(8.8)
Other assets and liabilities	(0.4)	0.9	-	(0.1)	-	0.4
Impact of netting DTA/DTL	19.4	-	-	(4.7)	-	14.7
Total deferred tax liabilities	**(6.3)**	**1.8**	**-**	**(5.0)**	**-**	**(9.5)**
Net deferred tax assets (liabilities)	**7.6**	**3.1**	**(0.8)**	**-**	**0.8**	**10.7**

in € millions	2017	2016
Recoverable within 12 months, before netting, by tax jurisdiction	5.2	4.4
Recoverable after 12 months, before netting, by tax jurisdiction	5.5	3.2
Net deferred tax assets (liabilities)	**10.7**	**7.6**

Deferred tax assets on tax loss carryforwards

At 31 December 2017, Econocom's tax loss carryforwards can be analysed as follows by expiry date:

in € millions	2017	2016
2018	-	-
2019	0.1	-
2020	-	0.8
Beyond	2.5	0.7
Indefinite	103.4	87.7
Total	**106.0**	**89.2**

The increase in tax loss carryforwards primarily concerns Econocom Group following the redemption of ORNANE bonds and the debt waiver.

Unrecognised deferred tax assets on tax loss carryforwards totalled €16.5 million versus €20.1 million at 31 December 2016. This decrease reflects the impact of changes in tax rates in France and Belgium; the tax base remained stable at €64.2 million (€63.3 million at 31 December 2016).

The Group did not recognise deferred tax liabilities for any taxes payable on the retained earnings of certain subsidiaries insofar as it controls the dividend policies of those entities. In the event that it lost control of these subsidiaries, the tax expense relating to the dividend payout would be €8.2 million.

8. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing attributable profit by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares on a pro rata basis.

Diluted earnings per share is calculated by taking into account all financial instruments carrying deferred rights to the parent company's capital, issued either by the parent company itself or by any one of its subsidiaries. Dilution is calculated separately for each instrument, based on the conditions prevailing at the end of the reporting period and excluding anti-dilutive instruments.

Basic earnings per share

in € millions, except for per share data and number of shares	2017	2016 adjusted[b]
Profit for the year attributable to owners of the parent	86.4	33.4
Recurring profit attributable to owners of the parent[1]	94.5	83.0
Average number of shares outstanding[a]	232,763,830	215,443,594
Earnings per share attributable to owners of the parent (in €)	0.371	0.155
Recurring earnings per share attributable to owners of the parent[1] (in €)	0.406	0.385

1 Recurring profit for the year attributable to owners of the parent corresponds to profit for the year attributable to owners of the parent, before the following items:
- amortisation of intangible assets from acquisitions, net of tax effects;
- non-recurring operating income and expenses, net of tax effects;
- adjustments to the fair value of the ORNANE embedded derivative component;
- other non-recurring financial income and expenses, net of tax effects;
- profit (loss) from discontinued operations, net of tax effects.

a The Extraordinary General Meeting of 16 May 2017 approved Econocom Group's two-for-one share split. To simplify matters, financial information regarding earnings per share presented in this report has been retrospectively restated to reflect the two-for-one share split in the prior period.

b Change in accounting policy: changes in the fair value of liabilities under put and call options on non-controlling interests are now recognised in equity. Since this change in policy is applied on a retrospective basis, the €5.5 million in write-backs of liabilities credited to "Non-recurring operating income and expenses" in 2016 are restated in 2017 (see Note 1).

Diluted earnings per share

in € millions, except for per share data and number of shares	2017	2016 adjusted[b]
Diluted profit attributable to owners of the parent	86.4	33.4
Average number of shares outstanding	232,763,830	215,443,594
Impact of stock options	3,830,772	3,795,454
Impact of free shares	359,943	267,142
Impact of ORNANE[1] convertible bonds	-	-
Diluted average number of shares outstanding[a]	236,954,545	219,506,190
Diluted earnings per share attributable to owners of the parent (in €)	0.365	0.152

1 There were 12,768,688 ORNANE convertible bonds at 31 December 2016, giving rights to 25,537,376 shares (after the share split). In 2017, all ORNANE bonds were converted into shares.

a The Extraordinary General Meeting of 16 May 2017 approved Econocom Group's two-for-one share split. To simplify matters, financial information regarding earnings per share presented in this report has been retrospectively restated to reflect the two-for-one share split in the prior period.

b Change in accounting policy: changes in the fair value of liabilities under put and call options on non-controlling interests are now recognised in equity. Since this change in policy is applied on a retrospective basis, the €5.5 million in write-backs of liabilities credited to "Non-recurring operating income and expenses" in 2016 are restated in 2017 (see Note 1).

In accordance with IFRS, the stock option expense recognised in the income statement was not restated.

9. GOODWILL AND IMPAIRMENT TESTING

9.1. DEFINITION OF CASH-GENERATING UNITS

The growing proportion of international customers and the pooling of resources among business lines have led the Group to redefine the scope of its cash-generating units (CGUs) as representing its three business segments: Technology Management & Financing, Services and Products & Solutions.

A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Each CGU or group of CGUs to which goodwill is allocated represents the lowest level within the Group at which goodwill is monitored for internal management purposes.

9.2. GOODWILL ALLOCATION

For the purposes of the impairment tests carried out at 31 December each year, goodwill is allocated to cash generating units.

In 2017, goodwill arising on companies acquired by the Group was allocated to the Services CGU (LP Digital Agency, Jade, Aciernet, Biboard) and to the Products & Solutions CGU (BIS and Energynet).

in € millions	Technology Management & Financing	Services	Products & Solutions	Total
2017				
Goodwill at 1 January 2017	114.6	405.7	18.8	539.1
Adjustments to acquisition costs	-	0.5	-	0.5
Acquisitions	-	41.5	18.5	60.0
Disposals	-	-	-	-
Foreign currency translation adjustments	-	(0.8)	-	(0.8)
Impairment	-	-	-	-
Goodwill at 31 December 2017	114.6	446.9	37.3	598.8
of which gross amount	**114.6**	**451.2**	**37.3**	**603.1**
of which accumulated impairment	**-**	**(4.3)**	**-**	**(4.3)**

In 2016, goodwill arising on companies acquired by the Group were allocated to the TMF CGU (Cineolia), the Services CGU (Infeeny [formerly MCNext], Asystel Italia and Gigigo) and the Products & Solutions CGU (Caverin).

in € millions	Technology Management & Financing	Services	Products & Solutions	Total
2016				
Goodwill at 1 January 2016	108.7	360.2	14.6	483.5
Adjustments to acquisition costs	-	0.5	-	0.5
Acquisitions	5.9	43.9	4.2	54.0
Disposals	-	-	-	-
Foreign currency translation adjustments	-	1.1	-	1.1
Impairment	-	-	-	-
Goodwill at 31 December 2016	114.6	405.7	18.8	539.1
of which gross amount	**114.6**	**410.0**	**18.8**	**543.4**
of which accumulated impairment	**-**	**(4.3)**	**-**	**(4.3)**

9.3. IMPAIRMENT TESTS AND IMPAIRMENT OF GOODWILL

Impairment testing involves determining whether the recoverable amount of an asset, CGU or group of CGUs is lower than its carrying amount.

The recoverable amount is the higher of fair value less the costs of disposal and value in use.

Value in use is determined based on estimated future cash flows and a terminal value, taking into account the time value of money and the risks associated with the business and the specific environment in which the CGU or group of CGUs operates.

Cash flow projections are based on the budgets and on business plans covering a period of no more than five years. The terminal value is calculated by discounting normalised annual cash flows to perpetuity.

Fair value is the amount that could be obtained from the sale of the tested assets in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal. These amounts are calculated based on market information.

When the recoverable value of the assets of a CGU or group of CGUs is lower than its carrying amount, an impairment loss is recognised.

Impairment losses are recorded first as a reduction of the carrying amount of goodwill allocated to a CGU and then charged against the assets of the CGU, pro rata to the carrying amount of each of the components of the CGU. Impairment losses are recorded under "Non-recurring operating income and expenses" in the income statement.

Impairment losses recognised for property, plant and equipment and intangible assets other than goodwill may be reversed in subsequent periods if the asset's recoverable amount becomes greater than its carrying amount. Impairment losses recognised for goodwill may not be reversed.

If goodwill has been allocated to a CGU and an operation within that CGU is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal.

Results of impairment tests

Based on the impairment tests conducted, no impairment needs to be charged against goodwill.

Key assumptions

The value in use of the Group's CGUs is sensitive to the following assumptions:

- discount rate applied to future cash flows;
- growth rate of cash flows beyond the forecast period;
- business plan (revenue and margin).

	2017		2016	
	Discount rate	Perpetuity growth rate	Discount rate	Perpetuity growth rate
Technology Management & Financing	8.00%	1.00%	7.70%	1.00%
Services	8.00%	1.50%	7.70%	1.50%
Products & Solutions	8.00%	1.00%	7.70%	1.00%

The growth rate and weighted average cost of capital assumptions were reviewed in light of global market data.

The post-tax discount rate used corresponds to the weighted average cost of capital ("WACC"). The perpetuity growth rate applied by the Group does not exceed the growth rate for the industry. Applying a pre-tax discount rate to pre-tax cash flows would have resulted in a similar value for the CGUs.

The business plan was determined based on the expected growth of markets for the CGU concerned, taking account of growth levers identified by Management. Margins are determined based on the historical margins observed in the years preceding the start of the budget period. They also take account of expected efficiency gains as well as events of which management is aware and that could impact the profitability of the activity.

Sensitivity to changes in assumptions

The table below shows the sensitivity of enterprise values to the assumptions used:

in € millions	Sensitivity to rates				Sensitivity to cash flows
	Discount rate		Perpetuity growth rate		
	+1.0%	**-1.0%**	**+0.5%**	**-0.5%**	**-10%**
Technology Management & Financing	(113.9)	152.5	52.8	(45.8)	(157.7)
Services	(92.6)	126.7	44.5	(38.1)	(177.1)
Products & Solutions	(25.8)	34.5	11.9	(10.4)	(42.5)

The sensitivity of impairment tests to adverse, feasible changes in assumptions is set out below:

- reasonable sensitivity to changes in the discount rate: a simulated increase of up to 1 percentage point in the discount rate used would not change the findings of the Group's analysis;
- reasonable sensitivity to changes in the long-term growth rate: in a pessimistic scenario where the long-term growth rate is reduced by 0.5 percentage points, the value in use of each CGU would still exceed its carrying amount;
- reasonable sensitivity to changes in the business plan: a 10% reduction in the revenue forecast contained in the business plan, with variable costs adjusted accordingly, would not change the conclusions of the Group's analysis.

Consequently, none of the sensitivity tests reduced the value in use of any of the CGUs to below their carrying amount.

10. INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT AND LONG-TERM FINANCIAL ASSETS

10.1. INTANGIBLE ASSETS

Separately acquired intangible assets

Separately acquired intangible assets are initially measured at cost, which corresponds to their acquisition cost or their acquisition-date fair value for intangible assets acquired in a business combination.

After initial recognition, they are carried at cost less any accumulated amortisation and impairment losses.

Intangible assets with finite useful lives are amortised over their economic useful life. The useful life of concessions, patents and licences is estimated at between three and seven years. Intangible assets with indefinite useful lives are not amortised.

Internally generated intangible assets

The Group carries out IT development projects. Expenses incurred in relation to these operations can be included in the cost of intangible assets. An internally generated intangible asset resulting from development (or from the development phase of an internal IT project) is only recognised if the Group can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- its ability to measure reliably the expenditure attributable to the intangible asset during its development. The initial cost of an internally generated intangible asset is equal to the sum of expenditure incurred from the date on which the intangible asset first meets the above-mentioned recognition criteria. If no internally generated intangible asset can be recognised, development costs are recognised in profit or loss for the year in which they are incurred.

After initial recognition, internally generated intangible assets are carried at cost less any accumulated amortisation and impairment losses, in accordance with the same method as that used for separately acquired intangible assets.

The useful life of information systems is estimated at between three and seven years.

Intangible assets acquired in business combinations

Intangible assets acquired by the Group in business combinations are measured at their acquisition cost less any accumulated amortisation and impairment losses. They mainly comprise operating licences and software and are amortised on a straight-line basis over their useful lives.

The customer portfolio acquired from the ECS group was valued using the MEEM method (Multi-period Excess Earnings Method) at €40 million and is being amortised over 20 years.

The Osiatis brand was valued using the royalty relief method, based on percentages of forecast revenue and EBIT in line with comparable market equivalents.

Useful life	In years
Amortisable business assets	3-5
ECS customer portfolio	20
Franchises, patents, licences	3-7
IT systems	3-7
Osiatis brand	4

The Group has no intangible assets with indefinite useful lives with the exception of the goodwill presented in Note 9.

2017 INTANGIBLE ASSETS

in € millions	Customer portfolio and business assets	Franchises, patents, licences, etc.	IT systems and other internally generated assets	Other	Total
Acquisition cost					
Gross value at 31 Dec. 2016	**54.2**	**35.5**	**62.2**	**3.0**	**154.9**
Acquisitions	-	4.6	20.0	0.9	25.4
Disposals	-	(1.6)	(1.4)	(0.8)	(3.7)
Changes in scope of consolidation	-	0.1	0.5	3.6	4.2
Transfers and other movements	-	0.8	(0.3)	0.2	0.7
Gross value at 31 Dec. 2017	**54.2**	**39.4**	**81.0**	**6.9**	**181.5**
Amortisation and impairment					
Accumulated amortisation at 31 Dec. 2016	**(21.6)**	**(28.9)**	**(34.8)**	**(2.0)**	**(87.3)**
Additions	(4.4)	(3.0)	(6.2)	(0.6)	(14.2)
Disposals	-	1.6	0.6	0.8	3.0
Changes in scope of consolidation	-	(0.1)	-	(2.9)	(3.0)
Transfers and other movements	-	0.3	(0.7)	-	(0.4)
Accumulated amortisation at 31 Dec. 2017	**(26.0)**	**(30.1)**	**(41.1)**	**(4.7)**	**(101.9)**
Carrying amount at 31 Dec. 2016	**32.6**	**6.6**	**27.4**	**1.0**	**67.6**
Carrying amount at 31 Dec. 2017	**28.2**	**9.3**	**39.9**	**2.2**	**79.6**

Customer portfolios and business assets are intangible assets which are recognised in connection with business combinations, amortised over the useful lives shown above.

Franchises, patents, licences, etc. consist mainly of licences acquired and amortised over their useful lives.

IT systems are the mainly result of developments made by the Group and associated companies, and are amortised over the periods set out above.

2016 INTANGIBLE ASSETS

in € millions	Customer portfolio and business assets	Franchises, patents, licences, etc.	IT systems and other internally generated assets	Other	Total
Acquisition cost					
Gross value at 31 Dec. 2015	**53.4**	**31.1**	**56.3**	**3.4**	**144.2**
Acquisitions	-	2.4	11.4	0.5	14.3
Disposals	-	(0.2)	(0.9)	(5.1)	(6.2)
Changes in scope of consolidation	-	0.6	2.2	0.1	2.9
Transfers and other movements	0.8	1.6	(6.8)	4.1	(0.3)
Gross value at 31 Dec. 2016	**54.2**	**35.5**	**62.2**	**3.0**	**154.9**
Amortisation and impairment					
Accumulated amortisation at 31 Dec. 2015	**(16.2)**	**(26.2)**	**(35.0)**	**(2.7)**	**(80.1)**
Additions	(4.4)	(2.7)	(4.9)	(0.3)	(12.3)
Disposals	-	0.1	0.5	4.9	5.5
Changes in scope of consolidation	-	(0.3)	(0.7)	(0.1)	(1.1)
Transfers and other movements	(1.0)	0.2	5.3	(3.8)	0.7
Accumulated amortisation at 31 Dec. 2016	**(21.6)**	**(28.9)**	**(34.8)**	**(2.0)**	**(87.3)**
Carrying amount at 31 Dec. 2015	**37.2**	**4.9**	**21.3**	**0.7**	**64.1**
Carrying amount at 31 Dec. 2016	**32.6**	**6.6**	**27.4**	**1.0**	**67.6**

10.2. PROPERTY, PLANT & EQUIPMENT

Property, plant and equipment owned outright

Property, plant and equipment are carried at acquisition cost less any accumulated depreciation and impairment losses.

Depreciation is recognised on a straight-line basis over the estimated useful life of the assets taking into account any residual value.

Useful life	In years
Land	Indefinite
Buildings	20-50
Fixtures	5-10
IT equipment	3-7
Vehicles	4-7
Furniture	5-10

Land is not depreciated.

When an item of property, plant and equipment comprises components with different useful lives, such components are recognised and depreciated separately.

Gains or losses on the sale of an item of property, plant and equipment are determined as the difference between the proceeds from the sale and the carrying amount of the asset sold. They are included in either "Other operating income and expenses" or "Revenue from continuing operations" if the sale took place in the ordinary course of the Group's business.

No borrowing costs were included in the cost of any of the Group's property, plant and equipment in the absence of any assets requiring a substantial period of time before they are ready for their intended use or sale.

Property, plant and equipment held under finance leases

Finance leases that transfer substantially all the risks and rewards of ownership to the Group are recognised in the statement of financial position at inception of the lease at the lower of (i) the fair value of the leased asset, or (ii) the sum of the future minimum lease payments discounted to present value. Lease payments are apportioned between the financial expense and the reduction of the outstanding liability. The financial expense is recognised in the income statement under "Expenses on non-current liabilities", detailed in Note 6.

Assets held under finance leases are depreciated over the same periods as the same categories of property, plant and equipment owned outright.

2017 PROPERTY, PLANT AND EQUIPMENT

in € millions	Land and buildings	Fixtures, fittings and IT equipment	Furniture and vehicles	Other property, plant and equipment	Property, plant and equipment held under finance leases	Total
Acquisition cost						
Gross value at 31 Dec. 2016	**27.7**	**58.2**	**11.9**	**3.9**	**5.4**	**107.1**
Acquisitions	1.9	8.7	4.5	3.6	-	18.7
Disposals	(0.3)	(3.5)	(1.8)	(0.4)	(0.2)	(6.2)
Changes in scope of consolidation	0.4	0.2	0.2	6.6	-	7.4
Translation adjustments	-	(0.1)	-	-	-	(0.1)
Transfers and other movements	(3.6)	5.2	2.2	(2.4)	(1.0)	0.4
Gross value at 31 Dec. 2017	**26.1**	**68.7**	**17.0**	**11.3**	**4.2**	**127.3**
Depreciation and impairment						
Accumulated depreciation at 31 Dec. 2016	**(10.8)**	**(43.3)**	**(8.0)**	**(0.2)**	**(3.4)**	**(65.7)**
Additions	(1.2)	(7.9)	(1.7)	(0.7)	(0.6)	(12.1)
Disposals	0.2	3.3	1.5	0.4	-	5.5
Changes in scope of consolidation	(0.2)	(0.2)	(0.2)	(5.4)	-	(6.0)
Reversals of impairment	-	-	-	-	0.1	0.1
Translation adjustments	-	0.1	-	-	-	0.1
Transfers and other movements	1.5	(0.9)	(1.8)	(0.2)	0.5	(0.9)
Accumulated depreciation at 31 Dec. 2017	**(10.5)**	**(48.9)**	**(10.2)**	**(6.0)**	**(3.3)**	**(78.9)**
Carrying amount at 31 Dec. 2016	**16.9**	**14.9**	**3.9**	**3.7**	**2.0**	**41.4**
Carrying amount at 31 Dec. 2017	**15.6**	**19.9**	**6.8**	**5.3**	**0.9**	**48.4**

Other property, plant and equipment relate to assets in progress.

The Group's statement of financial position shows assets held under finance leases within property, plant and equipment:

in € millions	Gross value at 31 Dec. 2017	Carrying amount at 31 Dec. 2017	Gross value at 31 Dec. 2016	Carrying amount at 31 Dec. 2016
Buildings	5.1	1.2	5.1	1.3
Furniture and vehicles	8.2	3.3	3.7	1.5

Details of the liabilities and future payments relating to these leases are provided in Notes 14.2 and 19.2.4.

2016 PROPERTY, PLANT AND EQUIPMENT

in € millions	Land and buildings	Fixtures, fittings and IT equipment	Furniture and vehicles	Other property, plant and equipment	Property, plant and equipment held under finance leases	Total
Acquisition cost						
Gross value at 31 Dec. 2015	**26.9**	**44.9**	**9.9**	**4.9**	**1.9**	**88.5**
Acquisitions	3.5	10.6	1.2	3.5	-	18.8
Disposals	(3.0)	(0.3)	(0.2)	(0.3)	-	(3.8)
Changes in scope of consolidation	0.2	1.3	0.8	-	2.2	4.5
Translation adjustments	-	(0.2)	0.1	-	-	(0.1)
Transfers and other movements	0.1	1.9	0.1	(4.2)	1.3	(0.8)
Gross value at 31 Dec. 2016	**27.7**	**58.2**	**11.9**	**3.9**	**5.4**	**107.1**
Depreciation and impairment						
Accumulated depreciation at 31 Dec. 2015	**(12.3)**	**(37.0)**	**(7.0)**	**(0.3)**	**(1.8)**	**(58.4)**
Additions	(1.5)	(6.0)	(1.0)	-	(0.8)	(9.3)
Disposals	2.2	0.3	0.1	-	-	2.6
Changes in scope of consolidation	(0.1)	(0.7)	(0.1)	-	-	(0.9)
Reversals of impairment	-	-	-	-	-	-
Translation adjustments	-	0.2	-	-	-	0.2
Transfers and other movements	0.9	(0.1)	-	0.1	(0.8)	0.1
Accumulated depreciation at 31 Dec. 2016	**(10.8)**	**(43.3)**	**(8.0)**	**(0.2)**	**(3.4)**	**(65.7)**
Carrying amount at 31 Dec. 2015	**14.6**	**7.9**	**2.9**	**4.6**	**0.1**	**30.1**
Carrying amount at 31 Dec. 2016	**16.9**	**14.9**	**3.9**	**3.7**	**2.0**	**41.4**

10.3. LONG-TERM FINANCIAL ASSETS

Investments in non-consolidated companies are recorded at fair value. Unrealised gains or losses along with prolonged impairment losses are recognised in profit or loss.

in € millions	Investments in non-consolidated companies[1]	Investments in associates and joint ventures[2]	Other long-term financial assets[3]	Total
Balance at 31 December 2015	**0.8**	**0.5**	**22.9**	**24.2**
Changes in working capital[4]	-	-	0.7	0.7
Increases	0.6	-	1.7	2.3
Repayments/Disposals	-	-	(0.8)	(0.8)
Changes in scope of consolidation	-	-	0.7	0.7
Translation adjustments	-	-	-	-
Transfers and other movements	-	-	(0.2)	(0.2)
Share of profit (loss) of associates and joint ventures	-	(0.2)	-	(0.2)
Balance at 31 December 2016	**1.4**	**0.3**	**25.0**	**26.7**
Changes in working capital[4]			1.6	1.6
Increases	-	-	2.7	2.7
Repayments/Disposals	-	-	(0.5)	(0.5)
Changes in scope of consolidation	0.1	0.1	0.2	0.4
Translation adjustments	-	-	-	-
Transfers and other movements	-	-	-	-
Share of profit (loss) of associates and joint ventures	-	-	-	-
Balance at 31 December 2017	**1.5**	**0.4**	**29.0**	**30.9**

1 This relates to the Group's interest in non-controlled entities for €1.5 million, primarily including Histovery (€0.7 million), Kartable (€0.5 million) and Magic Makers (€0.2 million).

2 At 31 December 2017, Econocom had only one equity-accounted associate (JTRS). In 2016, the equity-accounted entity was Norcold Solutions Santé, which is currently being wound up.

3 Other long-term financial assets chiefly correspond to guarantees and deposits.

4 Changes in working capital relate to net disbursements on factoring operations, classified within changes in working capital in the consolidated statement of cash flows.

Maturity of long-term financial assets

31 Dec. 2017 *in € millions*	1 to 5 years	Beyond 5 years	Indefinite	Total
Investments in non-consolidated companies	-	-	1.5	1.5
Investments in associates and joint ventures	-	-	0.4	0.4
Guarantees given to factors	18.6	-	-	18.6
Other investments	-	-	4.4	4.4
Other guarantees and deposits	2.0	4.0	-	6.0
Total	**20.6**	**4.0**	**6.3**	**30.9**

31 Dec. 2016 *in € millions*	1 to 5 years	Beyond 5 years	Indefinite	Total
Investments in non-consolidated companies	-	-	1.4	1.4
Investments in associates and joint ventures	-	-	0.3	0.3
Guarantees given to factors	11.8	5.0	-	16.8
Other investments	-	-	2.6	2.6
Other guarantees and deposits	4.6	1.0	-	5.6
Total	**16.4**	**6.0**	**4.3**	**26.7**

10.4. OTHER LONG-TERM RECEIVABLES

in € millions	31 Dec. 2017	31 Dec. 2016
Government grants	7.6	5.8
Other long-term receivables	4.8	4.3
Other receivables	**12.5**	**10.1**

"Government grants" relate to amounts receivable under government grants (including at 31 December 2017: €6.1 million in respect of research tax credits and €0.8 million in respect of CICE tax credits). "Other" relates to loans granted to employees or associates.

The carrying amounts of other non-financial assets such as other long-term receivables, are reviewed for impairment at the end of each reporting period. If the carrying amount of these assets exceeds their estimated recoverable amount, an impairment loss is recognised within operating profit.

By maturity

in € millions	31 Dec. 2017	Dec. 31 2016
1 to 5 years	12.0	8.3
Beyond 5 years	0.5	1.8
Total	**12.5**	**10.1**

11. RESIDUAL INTEREST IN LEASED ASSETS AND GROSS LIABILITY FOR PURCHASES OF LEASED ASSETS

11.1. RESIDUAL INTEREST IN LEASED ASSETS

The Group's residual interest in leased assets sold to refinancing institutions corresponds to an estimated market value.

This residual interest is calculated as follows:

- for all fixed-term contracts, the estimated market value is calculated using an accelerated diminishing balance method, based on the amortisation of the original purchase cost of each item of equipment. The residual interest therefore represents a long-term asset which is discounted using the same method as for the related lease. This method does not apply to non-standard cases, which are rare.
- for renewable asset management contracts, the accelerated diminishing balance method of depreciation is not applicable. The estimated market value for these contracts is calculated by using a fixed percentage of the original purchase cost of the equipment.

in € millions	31 Dec. 2017	31 Dec. 2016
Residual interest in leased assets – non-current portion (between 1 and 5 years)	105.5	77.4
Residual interest in leased assets – current portion (less than 1 year)	35.9	29.7
Total	**141.4**	**107.1**

The Group regularly revises estimates of its residual interest in leased assets using a statistical method based on its experience of second-hand markets.

In the case of its most recent assets, for which there is inadequate market data to establish an accurate valuation, the Group uses a prudent approach which may be adjusted when it has access to adequate historical information.

To ensure consistent treatment with all other types of contracts accounted for since 2015, in 2017 this revision chiefly concerned IT assets leased under renewable Technology Refresh Option (TRO) contracts. Along with the recognition of residual interests in other leases, a residual value of €141.4 million was recognised at 31 December 2017 for a portfolio of leased assets representing €5.6 billion (purchase price of the assets on inception of the lease). The Group's residual interest in leased assets therefore stood at 2.5% of the purchase price of assets in its portfolio (versus 2.0% at 31 December 2016).

Changes in the Group’s residual interest in 2017 essentially reflect the fast-paced growth in business and to a lesser extent, the revision of the Group’s residual interest in IT assets leased under TRO contracts, which represented the bulk of changes in this caption in the first half of 2017 but did not have a material impact on the second half.

The impact of discounting on the total amount of the residual interest was €9.8 million at 31 December 2017 versus €6.5 million at 31 December 2016; the pre-discounted values were €151.2 million at end-2017 and €113.6 million at end-2016.

Residual interest in leased assets concerns IT assets and industrial assets amounting to €126.9 million and €14.5 million, respectively (€103.4 million and €3.7 million, respectively, at end-December 2016).

11.2. GROSS LIABILITY FOR PURCHASES OF LEASED ASSETS

The Group repurchases leased equipment from refinancing institutions at the end of the lease term. These purchase obligations are classified within "gross commitments on residual financial value" and recognised in the statement of financial position. They are generally long-term liabilities which are discounted using the same method as for the related leases. They are classified as financial liabilities but are not included in net debt (see Note 14.3).

in € millions	31 Dec. 2017	31 Dec. 2016
Total gross liability for purchases of leased assets – non-current portion (between 1 and 5 years)	59.6	52.5
Total gross liability for purchases of leased assets – current portion (less than 1 year)	17.9	15.8
Total	**77.5**	**68.3**

The present value of items recorded in "Gross liability for purchases of leased assets" (current and non-current portions) represents €77.5 million. The cumulative impact of discounting was €11.3 million in 2017 and €10.7 million in 2016.

The pre-discounted value was €88.8 million at end-2017 and €79.0 million at end-2016.

12. OPERATING ASSETS AND LIABILITIES

12.1. INVENTORIES

For the Group, inventories are assets:

- held for sale in the ordinary course of business and measured at the lower of cost (weighted average cost) and net realisable value; or
- materials or supplies to be used in the rendering of services, measured at cost and written down in line with the useful life of the infrastructure to which they relate.

in € millions	31 Dec. 2017			31 Dec. 2016		
	Gross	Impairment	Net	Gross	Impairment	Net
Equipment in the process of being refinanced	**12.0**	**(1.4)**	**10.6**	**11.8**	**(0.6)**	**11.2**
Other inventories	**69.1**	**(17.2)**	**51.8**	**42.9**	**(14.9)**	**28**
ICT equipment	46.6	(3.3)	43.3	21.9	(1.3)	20.6
Spare parts	22.5	(14.0)	8.5	21.0	(13.6)	7.4
Work in progress[1]	**1.5**	**-**	**1.5**	**-**	**-**	**-**
Total	**82.6**	**(18.6)**	**63.9**	**54.7**	**(15.5)**	**39.2**

1 The “Work in progress” line is new in 2017. At 31 December 2016, the corresponding assets (€1 million) were classified in prepaid expenses within other assets.

Gross value

in € millions	31 Dec. 2016	Changes in inventories	Changes in scope of consolidation	Other changes	31 Dec. 2017
Equipment in the process of being refinanced	**11.8**	**0.2**	**-**	**-**	**12.0**
Other inventories	**42.9**	**8.1**	**18.8**	**(0.7)**	**69.1**
ICT equipment	21.9	8.2	18.8	(2.3)	46.6
Spare parts	21.0	(0.1)	-	1.6	22.5
Work in progress	**-**	**0.1**	**0.4**	**1.0**	**1.5**
Total	**54.7**	**8.4**	**19.2**	**0.3**	**82.6**

Impairment

in € millions	31 Dec. 2016	Additions	Reversals	Changes in scope of consolidation	Other changes	31 Dec. 2017
Equipment in the process of being refinanced	**(0.6)**	**(1.0)**	**0.2**	**-**	**-**	**(1.4)**
Other inventories	**(14.9)**	**(5.3)**	**3.8**	**(0.9)**	**-**	**(17.2)**
ICT equipment	(1.3)	(1.7)	0.6	(0.9)	-	(3.3)
Spare parts	(13.6)	(3.6)	3.2	-	-	(13.9)
Work in progress	**-**	**-**	**-**	**-**	**-**	**-**
Total	**(15.5)**	**(6.3)**	**4.0**	**(0.9)**	**-**	**(18.6)**

12.2. TRADE AND OTHER RECEIVABLES AND OTHER CURRENT ASSETS

in € millions	2017			2016		
	Gross	Impairment	Net	Gross	Impairment	Net
Trade receivables	1,082.8	(49.7)	1,033.1	849.5	(47.4)	802.1
Other receivables	94.9	(5.4)	89.5	84.7	(4.6)	80.1
Trade and other receivables	**1,177.7**	**(55.1)**	**1,122.6**	**934.2**	**(52.0)**	**882.2**
Other current assets	**62.2**	**-**	**62.2**	**52.9**	**-**	**52.9**

Amid 17.5% growth in revenue and vigorous levels of business in the fourth quarter, trade receivables increased by €231 million in the year due mainly to sharp growth in outstanding rentals and changes in the scope of consolidation within the Services and P&S businesses, following their respective acquisitions of Aciernet and BIS.

Trade receivables items are broken down below by business, net of impairment:

in € millions	31 Dec. 2017				31 Dec. 2016			
	Receivables invoiced net of impairment	Outstanding rentals	Revenue accruals	Total	Receivables invoiced net of impairment[1]	Outstanding rentals	Revenue accruals	Total
Technology Management & Financing	**260.0**	**460.2**	**8.4**	**728.6**	**255.9**	**331.5**	**8.4**	**595.7**
Trade receivables refinanced or in the process of being refinanced	97.8	460.2	-	558.0	96.1	331.5	-	427.5
User trade receivables (outstanding rentals refinanced but invoiced by Econocom)	162.2	-	8.4	170.6	159.8	-	8.4	168.2
Services	**140.6**	**-**	**96.2**	**236.8**	**106.7**	**-**	**58.1**	**164.8**
Products & Solutions	**48.5**	**-**	**19.2**	**67.7**	**30.3**	**-**	**11.3**	**41.6**
Total	**449.2**	**460.2**	**123.7**	**1033.1**	**392.8**	**331.5**	**77.7**	**802.1**

1 After reclassification of impairment within outstanding rentals at 31 December 2016.

The non-current portion of the €460.2 million in outstanding rentals represents €164.8 million and relates to self-funded contracts. The current portion totals €295.4 million and relates to outstanding rentals that will be refinanced, i.e., when a refinancing agreement exists (e.g., deployment, Technology Refresh Option, etc.).

Trade receivables are written down whenever there is a serious collection risk.

in € millions	31 Dec. 2016	Additions	Reversals	Changes in scope of consolidation	Reclassification	31 Dec. 2017
Impairment of doubtful receivables	(47.4)	(9.0)	7.0	(0.7)	0.4	**(49.7)**

Other receivables

"Other receivables" represent amounts receivable from the French State and miscellaneous amounts due from third parties (suppliers, factor, etc.).

in € millions	31 Dec. 2017	31 Dec. 2016
Tax receivables (excl. income tax)	33.3	30.1
Factoring receivables	21.6	18.4
Government grants receivable	10.3	15.0
Due from suppliers	11.4	10.0
Other	12.9	6.6
Other receivables	**89.5**	**80.1**

Other current assets

Other current assets mainly relate to prepaid expenses totalling €62.0 million at 31 December 2017 and €52.9 million at 31 December 2016.

The remaining balance relates to derivative instruments for €0.2 million (see Note 13.2).

12.3. TRADE AND OTHER PAYABLES

in € millions	31 Dec. 2017	31 Dec. 2016
Trade payables	735.0	635.6
Other payables	226.1	272.4
Trade and other payables	**961.1**	**908.0**

Other payables can be analysed as follows:

in € millions	2017	2016
Accrued taxes and personnel costs	217.5	220.2
Dividends payable	1.1	0.6
ORNANE embedded derivative component[a]	-	45.4
Customer prepayments and other payables	7.5	6.2
Other payables	**226.1**	**272.4**

[a] Following the conversion/redemption of ORNANE bonds in 2017, there were no longer any derivative liabilities at 31 December 2017.

12.4. OTHER CURRENT LIABILITIES

Other current liabilities can be analysed as follows:

in € millions	*Notes*	2017	2016
Acquisition-related liabilities – current portion	*2.4*	13.2	4.6
Deferred income		156.2	136.4
Other liabilities		6.1	6.4
Other current liabilities		**175.5**	**147.4**

12.5. OTHER NON-CURRENT LIABILITIES

in € millions	*Notes*	2017	2016
Acquisition-related liabilities – non-current portion	*2.4*	88.6	82.5
Other non-current liabilities[1]		10.5	8.7
Other non-current liabilities		**99.1**	**91.2**

1 Including €10.0 million in miscellaneous cash deposits received at 31 December 2017 (€8.3 million at 31 December 2016).

13. FINANCIAL INSTRUMENTS

Financial instruments comprise:

- financial assets, which include long-term financial assets (except investments in equity-accounted companies), other long-term receivables, trade and other receivables, other current assets, and cash and cash equivalents;
- financial liabilities, which include current and non-current financial liabilities and bank overdrafts, operating payables and other current and non-current liabilities;
- derivative instruments.

13.1. BASIS OF ACCOUNTING FOR FINANCIAL INSTRUMENTS

Financial instruments (assets and liabilities) are recorded in the consolidated statement of financial position at their fair value on initial recognition.

They are subsequently measured at either fair value or amortised cost, depending on their nature:

	Subsequent measurement	Offsetting entry
Financial assets		
Assets at fair value through profit or loss	Fair value	Profit or loss
Held-to-maturity assets	Amortised cost	Profit or loss
Loans and receivables	Amortised cost	Profit or loss
Available-for-sale assets	Fair value	Equity
Financial liabilities		
Liabilities at fair value through profit or loss[1]	Fair value	Profit or loss
Other financial liabilities	Amortised cost	Profit or loss

1 Financial instruments held for trading, derivatives or instruments voluntarily designated by the entity at fair value (fair value option applicable in certain conditions).

The Group applies the concept of fair value set out in IFRS 13 – Fair Value Measurement, whereby fair value is "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price)".

Amortised cost represents the fair value on initial recognition (net of transaction costs), plus interest calculated based on the effective interest rate and less cash outflows (coupons, principal repayments and, where applicable, redemption premiums). Accrued interest (income and expenses) is not recorded at the nominal interest rate of the financial instrument, but based on the instrument's effective interest rate. Financial assets at amortised cost are tested for impairment whenever there are indications that they may be impaired. Any loss of value is recognised in the income statement.

The initial recognition of financial instruments in the consolidated statement of financial position along with their subsequent measurement as described above apply the following interest rate definitions:

- the coupon rate (coupon), which is the nominal interest rate on the instrument;
- the effective interest rate;
- the market interest rate, which is the effective interest rate as recalculated at the measurement date in line with ordinary market inputs.

Financial instruments carried in both assets and liabilities are derecognised whenever the related risks and rewards are sold and the Group ceases to have control over those financial instruments (see Note 21).

13.2. DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses the financial markets for hedging exposure related to its business activities and not for speculative purposes.

Given the low exchange rate risk, forward purchases and sales of foreign currency and currency swaps are recognised as instruments measured at fair value through profit or loss.

The Group uses an interest rate swap to hedge its interest rate risk on a floating-rate tranche of its new Schuldschein notes. This swap is designated as a cash flow hedge and is eligible for hedge accounting under IAS 39.

Gains or losses on the hedging instrument are recognised directly in other comprehensive income until the hedged item is itself recognised in the income statement. Hedging reserves are also transferred to the income statement at this time.

In addition, regarding the recognition of the ORNANE bonds, the Group elected to separate the embedded derivative (measured at fair value) from the debt component (measured at amortised cost). The embedded derivative was measured at fair value through profit or loss. Following the conversion of the ORNANE bonds in 2017, the balance of the derivative was included in equity.

	Notes	31 Dec. 2016	Change through profit or loss[2]	Other comprehensive income[3]	Impact of the ORNANE bond conversion on equity	31 Dec. 2017
Derivative instruments (positive fair value)		-	-	0.2	-	**0.2**
Derivative instruments (negative fair value)[1]	*12.3*	45.7	(13.7)	(0.3)	(31.7)	-
Total		**-**	**13.7**	**0.5**	**-**	**-**

1 Following the conversion of the ORNANE bonds, there were no longer any derivative instruments with a negative fair value at 31 December 2017.
2 Changes in fair value resulting from the ORNANE bond redemption through profit or loss
3 Changes in fair value of the instrument hedging Schuldschein notes.

13.3. CLASSIFICATION OF FINANCIAL INSTRUMENTS AND FAIR VALUE HIERARCHY

IFRS 7 – Financial Instruments: Disclosures sets out a fair value hierarchy, as follows:

- Level 1: fair value based on quoted prices in active markets;
- Level 2: fair value measured using observable market inputs (other than the quoted market prices included in Level 1);
- Level 3: fair value measured using unobservable market inputs.

The fair value of financial instruments is determined using market prices resulting from trades on a national stock exchange or over-the-counter markets. If listed market prices are not available, fair value is measured using other valuation methods such as discounted future cash flows.

In any event, estimates of market value are based on certain market interpretations required when measuring financial assets.

As such, these estimates do not necessarily reflect the amounts that the Group would actually receive or pay out if the instruments were traded on the market. The use of different estimates, methods and assumptions may have a material impact on estimated fair values.

In view of their short-term nature, the carrying amount of trade and other receivables, and cash and cash equivalents approximates their fair value.

Derivative financial instruments are measured using Level 2 fair values.

Cash equivalents are booked at fair value (Level 1).

13.3.1. FINANCIAL ASSETS

The Group's financial assets at 31 December 2017 can be analysed as follows:

in € millions			Carrying amount		Level in the fair value hierarchy		
Statement of financial position headings	**IAS 39 category[1]**	***Notes***	**Amortised cost**	**Fair value through profit or loss**	**Level 1**	**Level 2**	**Level 3**
Long-term financial assets	L&R	*10.3*	29.0	-	-	29.0	-
Long-term financial assets	FVPL	*10.3*	-	1.5	-	1.5	-
Long-term receivables	L&R	*10.4*	12.5	-	-	12.5	-
Trade receivables	L&R	*12.2*	1,033.1	-	-	1,033.1	-
Other receivables	L&R	*12.2*	89.5	-		89.5	-
Cash and cash equivalents	FVPL	*14.1*	-	237.9	237.9	-	-
Financial assets			**1,164.1**	**239.4**	**237.9**	**1,165.4**	**-**

1 L&R: Loans and receivables, FVPL: fair value through profit or loss; the fair value of financial assets approximates their carrying amount.

13.3.2. FINANCIAL LIABILITIES AND OTHER LIABILITIES

In view of their short-term nature, the carrying amount of trade and other payables approximates fair value.

The market value of derivative instruments is measured based on valuations provided by bank counterparties or models widely used on financial markets, and on market information available at the reporting date.

in € millions	Carrying amount				Level in the fair value hierarchy		
Statement of financial position headings	*Notes*	Amortised cost	Fair value through profit or loss	Fair value through equity[1]	Level 1	Level 2	Level 3
Gross debt	*14.2 14.1*	**511.5**	**5.1**	**-**	**5.1**	**511.5**	**-**
Non-convertible bonds		251.8	-	-	-	251.8	-
Bank debt, commercial paper and other		130.9	5.1	-	5.1	130.9	-
Liabilities relating to contracts refinanced with recourse		124.1	-	-	-	124.1	-
Finance lease liabilities		4.7	-	-	-	4.7	-
Non-current non interest-bearing liabilities[1]	*12.5*	**10.5**	**0.4**	**88.2**	**-**	**10.5**	**88.6**
Gross liability for purchases of leased assets	*11.2*	**77.5**	**-**	**-**	**-**	**77.5**	**-**
Trade payables	*12.3*	**735.0**	**-**	**-**	**-**	**735.0**	**-**
Other payables (excluding derivative instruments)	*12.3*	**226.1**	**-**	**-**	**-**	**226.1**	**-**
Other current (financial) liabilities[1]	*12.4*	**7.1**	**0.6**	**11.6**	**-**	**7.1**	**12.2**
Financial liabilities		**1,567.7**	**6.1**	**99.8**	**5.1**	**1,567.7**	**100.8**

1 Changes in liabilities under put and call options on non-controlling interests are now recognised in equity.

Non-current non interest-bearing liabilities and other current liabilities estimated at fair value through profit or loss (Level 3) correspond to contingent consideration liabilities arising on acquisitions of companies for €1.0 million (see Note 2.4).

Non-current non interest-bearing liabilities and other current liabilities estimated at fair value through equity (Level 3) correspond to liabilities under put and call options on non-controlling interests for €99.8 million (see Note 2.4).

Contingent consideration liabilities are measured based on the estimated future performance of the entities concerned (e.g. EBIT multiples, expected future cash flows, etc.).

Based on the information held by the Group, the fair value of financial liabilities approximates their carrying amount.

14. CASH, GROSS DEBT AND NET DEBT

14.1. CASH AND CASH EQUIVALENTS

These include cash on hand and demand deposits, other highly-liquid investments with maturities of three months or less, and bank overdrafts. Bank overdrafts are included in "Financial liabilities" within current liabilities in the statement of financial position.

Changes in fair value are recognised through profit or loss under "Financial income – operating activities".

Cash as presented in the statement of cash flows includes cash and cash equivalents, presented net of bank overdrafts. Cash and cash equivalents can be broken down as follows at end-2016 and end-2017:

in € millions	31 Dec. 2017	31 Dec. 2016
Cash	**222.5**	**335.9**
Cash in hand	0.1	0.3
Demand accounts	222.4	335.6
Cash equivalents	**15.4**	**12.8**
Term accounts	14.4	11.1
Marketable securities	1.0	1.7
Cash and cash equivalents	**237.9**	**348.7**
Bank overdrafts	(5.1)	(0.2)
Cash and cash equivalents net of bank overdrafts	**232.9**	**348.5**

The cash and cash equivalent balances corresponding to the share of Econocom's partners in companies fully consolidated but not wholly owned by the Group totalled €49.7 million at 31 December 2017 (of which €5.4 million relating to acquisitions during the year) versus €36.1 million at 31 December 2016.

14.2. GROSS DEBT

in € millions	31 Dec. 2017	31 Dec. 2016
Convertible bond debt (ORNANE)	-	135.5
Non-convertible bond debt (Euro PP)	99.5	99.4
Non-convertible bond debt (Schuldschein bond)	147.1	147.0
Other borrowings	19.0	6.6
Finance lease liabilities	74.5	2.4
o/w lease liabilities relating to contracts refinanced with recourse[1]	71.0	-
o/w finance lease liabilities	3.5	2.4
Non-current interest-bearing liabilities	**340.1**	**390.9**
Convertible bond debt (ORNANE) - current portion	-	2.0
Non-convertible bond debt (Euro PP) - current portion	2.6	2.6
Non-convertible bond debt (Schuldschein bond) – current portion	2.6	2.6
Bank borrowings	111.8	57.3
Factoring liabilities[2]	12.2	8.6
Other current borrowings and debt with recourse	3.1	2.9
Finance lease liabilities	39.0	66.8
o/w lease liabilities relating to contracts refinanced with recourse[1]	37.8	65.9
o/w finance lease liabilities	1.2	0.9
Current interest-bearing liabilities	**171.4**	**142.7**
Gross debt[3]	**511.5**	**533.6**

1 Liabilities relating to contracts refinanced with recourse are backed by customers' rental payments in which the Group retains a portion of the credit risk. The Group has therefore added back a similar amount of unassigned receivables in accordance with IAS 32 – Financial Instruments: Presentation. As from 2017, the non-current portion is presented separately from the current portion. This was not the case at end-2016, when €65.9 million was recognised in full in current liabilities.
2 Factoring liabilities consist of residual risks arising from factoring agreements.
3 Excluding current bank overdrafts.

Convertible bonds

At 31 December 2017, Econocom no longer has any convertible bonds, since the ORNANE bonds were converted/redeemed during the first half of 2017.

Non-convertible bonds

Euro PP

In May 2015, Econocom Group SE issued €101 million in bonds in a private placement (Euro PP) with eight institutional investors. The bonds break down into two tranches of €45.5 million and €55.5 million, with respective maturities of five and seven years. They pay fixed-rate interest (2.364% at 5 years and 2.804% at 7 years) and are redeemable upon maturity.

Schuldschein notes

In late November 2016, Econocom Group SE issued €150 million in Schuldschein notes on the Frankfurt market.

These notes, redeemable at maturity, comprise three tranches: €13 million at 7 years, and €22 million and €115 million at 5 years. Notes belonging to the first two tranches pay fixed-rate interest (2.088% at seven years and 1.611% at five years). The interest on the third tranche includes a fixed-rate portion of 1.5% and a floating-rate portion indexed to six-month Euribor. An interest rate swap was set up in respect of these notes to protect the Group against the interest rate risk on the floating-rate portion. The swap hedges the risk of a rise in interest rates; however, it is set up in such a way that if Euribor interest is negative, Econocom bears the interest rate risk.

Other borrowings

Other non-current borrowings increased by €12.4 million in 2017, reflecting (i) new long-term credit facilities (€19 million), offset by payments of instalments on borrowings related to acquired entities (including Osiatis in France and Nexica and Gigigo in Spain).

Current bank borrowings relate mainly to commercial paper for €102 million and credit lines for €3 million.

In October 2015, Econocom also sought to diversify its financing and set up a commercial paper programme ("Econocom Group Société Européenne Billets de Trésorerie"). This programme, capped at €300 million, helps the Group diversify and optimise in the short term the financial resources it needs to drive its growth going forward. This programme complements the Group's bank financing and gives it access to short-term liquidity under favourable and transparent conditions, since it borrows from the negotiable debt securities market.

Analysis of non-current interest-bearing liabilities by maturity

2017 ***in € millions***	**Total**	**1 to 5 years**	**Beyond 5 years**
Lease liabilities relating to contracts refinanced with recourse (non-current portion)	71.0	71.0	-
Finance lease liabilities – real estate	0.7	0.6	0.1
Finance lease liabilities – furniture	2.8	2.5	0.3
Bonds	246.6	246.6	-
Other borrowings	19.0	19.0	-
Total	**340.1**	**339.6**	**0.4**

2016 ***in € millions***	**Total**	**1 to 5 years**	**Beyond 5 years**
Lease liabilities relating to contracts refinanced with recourse (non-current portion)	-	-	-
Finance lease liabilities – real estate	1.1	0.4	0.7
Finance lease liabilities - real estate	1.3	1.3	-
Bonds	381.9	314.6	67.3
Other borrowings	6.6	6.3	0.3
Total	**390.9**	**322.6**	**68.3**

14.3. NET DEBT

The concept of net debt as used by the Group represents gross debt (see Note 14.2) less gross cash (see Note 14.1 – Cash and cash equivalents). Gross debt includes all interest-bearing debt and debt incurred by receiving financial instruments. It does not include:

- the gross liability for purchases of leased assets and its residual interest in leased assets;
- the ORNANE embedded derivative component (applicable only at 31 December 2016) and the derivative instrument hedging Schuldschein notes.

in € millions	31 Dec. 2016	Monetary flows	Non-monetary flows				31 Dec. 2017
			Newly consolidated companies	Amortised cost of the loan	Conversion	Other	
Cash and cash equivalents*	348.7	(115.8)	6.0	-	(1.0)	-	237.9
Bank overdrafts**	(0.2)	(4.7)	(0.2)	-	-	-	(5.1)
Cash and cash equivalents net of bank overdrafts[1]	**348.5**	**(120.5)**	**5.9**	**-**	**(1.0)**	**-**	**232.9**
Bank debt and commercial paper	(63.9)	(67.1)	-	-	0.2	-	(130.8)
Net cash at bank	**284.6**	**(187.6)**	**5.9**	**-**	**(0.8)**	**-**	**102.0**
Convertible bond debt (ORNANE)	(137.5)	31.0[2]	-	(1.7)	-	108.2[2]	-
Bond debt (Euro PP)	(102.0)	2.6[3]	-	(2.7)	-	-	(102.1)
Bond debt (Schuldschein notes)	(149.6)	2.8[3]	-	(2.9)	-	-	(149.7)
Leases with recourse	(65.9)	(42.9)	-	-	-	-	(108.8)
Factoring liabilities with recourse	(8.6)	(2.8)	(0.8)	-	-	-	(12.2)
Other liabilities with recourse	(2.9)	(0.2)	-	-	-	-	(3.1)
Finance lease liabilities	(3.3)	(1.4)	-	-	-	-	(4.7)
Sub-total	**(469.8)**	**(10.9)**	**(0.8)**	**(7.3)**	**-**	**108.2**	**(380.6)**
Net debt	**(185.2)**	**(198.5)**	**5.1**	**(7.3)**	**(0.8)**	**108.2**	**(278.6)**

* Positive gross cash flow.
** Including current bank overdrafts totalling €5.1 million at 31 December 2017 and €0.2 million at 31 December 2016.
[1] The €115.6 million decrease in net cash and cash equivalents as shown in the statement of cash flows is equal to the sum of monetary outflows (€120.5 million) and cash resulting from newly consolidated companies (€5.7 million) less translation losses (€1.0 million).
[2] ORNANE: monetary flows relate mainly to the payment of bond interest (€2.0 million) and to the portion of the debt eliminated following Econocom's redemption of ORNANE bonds (€28.9 million). The coupon paid is shown within "Interest paid" in the consolidated statement of cash flows. Disbursements made to redeem ORNANE bonds in first-quarter 2017 totalled €38.8 million and reflect the decrease in the debt shown in this caption (€28.9 million), as well as part of the decrease in the ORNANE embedded derivative component (€9.6 million – see Note 12.3). The conversion of 10,050,928 ORNANE bonds during the year also led to a decrease of €108.2 million in debt.
[3] Monetary flows on non-convertible bond debt relate to interest paid during the year (€5.4 million), shown within "Interest paid" in the consolidated statement of cash flows.

The weighted average borrowing rate was 1.30% in 2017 versus 1.37% in 2016 (excluding the cost of ORNANE bond redemptions).

Net debt at 31 December 2016

in € millions	31 Dec. 2015	Monetary flows	Non-monetary flows				31 Dec. 2016
			Newly consolidated companies	Amortised cost of the loan	Conversion	Other	
Cash and cash equivalents	209.6	134.1	5.8	-	(0.8)	-	348.7
Bank overdrafts**	(0.2)	-	-	-	-	-	(0.2)
Cash and cash equivalents net of bank overdrafts[1]	**209.4**	**134.1**	**5.8**	**-**	**(0.8)**	**-**	**348.5**
Bank debt and commercial paper	(66.0)	7.2	(4.8)	-	(0.3)	-	(63.9)
Net cash at bank	**143.4**	**141.3**	**1.0**	**-**	**(1.1)**	**-**	**284.6**
Convertible bond debt (ORNANE)	(173.6)	42.4[2]	-	(6.3)	-	-	(137.5)
Bond debt (Euro PP)	(101.9)	2.6[3]	-	(2.7)	-	-	(102.0)
Bond debt (Schuldschein notes)	-	(150.0)	-	(0.3)	-	0.7[4]	(149.6)
Leases with recourse	(37.2)	(28.7)	-	-	-	-	(65.9)
Factoring liabilities with recourse	(10.8)	5.3	(3.1)	-	-	-	(8.6)
Other liabilities with recourse	(2.9)	-	-	-	-	-	(2.9)
Finance lease liabilities	(3.4)	0.7	(0.6)	-	-	-	(3.3)
Sub-total	**(329.8)**	**(127.7)**	**(3.7)**	**(9.3)**	**-**	**0.7**	**(469.8)**
Net debt	**(186.4)**	**13.6**	**(2.7)**	**(9.3)**	**(1.1)**	**0.7**	**(185.2)**

* Positive gross cash flow.

** Including current bank overdrafts totalling €0.2 million at both 31 December 2016 and 31 December 2015.

1 The increase of €139.1 million in net cash and cash equivalents as shown in the statement of cash flows is equal to the sum of monetary inflows (€134.1 million) and cash resulting from newly consolidated companies (€5.8 million), less translation losses (€0.8 million).

2 ORNANE convertible bonds: monetary flows relate to the payment of bond interest (€2.6 million) and to the portion of the debt eliminated following Econocom's redemption of ORNANE bonds (€39.8 million). The coupon paid is shown within "Interest paid" in the consolidated statement of cash flows. Disbursements made to redeem ORNANE bonds at 31 December 2016 totalled €48.7 million and reflect the decrease in the debt shown in this caption (€39.8 million), as well as part of the decrease in the ORNANE embedded derivative component (€4.4 million) and an expense impacting net financial income/expense (€4.5 million).

3 Monetary flows on non-convertible bond debt relate to interest paid during the year (€2.6 million), shown within "Interest paid" in the consolidated statement of cash flows.

4 Other non-monetary flows relating to the Schuldschein notes consist of issuance fees.

15. EQUITY

15.1 SHARE CAPITAL

	Number of shares			Value in € millions		
	Total[1]	Treasury shares[1 2]	Outstanding	Share capital	Paid-in capital	Net
At 31 December 2015	**112,519,287**	**5,791,437**	**106,727,850**	**21.6**	**189.1**	**(43.1)**
Purchases of treasury shares	-	3,523,831	(3,523,831)	-	-	(38.4)
Sales of treasury shares	-	(756,904)	756,904	-	-	6.4
Refund of issue premium	-	-	-	-	(19.7)	-
Options exercised	-	(3,160,000)	3,160,000	-	-	24.6
At 31 December 2016	**112,519,287**	**5,398,364**	**107,120,923**	**21.6**	**169.4**	**(50.5)**
1 January 2017 (after the share split)	**225,038,574**	**10,796,728**	**214,241,846**	**21.6**	**169.4**	**(50.5)**
Sales of treasury shares backing ORNANE bond redemptions	-	(5,160,040)	5,160,040	-	-	18.7
Purchases of treasury shares, net of sales	-	4,033,105	(4,033,105)	-	-	(27.3)
Exercise of options and award of free shares	-	(140,000)	140,000	-	-	1.0
Increase in capital and issue premium following the ORNANE bond conversion	20,101,856	-	20,101,856	1.9	108.1	-
Refund of issue premium	-	-		-	(24.5)	-
At 31 December 2017	**245,140,430**	**9,529,793**	**235,610,637**	**23.5**	**253.0**	**(58.1)**

1 To simplify, the number of shares is presented for the entire period after the Econocom Group share split approved by the Extraordinary General Meeting of 16 May 2017.

2 Including at end-December 2017, 9,338,102 shares held in treasury and 191,691 shares held in connection with the liquidity contract (after the two-for-one share split).

3 The €16.7 million difference between the issue premium in the Econocom Group statutory financial statements and the additional paid-in capital in the IFRS consolidated financial statements is attributable to the different methods used to value Osiatis shares during the various phases completed to acquire a controlling interest in this group in 2013.

The number of dematerialised shares stands at 181,450,606.

The number of registered shares is 63,689,824.

Bearer shares

A total of 548,958 shares (before the share split*) were registered in the name of Caisse des Dépôts et Consignations following the dematerialisation of shares in November 2015.

In 2017, 2,036 shares (before the share split) were claimed by shareholders from Caisse des Dépôts et Consignations.

The shares registered will become the property of the French State if they are not claimed before 31 December 2025. In the meantime, their voting rights have been suspended.

Following the share split (on 2 June 2017), a total of 1,093,844 shares were therefore recorded in the name of Caisse des Dépôts et Consignations in the Group's share register.

15.2. CHANGES IN EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT

At 31 December 2017, equity attributable to owners of the parent amounted to €380.8 million (€201.4 million at 31 December 2016). The table below shows changes in this item:

in € millions	
At 31 December 2016	**201.4**
Comprehensive income for the year	85.0
Increase in capital and issue premium following the ORNANE bond conversion	110.0
Increase in other reserves following the ORNANE bond conversion	29.4
Sales of treasury shares backing ORNANE bond redemptions[1]	36.3
Share-based payments, net of tax	0.9
Refund of issue premium, net	(23.7)
Other treasury share transactions[2]	(27.4)
Change in fair value of liabilities under put options	1.3
Impact of put options granted to non-controlling shareholders	(20.6)
Miscellaneous (transactions impacting non-controlling interests and other transactions)[3]	(11.8)
At 31 December 2017	**380.8**

1 Including capital gains on sales of ORNANE convertible bonds, net of tax (€17.6 million).
2 Including acquisitions net of treasury shares in the year (€27.3 million) and capital losses on sales of treasury shares, net of expenses and tax (€0.1 million).
3 Detail of miscellaneous transactions impacting non-controlling interests and other transactions.

in € millions	**2017**
Equity attributable to owners of the parent	(11,1)
Reclassifications between equity attributable to owners of the parent and non-controlling interests following acquisitions of additional shares	(0.8)
Purchase price paid on acquisitions of additional shares	(10.2)
Miscellaneous transactions impacting reserves	(0.8)
Impact on equity attributable to owners of the parent	**(11.8)**

15.3. CHANGES IN EQUITY NOT RECOGNISED IN PROFIT OR LOSS

15.3.1. PAYMENTS BASED ON ECONOCOM GROUP SHARES

The Group regularly awards stock purchase and subscription options, as well as free shares, to Management, certain corporate officers and select employees. These share-based payment transactions are recognised at fair value at the grant date using the Black-Scholes-Merton option pricing model.

Fair value, corresponding to the estimated cost of the services provided by the beneficiaries, is recognised on a straight-line basis in personnel costs over the vesting period. An offsetting entry is recorded to equity. Subsequent changes in the fair value of the options do not impact the initial measurement.

At the end of each reporting period, the Group revises the assumptions used to calculate the number of equity instruments. The impact of this revised estimate, if any, is taken to profit or loss and the expenses accrued adjusted accordingly. The offsetting entry is recorded in equity.

15.3.1.1. Stock subscription option plans

Stock subscription options have been granted to some of the Group's corporate officers for an agreed unit price. Stock purchase and stock subscription option plans are equity-settled share-based payment transactions. Depending on the number of options expected to vest, the fair value of the options granted is expensed over the vesting period. When the options are exercised, equity is increased by the proceeds received.

The characteristics of these plans are detailed below. It should be noted that the number of options granted remains unchanged but that owing to the share split, the number of rights attached to each option has doubled.

Stock option plans	2013	2014[1]	2015[1]	2016[1]	2017[2]	Total
Options outstanding at 31 Dec. 2016	**875,000**	**2,015,000**	**360,000**	**105,000**	**-**	**3,355,000**
Options granted during the period	-	-	-	-	1,950,000	1,950,000
Options exercised in the period	-	-	-	-	-	-
Options lapsed or forfeited	-	(202,500)	(2,500)	-	-	(205,000)
Options outstanding at 31 Dec. 2017	875,000	1,812,500	357,500	105,000	1,950,000	5,100,000
Rights granted in number of shares (comparable) at 31 Dec. 2016	1,750,000	4,030,000	720,000	210,000	-	6,710,000
Rights granted in number of shares (comparable) at 31 Dec. 2017	**1,750,000**	**3,625,000**	**715,000**	**210,000**	**1,950,000**	**8,250,000**
Average exercise price (in €)	5.96	5.52	7.7	11.3	6.04	-
Share purchase price (in €)	2.98	2.76	3.85	5.65	6.04	-
Average share price at the exercise date	-	-	-	-	-	-
Expiry date	**Dec. 2018**	**Dec. 2019**	**Dec. 2020**	**Dec. 2021**	**Dec. 2023**	**-**

1 In December 2014, the Board of Directors approved a plan to issue 2,500,000 stock subscription rights. These were issued by the Compensation Committee in 2014 (2,075,000 options), 2015 (360,000 options) and 2016 (105,000 options). The formula adopted will allow Econocom Group to issue new shares upon exercise of these options.

2 In May 2017, the Board of Directors approved a plan to issue 2,000,000 stock subscription rights, 1,950,000 of which were issued in December 2017 by the Compensation Committee. These options will also give rise to the issue of new shares.

The fair values of the options were measured at the grant date using the Black-Scholes-Merton option pricing model. The table below shows the measurements along with the main assumptions used:

General information	Initial measurement assumptions (IFRS 2)					
Stock option plans	**Options outstanding**	**Fair value**	**Volatility**	**Vesting period**	**Estimated future dividend in %**	**RFIR[1]**
2013	875,000	1.21	24%	4 years	2%	1.14%
2014	1,812,500	0.71	28%	4 years	2%	0.32%
2015	357,500	0.98	28%	4 years	2%	0.35%
2016	105,000	1.65	30%	4 years	2%	0.02%

1 RFIR: risk-free interest rate.

Options are measured at fair value at the grant date in accordance with IFRS 2.

Volatility is calculated by an actuary based on a four-year record of daily prices preceding the option grant date, in line with the maturity of the options.

A detailed description of these stock option plans can be found in section 5.10 of the Management Report.

15.3.1.2. Free share plan

The Annual General Meeting of 17 May 2016 authorised Econocom's Board of Directors to grant 2,250,000 (post-split) existing shares free of charge, representing 1.0% of Econocom's share capital. Vesting may be contingent on meeting a series of internal or external individual or collective objectives. Pursuant to this authorisation, Econocom's Board of Directors' meeting of 19 May 2016 awarded 440,000 free shares to a senior executive. At 31 December 2017, 300,000 rights remained outstanding after the exercise of 140,000 rights in the first tranche, with 20,000 rights carried over to the following tranches. The number of shares mentioned above takes into account the two-for-one share split.

After the two-for-one share split	Number of shares	Date of transfer of ownership
Tranche 2	160,000	May 2018
Tranche 3	140,000	May 2019
Total	**300,000**	

Each tranche is contingent on the employee being present in the Group throughout the vesting period, and on a series of conditions relating to performance and share price.

15.3.1.3. Econocom Group share-based payment expense in the income statement

The total expense taken to profit or loss in 2017 in respect of share-based payments amounted to €1.3 million, and was recorded in personnel costs within recurring operating profit. A tax effect was recognised for €0.4 million.

The total expense taken to profit or loss in 2016 in respect of share-based payments amounted to €1.4 million, and was recorded in personnel costs within recurring operating profit. A tax effect was recognised for €0.5 million.

15.3.2. PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

The impact of provisions for pensions and other post-employment benefits on consolidated equity is set out in Note 17.

15.3.3. TREASURY SHARES

Treasury shares and the related transaction costs are recorded as a deduction from equity. When they are sold, the consideration received in exchange for the shares net of the transaction costs is recorded in equity.

At 31 December 2017, after the share split, the Group held 9,529,793 treasury shares (i.e., 3.89% of the total number of shares) through the parent company Econocom Group SE. The total number of shares held may not exceed 20% of the total number of issued shares making up the share capital.

The net acquisition cost of shares acquired and the proceeds from the sale of shares sold were respectively deducted from or added to equity.

15.3.4. DIVIDEND

At the General Meeting, the Board of Directors is inviting shareholders to vote to refund the issue premium considered as paid-in capital, in an amount of €0.12 per share. The table below also shows the dividend per share paid by the Group in respect of previous years.

	Recommended refund of issue premiums in 2018	Issue premium refunded in 2017	Issue premium refunded in 2016
Total dividend in € millions[1]	29.4	24.5	19.7
Dividend per share in € (after the share split)	0.12	0.10	0.088[2]

1 Calculated based on the total number of shares outstanding at 31 December of each year.
2 Amount per share adjusted following the two-for-one share split.

As this refund of the issue premium is subject to the approval of the General Meeting, it is not recognised as a liability in the consolidated financial statements for the year ended 31 December 2017.

15.3.5. CURRENCY TRANSLATION RESERVES

Currency translation reserves correspond to the cumulative effect of the consolidation of subsidiaries with functional currencies other than the euro. Foreign exchange gains and losses recorded in equity attributable to owners of the parent and non-controlling interests represented a decrease of €6.2 million versus a decrease of €4.6 million at 31 December 2016. At 31 December 2017, changes in this item result chiefly from fluctuations in the value of the pound sterling, Brazilian real, Swiss franc and Polish zloty.

15.4. CHANGE IN NON-CONTROLLING INTERESTS

At 31 December 2017, non-controlling interests amounted to €102.4 million (€77.6 million at 31 December 2016). The table below shows changes in this item:

in € millions	
At 31 December 2016[2]	**77.6**
Share of comprehensive income attributable to non-controlling interests	4.1
Dividends paid	(0.4)
Fair value measurement of non-controlling shareholders	22.1
Impact of put options granted to non-controlling shareholders	(1.8)
Reclassifications between equity attributable to owners of the parent and non-controlling interests following acquisitions of additional shares	0.8
At 31 December 2017[1]	**102.4**

The share of profit recognised in the income statement for non-controlling interests represents €4.3 million for 2017 (loss of €0.7 million for 2016).

15.5. INFORMATION REGARDING NON-CONTROLLING INTERESTS

At 31 December 2017, non-controlling interests primarily concerned Econocom's "Satellites".

- Services: Aciernet, Alter Way, ASP Serveur, Asystel Italia, Bizmatica, Econocom Digital Security, Exaprobe, Gigigo, Helis, Infeeny (formerly MCNext group), Econocom Brasil (formerly Interadapt) and its subsidiary Syrix, Jade (Northern Technology Investments Ltd group), Nexica, Rayonnance (Mobis group), and SynerTrade.
- Products & Solutions: Caverin, EnergyNet.
- Technology Management & Financing: Cineolia.

Together these companies accounted for 23.5% of total assets and 15.9% of consolidated equity at 31 December 2017. Taken individually, none of these entities represents a significant percentage of Econocom Group's total assets or consolidated equity.

Loans granted to these companies by Econocom Finance SNC amounted to €21.0 million at 31 December 2017.

After eliminating items between these companies and other Group companies, these entities contributed €434.9 million to revenue in 2017[1] (€241.0 million in 2016[2]).

1 At 31 December 2017, cumulative data are shown for the following entities: Aciernet, Digital Dimension group subsidiaries not 100%-owned (Digital Belgium, ASP Serveur, Rayonnance, SynerTrade, Gigigo), Exaprobe, Helis, Alter Way, Econocom Digital Security, Econocom Cyber Security, Bizmatica, Asystel Italia, Infeeny (formerly MCNext group), Econocom Brasil (formerly Interadapt), Syrix, Caverin, Jade, Energy Net and Cineolia.

2 At 31 December 2016, this relates to cumulative data for the same entities plus those entities in which the Group purchased non-controlling interests in 2017, i.e., the parent company of the Digital Dimension group and its wholly-owned subsidiaries (Aragon, Digital Dimensions SLU and Nexica); data relating to acquisitions made in the year, i.e., the Aciernet group, Jade and Energy Net, should therefore not be taken into account.

16. PROVISIONS

The Group recognises provisions when it has a legal or constructive obligation towards a third party as a result of past events which is likely to result in an outflow of resources that can be measured reliably.

The amount recognised represents the best estimate of the expenditure expected to be required to settle the present obligation, taking into account the risks and uncertainties known at the reporting date.

Long-term provisions

Long-term provisions cover risks which are not reasonably expected to materialise for several years, and concern employee-related risks. They are discounted if required.

Short-term provisions

Short-term provisions primarily correspond to provisions for claims related to the Group's normal operating cycle and which are expected to be settled within 12 months of the reporting date.

They mainly include:

- provisions for employee-related risks (including risks arising from reorganisation measures);
- Tax and legal risks relate to disputes in progress with clients, suppliers, agents or tax authorities;
- deferred commissions, calculated contract-by-contract based on the residual value of leased assets, less any residual commercial value of the contracts concerned;
- other provisions.

Certain disputes are described in Note 24 – Assessments made by Management and sources of uncertainty.

Contingent liabilities

Other than the general risks described in Note 19, the Group did not identify any material risks for which it had not accrued sufficient provisions in its financial statements.

Movements in provisions between 31 December 2016 and 31 December 2017

in € millions	31 Dec. 2016	Changes in scope of consolidation	Additions	Reversals (surplus provisions)	Reversals (utilised provisions)	Other and exchange differences	31 Dec. 2017
Restructuring and employee-related risks	11.8	1.1	3.8	(2.8)	(4.1)	-	9.8
Tax, legal and commercial risks	13.5	3.4	8.2	(4.5)	(1.2)	(0.1)	19.4
Deferred commissions	1.0	-	-	-	(0.1)	-	0.9
Other risks	11.8	0.4	0.4	(0.3)	(1.6)	1.5	12.2
Total	**38.1**	**5.0**	**12.4**	**(7.6)**	**(7.0)**	**1.4**	**42.3**
Long-term	1.8	0.4	-	(1.2)	(0.3)	0.4	1.1
Short-term	36.3	4.6	12.4	(6.4)	(6.7)	1.0	41.2
Profit impact of movements in provisions							
Recurring operating profit			9.6	(4.6)	(3.7)	-	-
Non-recurring operating profit			2.8	(2.5)	(2.7)	-	-
Taxes(c)			-	(0.6)	(0.6)	-	-

The net impact of movements in provisions was income of €2.2 million. However, additions to provisions net of reversals of provisions not utilised had a negative impact of €4.8 million on profit.

Movements in provisions between 31 December 2015 and 31 December 2016

in € millions	31 Dec. 2015	Changes in scope of consolidation	Additions	Reversals (surplus provisions)	Reversals (utilised provisions)	Other and exchange differences	31 Dec. 2016
Restructuring and employee-related risks	15.6	1.8	5.3	(0.6)	(9.7)	(0.6)	11.8
Tax, legal and commercial risks	14.4	2.9	2.3	(4.6)	(2.7)	1.2	13.5
Deferred commissions	0.9	-	0.1	-	-	-	1.0
Other risks	7.1	1.6	1.7	(0.1)	(1.3)	2.8	11.8
Total	**38.0**	**6.3**	**9.4**	**(5.3)**	**(13.7)**	**3.4**	**38.1**
Long-term	4.8	0.6	1.0	(1.6)	(3.3)	0.3	1.8
Short-term	33.2	5.7	8.4	(3.7)	(10.4)	3.1	36.3
Profit impact of movements in provisions							
Recurring operating profit			3.9	(4.3)	(10.0)	-	-
Non-recurring operating profit			5.0	(0.1)	(3.6)	-	-
Taxes			0.5	(0.9)	(0.1)	-	-

17. PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

17.1. DESCRIPTION OF PENSION PLANS

Post-employment benefits are granted under defined contribution plans or defined benefit plans.

17.1.1. DEFINED CONTRIBUTION PLANS

A defined contribution plan is a plan under which the Group pays fixed contributions to an external entity that is responsible for the plan's administrative and financial management. The employer is therefore free of any subsequent obligation as the agency is in charge of paying employees the amounts to which they are entitled (basic Social Security pension plan, supplementary pension plans).

Special case: Pensions plans in Belgium

The Belgian "Vandenbroucke Law" states that employers must guarantee a minimum return on employee contributions. All Belgian defined contribution plans are therefore treated as defined benefit plans in accordance with IFRS.

As from 1 January 2016, the Group has been required to guarantee a minimum return for contributions paid in. The return depends on the yield on Belgian 10-year government bonds but should be between 1.75% and 3.25%. There will be no distinction made between employer and employee contributions.

Employers are exposed to a financial risk as a result of this guaranteed minimum return for defined contribution plans in Belgium, since they have a legal obligation to pay additional contributions if the plan does not have sufficient assets to pay all benefits relating to past service costs.

These plans are classified and accounted for as IAS 19 defined benefit plans.

17.1.2. DEFINED BENEFIT PLANS

Defined benefit plans are characterised by the employer's obligation to its employees. Provisions are therefore accrued to meet this obligation.

The defined benefit obligation is calculated using the projected unit credit method, which uses actuarial assumptions as regards salary increases, retirement age, mortality, employee turnover and the discount rate.

Changes in actuarial assumptions, or the difference between these assumptions and actual experience, result in actuarial gains or losses. These are recognised in other comprehensive income for the period in which they occur, in accordance with the Group’s accounting principles.

For the Group, defined benefit post-employment plans primarily concern the benefits described below:

- severance pay in France:
  - Lump-sum benefits calculated according to the employee’s years of service and his/her average compensation over the last 12 months prior to his/her departure.
  - The calculation is based on inputs defined by the Human Resources Department in France in November each year.
  - The calculated amount is set aside under provisions in the statement of financial position.
- termination benefits in Italy:
  - Rights vested by employees for each year of service pro rata to their gross annual compensation, revised every year and paid in advance or upon retirement, voluntary departure or termination.
  - The calculated amount is set aside under provisions in the statement of financial position.

At Econocom International Italia and Asystel Italia, all rights arising after 1 January 2007 have been transferred to an external entity and provisions therefore only concern rights vested at 31 December 2006 for which the Group was still liable at 31 December 2017.

Since Italy requires rights to be transferred to a third party or treasury fund as from a certain threshold only, certain rights relating to Bizmatica were kept on the Group's books.

- Group insurance in Belgium:
  - Defined contribution plans, which provide a guaranteed return on payments made by the employer and the employee, payable as either a lump-sum benefit or equivalent annuity, or compensation in the event of death during employment. As the payment guaranteed by the insurance company is uncertain, the Group presents these plans as defined benefit plans, even though the amount of such plans in the statement of financial position is subject to only minimal changes.
  - Defined benefit plans, which provide either a lump-sum benefit or an equivalent annuity, depending on the employee's salary and years of service, or compensation in the event of death during employment.
- company pension plans in Austria: these are paid on the basis of employees' years of service and also cover the risk of death and disability. The benefits are also paid over to the surviving spouse in the event of death of the employee.

The Group has plan assets in France, Belgium and Austria. The expected rate of return on plan assets has been set at the same level as the rate used to discount the obligation.

The amounts which Econocom expects to pay directly in 2018 in respect of its employer contribution to the bodies in charge of collecting contributions, will represent around €1.2 million.

17.2. ACTUARIAL ASSUMPTIONS AND EXPERIENCE ADJUSTMENTS

Actuarial assumptions depend on a certain number of long-term inputs, which are revised each year.

	France		Other countries	
	2017	**2016**	**2017**	**2016**
Retirement age	63-65 years	63-65 years	60-65 years	60-65 years
Salary increase rate and rights vested	2.25%	1.75%-2.25%	2.00%-2.25%	1.00%-2.00%
Inflation rate	1.75%	1.75%	1.75%	1.75%
Discount rate	1.40%	1.50%	1.40%	1.50%
Mortality table	INSEE 2012-2014	INSEE 2012-2014	-	-

The employee turnover rate was determined based on statistics for each country and business. The employee turnover rate is applied depending on the age band of each employee and, for certain countries, depending on the employee's status (managerial-grade/non-managerial-grade).

A decrease of around 0.25 percentage points in the discount rate would lead to an increase in the provision of approximately €1.5 million. A 0.25 percentage point increase in the discount rate would lead to a €1.6 million decrease in the provision.

In accordance with IAS 19, the discount rates applied to determine the amount of obligation are based on the yield on long-term private-sector bonds over a term matching that of the Group's obligations.

in € millions	2017	2016
Present value of obligation (a)	64.9	63.2
Present value of plan assets (b)	19.6	20.0
Provision in the statement of financial position (a-b)	45.3[1]	43.2

1 At 31 December 2017, provisions for pensions and other post-employment benefits amounted to €45.7 million and include €45.3 million in post-employment benefit obligations and €0.4 million in long-service awards relating to certain entities in France (previously classified within "Other current liabilities").

17.3. INCOME AND EXPENSES RECOGNISED IN PROFIT OR LOSS

Items of pension cost

in € millions	2017	2016
Service cost	(4.6)	(4.2)
Curtailment/termination	1.0	0.6
Interest expense	(1.0)	(1.1)
Expected return on plan assets	0.3	0.4
Total costs recognised in profit or loss	**(4.3)**	**(4.3)**
Total costs recognised in other items of comprehensive income	**0.3**	**(4.2)**

Service cost is shown within "Personnel costs" in the income statement. Interest expense, corresponding to the cost of discounting the obligation, is included in "Financial expenses". Curtailments and terminations are mainly included in non-recurring operating profit.

17.4. CHANGES IN PROVISIONS RECORDED IN THE STATEMENT OF FINANCIAL POSITION

Changes in the 2017 provision

in € millions	Opening balance	Changes in scope of consolidation	Income statement	Benefits paid directly	Actuarial gains and losses[1]	Closing balance[2]
France	36.6	0.2	2.9	(0.5)	(0.2)	39.0
Other countries	6.6	-	1.4	(1.6)	(0.1)	6.3
Total	**43.2**	**0.2**	**4.3**	**(2.1)**	**(0.3)**	**45.3**

1 Cumulative revaluation gains and losses carried in other comprehensive income represented a net negative amount of €6.8 million in 2017 and €7.1 million in 2016, i.e., an increase of €0.3 million between the two periods.

2 The total amount corresponds solely to post-employment benefits. At 31 December 2017, provisions for pensions and other post-employment benefits amounted to €45.7 million and include €45.3 million in post-employment benefit obligations and €0.4 million in long-service awards relating to certain entities in France (previously classified within "Other current liabilities").

Changes in the 2016 provision

in € millions	Opening balance	Changes in scope of consolidation	Income statement	Benefits paid directly	Actuarial gains and losses	Closing balance
France	31.4	0.2	3.0	(1.7)	3.7	36.6
Other countries	4.9	1.4	1.3	(1.6)	0.5	6.6
Total	**36.3**	**1.6**	**4.3**	**(3.3)**	**4.2**	**43.2**

17.5. CHANGES IN PLAN ASSETS

Changes in 2017 plan assets

in € millions	Opening balance	Changes in scope of consolidation	Expected return	Benefits paid by employer	Benefits paid by fund	Curtailment/ termination	Actuarial gains and losses	Closing balance
France	4.8	-	0.1	-	(0.2)	-	-	4.7
Other countries[(1)]	15.2	-	0.2	1.4	(2.1)	-	0.2	14.9
Total	**20.0**		**0.3**	**1.4**	**(2.3)**	**-**	**0.2**	**19.6**

1 Including at 31 December 2017 €14.2 million relating to Belgian entities in 2017 versus a negative €7.1 million relating to these entities in 2016, representing a change of €0.3 million.

Changes in 2016 plan assets

in € millions	Opening balance	Changes in scope of consolidation	Expected return	Benefits paid by employer	Benefits paid by fund	Curtailment/ termination	Actuarial gains and losses	Closing balance
France	4.9	-	0.1	-	(0.3)	-	-	4.8
Other countries	14.5	-	0.3	1.6	(1.2)	-	0.1	15.2
Total	**19.4**	**-**	**0.4**	**1.6**	**(1.5)**	**-**	**0.1**	**20.0**

Breakdown of assets: 100% insurance.

17.6 ESTIMATED PAYMENTS UNDER DEFINED BENEFIT PLANS (NO DISCOUNTING) OVER A TEN-YEAR PERIOD

Timing of payments to be made to employees under the main defined benefit plans, either by the plan (plan assets) or directly by Econocom if there are no plan assets:

in € millions	Less than 1 year	1-2 years	2-3 years	3-4 years	4-10 years	Total
Estimated payments	0.8	1.1	1.6	3.1	28.6	35.2

18. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Definition of cash flows

Cash flows are presented in the statement of cash flows, which analyses changes in cash flows from all activities, including continuing and discontinued operations as well as activities held for sale.

Cash as presented in the statement of cash flows includes cash and cash equivalents, presented net of bank overdrafts. Year-on-year changes in cash and cash equivalents can be broken down as follows in 2016 and 2017:

in € millions	2017	2016
Net cash and cash equivalents at 1 January	348.5	209.4
Change in net cash and cash equivalents	(115.6)	139.1
Net cash and cash equivalents at 31 December	232.9	348.5

18.1. COMMENTS ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

Net cash used in operating activities totalled €55.2 million in 2017 compared to net cash generated from operating activities of €130.6 million in 2016, reflecting:

- cash flow from operating activities totalling €129.7 million in 2017 versus €121.5 million in 2016, up 5.9% year on year;
- the financing of innovative digital or non-IT contracts in the Technology Management & Financing business (through the funding entity in Ireland and more generally through self-funded contracts) for €55.9 million in 2017 (€26.8 million in 2016);
- other increases in working capital requirements totalling €87.7 million in 2017 (decrease of €67.3 million in 2016), mainly due to changes in the scope of consolidation, the sharp upsurge in business at the end of the year and the non-recurrence of factors that had favourably impacted working capital for the TMF and Services businesses in 2016;
- income tax paid before tax credits, which rose €9.9 million compared to 2016. This should be considered in conjunction with the growth in current income tax expense in the previous two periods (€36.4 million in 2016 versus €30.8 million in 2015).

18.1.1. OTHER NON-CASH EXPENSES (INCOME)

in € millions	*Notes*	2017	2016
Elimination of share of profit (loss) of associates and joint ventures		**-**	**0.2**
Depreciation/amortisation of property, plant and equipment and intangible assets	*10.1/10.2*	26.3	21.6
Net additions to (reversals from) provisions for contingencies and expenses		(1.0)	(9.1)
Change in provisions for pensions and other post-employment benefit obligations		2.6	1.1
Impairment of long-term financial assets		-	-
Impairment of trade receivables, inventories and other current assets		4.3	(5.4)
Total provisions, depreciation, amortisation and impairment		**32.2**	**8.2**
Impact of the adjustment of the fair value of the ORNANE embedded derivative component	*6*	**(4.1)**	**37.9**
Change in residual interest in leased assets[1]		**(31.8)**	**(7.7)**
Cost of discounting residual interest in leased assets and gross liability for purchases of leased assets		(1.2)	(0.4)
Losses (gains) on disposals of property, plant and equipment and intangible assets		1.4	1.0
Gains and losses on fair value remeasurement	*2.4*	(1.3)	-
Expenses calculated for share-based payments		1.3	1.4
Impact of sold operations and changes in consolidation methods		0.6	0.1
Other non-cash expenses (income)		**0.8**	**2.1**
Non-cash expenses (income)		**(2.9)**	**40.7**

1 Changes in the Group's residual interest in leased assets compares the undiscounted value of the residual interest from year to year, adjusted for currency impacts. The impact for the period of discounting is eliminated in the "Other non-cash expenses (income)" item.

18.1.2. COST OF NET DEBT

The reconciliation of financial expense booked in the income statement with financial expense relating to the cost of debt as presented in the statement of cash flows can be presented as follows:

in € millions	2017 consolidated income statement	Discounting and change in fair value	Currency impact and other	Cost of net debt in 2017
Financial income – operating activities	0.9	(1.2)	1.5	1.2
Other financial income and expenses	(12.5)	0.7	(0.2)	(12.0)
Change in fair value of the ORNANE embedded derivative component	4.1	(4.1)		-
Total	**(7.5)**	**(4.6)**	**1.3**	**(10.8)**

18.1.3. CHANGE IN WORKING CAPITAL

Changes in working capital can be analysed as follows:

in € millions	*Notes*	31 Dec. 2016	Change in working capital in 2017	Total other changes[1]	31 Dec. 2017
Other long-term receivables, gross	*10.4*	10.1	2.5	(0.1)	12.5
Inventories, gross	*12.1*	54.7	8.4	19.5	82.6
Trade receivables, gross	*12.2*	849.5	193.5	39.8	1,082.8
Other receivables, gross	*12.2*	84.7	10.0	0.2	94.9
Residual interest in leased assets[2]	*11.1*	107.1	-	34.3	141.4
Current tax liabilities		5.6	-	3.6[3]	9.2
Other current assets	*12.2*	52.9	6.7	2.6	62.2
Inventories and other operating assets		**1,164.6**	**221.1**	**99.9**	**1,485.6**
Other non-current liabilities	*12.5*	(91.2)	12.6	(20.5)	(99.1)
Trade payables	*12.3*	(635.6)	(70.5)	(28.9)	(735.0)
Other payables	*12.3*	(272.4)	16.9	29.4[4]	(226.1)
Current tax liabilities		(19.0)	-	1.8[3]	(17.2)
Other current liabilities	*12.4*	(147.4)	(29.4)	1.2	(175.5)
Gross liability for purchases of leased assets	*11.2*	(68.3)	(7.2)[5]	(2.0)	(77.5)
Trade and other operating payables		**(1,233.9)**	**(77.5)**	**(19.0)**	**(1,330.4)**
Total change in working capital, of which:		-	**143.6**	-	-
Investments in self-funded TMF contracts		-	55.9	-	-
Other changes		-	87.7	-	-

1 Mainly corresponding to changes in the scope of consolidation and in fair value, and translation adjustments.
2 Changes in the residual interest in leased assets are shown in cash flows from operating activities.
3 Monetary flows are shown on the "Tax paid net of tax credits" line in the statement of cash flows.
4 Includes the cancellation of the ORNANE embedded derivative component amounting to €31.7 million.
5 Corresponding to changes in residual financial values of leased assets excluding the currency effect and discounting.

18.2. BREAKDOWN OF NET CASH USED IN INVESTING ACTIVITIES

Net cash used in investing activities mainly reflects:

- cash outflows of €44.2 million resulting from investments in property, plant and equipment and intangible assets relating to the Group's IT infrastructure and applications (see Note 10); and particularly
- cash outflows of €60.5 million relating to acquisitions made during the year (see Note 2) along with payments of contingent consideration and deferred liabilities. Net cash flows relating to acquisitions can be analysed as follows:

in € millions	*Notes*	
Acquisition price paid (2017 acquisitions)[1]	*2.2*	(50.0)
Acquisition price paid (acquisitions of additional shares and equity accounting)		(10.6)
Net cash acquired	*14.3*	5.9
Settlement of liabilities relating to prior-period acquisitions	*2.4*	(5.9)
Settlement of purchase price on prior-period acquisitions		0.1
Net cash outflows relating to acquisitions		**(60.5)**

1 Including €0.8 million relating to the repayment of liabilities previously carried by an acquired company, representing a net acquisition cost of €49.2 million.

18.3. BREAKDOWN OF NET CASH FROM FINANCING ACTIVITIES

Net cash from financing activities mainly reflects:

- cash outflows of €38.8 million relating to the redemption of 2,698 million ORNANE convertible bonds in the first quarter and, at the same time, cash inflows of €36.5 million from the sale of 5.2 million treasury shares (after the share split), representing a net cash outflow of €2.3 million;
- cash outflows of €27.3 million relating to net treasury share buybacks;
- cash outflows of €23.6 million relating to payments made to shareholders during the year (refund of issue premiums);
- net cash inflows of €42.8 million corresponding to the increase in refinancing liabilities on lease contracts and liabilities on self-funded contracts;
- net cash inflows of €52.0 million following the issue of commercial paper;
- net cash inflows of €19.5 million following the utilisation of credit facilities;
- interest payments totalling €13.7 million in the year (including coupon payments on ORNANE convertible bonds, the Schuldschein loan and Euro PP).

19. RISK MANAGEMENT

19.1. CAPITAL ADEQUACY FRAMEWORK

The gearing ratio (net debt/equity) came out at 57.7% at 31 December 2017, compared to 66.4% at 31 December 2016.

It is calculated by taking aggregate debt as presented in Note 14, less cash and total equity as shown on the statement of financial position at the reporting date.

The Group seeks a level of gearing that maximises value for shareholders while maintaining the financial flexibility that is required to implement its strategic projects.

19.2 RISK MANAGEMENT POLICY

The Group's activities are subject to certain financial risks: market risk (including currency risk, interest rate risk and price risk), liquidity risk and credit risk.

The Group's overall financial risk management policy focuses on reducing exposure to credit risk and interest rate risk by transferring finance lease receivables to refinancing institutions and by using factoring solutions on a non-recourse basis in the Services and Products & Solutions businesses.

Financial market risks (interest rate and currency risk) and liquidity risks are handled by Group Management.

19.2.1. MARKET RISK

At the end of the year, Group Management fixes all of the rates to be applied in the following year's budgeting process.

The Group manages its exposure to interest rate and currency risks by using hedging instruments such as swaps and foreign exchange forward contracts. These derivative financial instruments are used purely for hedging and never for speculative purposes.

19.2.1.1. Currency risk

The Group operates chiefly in the eurozone; however, following the expansion of operations in non-eurozone countries in Europe, as well as North and South America, the Group may be exposed to currency risk on other currencies. The table below summarises the sensitivity of certain consolidated income statement lines to an increase or decrease of 10% in exchange rates against the euro, linked to the translation of the subsidiaries' foreign currency accounts.

Income statement sensitivity

in € millions	Contribution to the consolidated financial statements							Sensitivity to a change of:	
	EUR	GBP	USD	MXN	PLN	Other	Total	+10%	-10%
Revenue from continuing operations	2,682.0	111.9	85.1	15.9	39.2	45.6	2,979.7	(27.1)	33.1
Recurring operating profit	137.2	2.8	8.1	0.1	1.6	0.4	150.2	(1.2)	1.5
Profit for the year	**82.7**	**2.1**	**5.0**	**(0.3)**	**1.2**	**-**	**90.7**	**(0.7)**	**0.9**

Since the subsidiaries' purchases and sales are mainly denominated in the same currency, this exposure is limited. Econocom Group does not deem this risk to be material, but has nevertheless signed a number of foreign exchange hedging agreements to hedge risks on internal flows.

The Group also manages finance lease agreements denominated in US dollars in its Technology Management & Financing business. Currency risk is hedged naturally due to the specific way in which these agreements work.

Regardless of movements in the dollar, the impact on profit or loss is not material.

19.2.2. INTEREST RATE RISK

Econocom's operating income and cash flows are substantially independent of changes in interest rates. Sales of leases to refinancing institutions are systematically based on fixed rates. Income arising on these contracts is therefore set at the outset and only varies if the contract is amended.

The table below presents a breakdown of fixed-rate and floating-rate debt:

in € millions	31 Dec. 2017		31 Dec. 2016	
	Outstanding	% total debt	Outstanding	% total debt
Fixed rate[1]	360.6	71%	455.1	85%
Floating rate[2]	150.9	29%	78.7	15%
Gross debt[2] (see Note 14.2)	511.5	100%	533.8	100%

1 Including all *Schuldschein* notes. One of the tranches of the notes (€115 million) bears interest at a floating rate. An interest rate swap was set up at inception swapping the floating rate to a fixed rate.
2 Excluding current bank overdrafts.

At 31 December 2017, some of the Group's debt is at floating rates and comprises short-term borrowings (credit lines and commercial paper), and short-term factoring agreements.

The sensitivity analysis shows that a 1% (100-basis point) change in short-term interest rates would result in a €1.9 million increase/decrease in profit before tax.

19.2.3. PRICE RISK

The Group is exposed to the risk of fluctuations in the future value of leased equipment within the scope of its Technology Management & Financing business. It deals with this risk by calculating the future value of equipment using the diminishing balance method, thereby guarding against the risk of obsolescence. This method is described in Note 11.1.

The method is regularly compared with actual transactions, and annual statistics are compiled to validate the suitable and prudent nature of the selected method.

19.2.4. LIQUIDITY RISK

The Financing Department is responsible for ensuring that the Group has a constant flow of sufficient funding:

- by analysing and updating cash flow forecasts on a monthly basis for the Group's 15 main companies;
- by negotiating and maintaining sufficient outstanding lines of financing;
- by optimising the Group's cash pooling system in order to offset cash surpluses and internal cash requirements.

The credit lines and commercial paper in place at 31 December 2017 are shown below:

2017 ***in € millions***	**Total amount available**	**Total amount drawn down**
Unconfirmed credit lines[1]	67.5	-
Credit lines maturing in less than two years	85.0	12.3
Credit lines maturing in more than two years	120.0	22.5
Sub-total: credit lines	**272.5**	**34.8**
Commercial paper	300.0	102.0
Sub-total: commercial paper	300.0	102.0
Total credit lines and commercial paper	**572.5**	**136.8**

[1] Repayment schedule not defined.

The credit lines ensure that the Group has the liquidity needed to fund its assets, short-term cash requirements and development at the lowest possible cost.

In October 2015, Econocom set up a commercial paper programme on the French market. At 31 December 2017, the amount outstanding under this programme (capped at €300 million) was €102 million.

The characteristics of bond debt are set out in Note 14.2.

Based on its current financial forecasts, Econocom Management believes it has sufficient resources to ensure the continuity of its activities.

Maturity analysis for financial liabilities (excluding derivative instruments) and other liabilities (including liabilities under put and call options on non-controlling interests)

The following maturity analysis for financial liabilities (principal and interest) shows remaining contractual maturities on an undiscounted basis:

2017 ***in € millions***	**Total commitment**	**Less than 1 year**	**1 to 5 years**	**Beyond 5 years**
Finance lease liabilities	4.7	1.2	3.1	0.4
Gross liability for purchases of leased assets	88.8	20.5	68.3	-
Liabilities relating to contracts refinanced with recourse	124.1	53.1	71.0	-
Bank debt, commercial paper and other	130.8	111.8	19.0	-
Convertible bonds (ORNANE)	-	-	-	-
Non-convertible bonds (Euro PP)	272.5	5.1	254.1	13.3
Trade payables	735.1	735.1	-	-
Other payables (excluding derivative instruments)	226.0	226.0	-	-
Other current (financial) liabilities	19.4	19.4	-	-
Non-current non interest-bearing liabilities	99.1	10.0	89.1	-
Total	**1,700.5**	**1,182.2**	**504.6**	**13.7**

2016 ***in € millions***	**Total commitment**	**Less than 1 year**	**1 to 5 years**	**Beyond 5 years**
Finance lease liabilities	3.3	0.9	1.7	0.7
Gross liability for purchases of leased assets	79.0	18.3	60.7	-
Liabilities relating to contracts refinanced with recourse	77.3	77.3	-	-
Bank debt, commercial paper and other	64.1	57.4	6.3	0.3
Convertible bonds (ORNANE)	148.6	2.0	146.6	-
Non-convertible bonds (Euro PP)	277.7	5.2	201.9	70.6
Trade payables	635.6	635.6	-	-
Other payables (excluding derivative instruments)	226.7	226.7	-	-
Other current (financial) liabilities	11.0	11.0	-	-
Non-current non interest-bearing liabilities	91.1	8.3	82.9	-
Total	**1,614.4**	**1,042.7**	**500.1**	**71.6**

19.2.5. CREDIT AND COUNTERPARTY RISK

The Group has no significant exposure to credit risk. It has policies in place to ensure that sales of goods and services are made to clients with an appropriate credit history. The Group's exposure is also limited as it does not have any concentration of credit risk and uses factoring solutions for the Distribution and Services businesses, as well as non-recourse refinancing with bank subsidiaries and credit insurance in the Technology Management & Financing business. For its Technology Management & Financing business, the Group nevertheless has the option of retaining the credit risk on certain strategic transactions; lease contracts on which Econocom bears the counterparty risk represent 10% of outstanding rentals in the TMF business. The Group decided to concentrate its strategic transactions bearing credit risk within its subsidiary Econocom Digital Finance Limited to ensure a consistent risk management approach.

The Group only invests with investment-grade counterparties, thus limiting its credit risk exposure.

Maximum credit risk exposure

As the Group has no credit derivatives or continuing significant involvement in the transferred assets, its maximum exposure in this respect is equal to the amount of its financial assets (see Note 13.1).

Aged balance of receivables past due but not impaired

2017 *in € millions*	Carrying amount	Receivables not past due	Breakdown by maturity			
			Total	Less than 60 days	Between 60 and 90 days	Over 90 days
Trade receivables – refinancing institutions, gross	97.8	62.9	34.9	32.0	0.6	2.3
Other receivables, gross	985.0	773.1	211.9	102.5	19.3	90.1
Impairment of doubtful receivables	(49.7)	(12.6)	(37.1)	(0.8)	(0.5)	(35.8)
Trade and other receivables, net	**1,033.1**	**823.4**	**209.7**	**133.7**	**19.4**	**56.6**

19.2.6. EQUITY RISK

The Group does not hold any unlisted or listed shares apart from treasury shares.

As the treasury shares held by Econocom Group at 31 December 2017 are deducted from shareholders' equity in the consolidated financial statements as of their acquisition, it is not necessary to compare their carrying amount to their actual market value.

20. OFF-BALANCE SHEET COMMITMENTS

20.1. COMMITMENTS RECEIVED AS A RESULT OF ACQUISITIONS

Vendor warranties relating to acquisitions in 2017

Total warranties granted by vendors in connection with acquisitions carried out in 2017 are capped at €9.6 million. The warranties are valid through to 2019, with the exception of certain tax and employee-related risks, for which the warranty is valid three months after the statutory period.

Vendor warranties relating to acquisitions prior to 2017

Total unexpired vendor warranties granted in connection with acquisitions carried out prior to 2017 are capped at €16.4 million. The warranties are valid through to 2019, with the exception of certain tax and employee-related risks, for which the warranty is valid three months after the statutory period.

20.2. COMMITMENTS GIVEN IN RESPECT OF DISPOSALS

At 31 December 2017, no such commitments were outstanding.

20.3. BANK COVENANT

Only one covenant exists for the Euro PP private placement and the Schuldschein notes (private placement under German law). A breach would not result in early redemption; rather, it would force the Group to pay a higher interest rate until the ratio is brought back within the relevant bounds. The ratio in question is net debt to pro-forma EBITDA. It is calculated as of 31 December of each year, and may not exceed 3x over two consecutive years.

20.4. GUARANTEE COMMITMENTS

in € millions	Total guarantees given – 2017
Guarantees given by Econocom to banks for securing credit lines and borrowings[1]	291.5
Guarantees given by Econocom to refinancing institutions to cover certain operational risks, residual financial values, and invoice and payment agency granted to Econocom[2]	251.2
Guarantees given to clients for the Group's sales activities and guarantees given to suppliers	39.9
Total guarantees given	**582.6**

1 Including €82.1 million recognised in financial liabilities. The guarantees relating to financing lines not yet drawn at 31 December 2017 totalled €209.4 million and €256.9 million at 31 December 2016.

2 Including €173.1 million refinanced at 31 December 2017, of which €108.8 million in the statement of financial position relating to liabilities under finance leases with recourse. The amount of guarantees given to refinancers and not refinanced at 31 December 2017 was €78.1 million compared to €63.1 million at 31 December 2016.

Off-balance sheet commitments can be analysed as follows by maturity and type of commitment:

in € millions	Due in less than 1 year	1-5 years	Beyond 5 years	At 31 December 2017	At 31 December 2016
Commitments given	**42.8**	**338.0**	**201.8**	**582.6**	**572.8**
Commitments given to banks	21.0	270.5	-	291.5	293.0
Commitments given to refinancers	5.1	45.1	201.0	251.2	256.1
Commitments given to customers and suppliers	16.7	22.4	0.8	39.9	23.7
Commitments received[1]	**1.3**	**5.0**	**-**	**6.3**	**74.6**
Guarantees and pledges	1.3	5.0	-	6.3	74.6

1 At 31 December 2017, commitments received solely concerned uncalled guarantees and pledges received on outstanding rentals and bank borrowings. Based on the same approach, commitments received at 31 December 2016 represented an amount of €8.3 million.

20.5. OPERATING LEASES AND FUTURE MINIMUM LEASE PAYMENT OBLIGATIONS

Operating lease expense for the year

in € millions	2017	2016
Operating lease – real estate	(19.9)	(16.0)
Operating lease – vehicles	(8.9)	(8.4)
Total	**(28.8)**	**(24.4)**

Operating lease expenses totalled €28.8 million in 2017 (including rental charges of €4.1 million), of which €19.9 million related to real estate leases and €8.9 million to leases of vehicles and other equipment.

Operating lease liabilities (excluding rental charges) break down as follows by maturity:

Future minimum lease payments

in € millions	Due in less than 1 year	1-5 years	Beyond 5 years	At 31 December 2017	At 31 December 2016
Operating lease liabilities real estate	17.6	40.0	9.5	67.1	60.3
Operating lease liabilities vehicles	7.8	13.5	-	21.3	17.9
Future minimum lease payments	**25.4**	**53.5**	**9.5**	**88.4**	**78.2**

21. INFORMATION ON THE TRANSFERS OF FINANCIAL ASSETS

21.1. DERECOGNITION OF FINANCIAL ASSETS AND LIABILITIES

The Group derecognises all or part of a financial asset (or group of similar assets) when the contractual rights to the cash flows on the asset expire or when the Group has transferred the contractual rights to receive the cash flows of the financial asset and substantially all the risks and rewards of owning the asset.

The Group only derecognises all or part of a financial liability when it is extinguished, i.e., when the obligation specified in the contract is discharged, cancelled or expires.

Transfer of cash flows only

When the Group has transferred the cash flows of a financial asset but has neither transferred nor retained substantially all the risks and rewards of its ownership and has not retained control of the financial asset, the Group derecognises it and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer.

Retaining substantially all the risks and rewards of ownership of a divested financial asset

If the Group has retained substantially all the risks and rewards of ownership of a divested financial asset, it continues to recognise the divested asset in its entirety in addition to recognising the consideration received as a secured borrowing.

Retaining control of a financial asset

If the Group has retained control of a financial asset, it continues to recognise it on the statement of financial position to the extent of its continuing involvement in that asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the divested asset, it recognises the part it has retained in the asset and an associated liability for the amounts it is required to pay.

Full derecognition

When a financial asset is derecognised in full, a gain or loss on disposal is recorded in the income statement for the difference between the carrying amount of the asset and the consideration received or receivable, adjusted where necessary for any gains or losses recognised in other comprehensive income and accumulated in equity.

Partial derecognition

When a financial asset is partially derecognised, the Group allocates the previous carrying amount of the financial asset between the part that continues to be recognised in connection with the Group's continuing involvement and the part that is derecognised, based on the relative fair values of those parts on the date of the transfer. The difference between (a) the carrying amount allocated to the part derecognised and (b) the sum of (i) the consideration received for the part derecognised and (ii) any cumulative gain or loss allocated to it that had been recognised in other comprehensive income, is recognised in profit or loss. A cumulative gain or loss carried in other comprehensive income is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts.

Factoring liabilities

Certain subsidiaries of Econocom Group use factoring to diversify financing sources and reduce credit risk. Factoring involves the transfer of title of trade receivables and all associated rights to the factor, including the right to receive the related cash inflows.

As required under IAS 39 – Financial Instruments: Recognition and Measurement, these receivables are derecognised when substantially all the risks and rewards of ownership are transferred to the factor. Where this is not the case they are maintained in the statement of financial position after the transfer and a financial liability is recorded as an offsetting entry for the cash received.

21.2. INFORMATION ON THE TRANSFER OF ASSETS – ASSETS NOT DERECOGNISED IN FULL

Assignment of trade receivables

For the purpose of optimising its cash management for its Products & Solutions and Services businesses, the Group assigns a portion of its trade receivables throughout the year to factoring companies. At 31 December 2017, the Company had an amount of €258.4 million with factoring companies, resulting in non-recourse financing of €205.9 million. The unfinanced amount of €40.2 million is recognised in long-term financial assets and other receivables, and corresponds to unassignable receivables (security guarantees).

in € millions	2017	2016
Receivables assigned to factoring companies	259.2	230.6
Liabilities	12.2	8.6
Non-factored receivables	40.2	35.4
Receivables sold with no recourse*	206.8	186.6

* Receivables sold do not include the portion of receivables financed with recourse, classified in liabilities.

The overall factoring cost amounted to €2.8 million in 2017 compared with €2.4 million in 2016 and €1.6 million in 2015.

Refinancing with recourse

In certain very limited cases, Econocom Group retains its exposure to the credit risk on its factored receivables. In this case, the Group transfers title to the equipment under the lease to the refinancing institution for the duration of the lease, as collateral for the transaction.

However, for the purposes of simplification, the Group recognised a financial liability equal to the total amount factored with recourse and recorded a gross asset (representing its "continuing involvement" as defined by IAS 39) in trade receivables for an amount of €108.8 million at 31 December 2017 (€65.9 million at 31 December 2016 and €37.2 million at 31 December 2015).

21.3. INFORMATION ON TRANSFERS OF ASSETS ASSOCIATED WITH REFINANCING – DERECOGNISED ASSETS

21.3.1. NATURE OF CONTINUING INVOLVEMENT

Residual financial value

Outstanding amounts under the Group's lease agreements with customers are refinanced on a non-recourse basis except in very rare cases.

The Group's active risk management policy is aimed at limiting both credit risk and any other continuing involvement. Accordingly, the Group derecognises outstanding amounts under leases refinanced on a non-recourse basis.

However, the Group frequently sells, and commits to repurchase, the leased equipment at the same time as the outstandings under leases. These purchase obligations are classified within "gross liability for purchases of leased assets" and recognised in statement of financial position liabilities.

Other continuing involvement

The main legal forms of refinancing contracts for lease outstandings are described below:

- Outstandings assigned in full: Econocom considers that it has no other involvement within the meaning of IFRS 7.
- Outstandings assigned as sales of receivables: Econocom has continuing involvement since it retains a portion of the risk associated with the contractual relationship and ownership of the assets.
- Outstandings assigned under finance leases: Econocom has continuing involvement since it retains a portion of the risk associated with the contractual relationship.

Risk from continuing involvement depends above all on Econocom's relationship with its customers, and as such is considered, managed and, where appropriate, covered by provisions as an operational risk and not a financial risk.

21.3.2. RECOGNITION IN PROFIT OR LOSS

For Econocom Group, the cost of transferring outstandings is an operating expense included in the economic analysis of each transaction, and is included in recurring operating profit accordingly. In contrast, costs relating to the factoring of trade receivables are of a financial nature and are classified within net financial expense. Gains and costs relating to unwinding the discount on the residual interest in leased assets and to gross liability for purchases of leased assets are considered as operating costs and are included in "Financial income – operating activities".

21.3.3. BREAKDOWN OF TRANSFERS FOR THE YEAR

Refinancing is part of the operating sales cycle and its seasonal nature is thus linked to that of its business and not to the presentation of the statement of financial position. A significant part of this business takes place in December, which is traditionally an important month for companies where ICT investments and digital investments more generally are concerned.

22. RELATED-PARTY INFORMATION

This note presents material transactions between the Group and its related parties.

22.1. MANAGEMENT COMPENSATION

The Group's key management personnel are the Chairman, the Vice Chairman, the Chief Executive Officers and the members of the Chairman’s Council.

The conditions underlying compensation payable to the Group's corporate officers are approved by the Board of Directors based on recommendations of the Compensation Committee.

in € millions	2017	2016
Short-term benefits (including payroll costs)	(1.5)	(2.3)
Retirement benefits and other post-employment benefits	-	-
Other long-term benefits	-	-
Termination benefits	(0.2)	(1.4)
Share-based payments	(0.9)	(1.0)
Attendance fees[1]		
Total	**(2.6)**	**(4.7)**

1 The table only shows compensation paid to key management personnel and excludes attendance fees paid to non-executive Directors.

The table above shows the amounts expensed for the members of the Chairman's Council and the Chief Executive Officers. Compensation is shown for a 12-month period. This table does not show fees billed to Econocom Group entities by management, which are disclosed in Note 22.2 below.

The number of members of the Chairman's Council (which has the same powers as the former Executive Committee) remained fairly stable between end-2015 (four members), end-2016 (three members) and end-2017 (four members plus the Chairman).

The compensation policy for Directors and members of the Executive Committee is set out in further detail in the Management Report in section 5.7.1.

22.2. RELATED-PARTY TRANSACTIONS

Transactions between the parent company and its subsidiaries, which are related parties, were eliminated on consolidation and are not presented in this note.

The related-party transactions outlined below primarily concern the main transactions carried out with the Chairman of the Board of Directors, its Vice-Chairman, the Chief Executive Officers and the Executive Directors, or with companies controlled by the Group or over which it exercises significant influence. These transactions exclude the components of compensation presented above.

Transactions between related parties are carried out on an arm's length basis.

in € millions	Income		Expenses		Receivables		Payables	
	2017	2016	2017	2016	2017	2016	2017	2016
Econocom International BV (EIBV)	2.1	0.4	(3.2)	(2.4)	0.2	-	-	-
SCI Dion-Bouton	-	-	(2.4)	(2.4)	2.1	2.1	-	-
SCI Maillot Pergolèse	-	-	(0.9)	(0.5)	0.2	0.2	-	-
SCI JMB	-	-	(1.1)	(0.7)	0.2	0.2	-	-
APL	-	-	(0.1)	(0.2)	-	-	-	0.1
GMPC	-	-	(0.4)	(0.1)	-	-	-	-
Bay Consulting SPRL	-	-	(0.7)	-	-	-	0.4	-
Total	**2.1**	**0.4**	**(8.9)**	**(6.3)**	**2.7**	**2.5**	**0.4**	**0.1**

Relations with companies controlled by Jean-Louis Bouchard

SCI Dion-Bouton – of which Jean-Louis Bouchard is Managing Partner – owns the building in Puteaux and received €2.4 million in rent in both 2017 and 2016.

Econocom International BV (EIBV) – of which Jean-Louis Bouchard is a Partner – is a non-listed company that directly holds 36.21% of the capital of Econocom Group SE at 31 December 2017. Econocom International BV billed fees to Econocom Group SE and its subsidiaries for managing and coordinating the Group. These fees amounted to €3.2 million in 2017, compared with €2.4 million in 2016. It was also rebilled an amount of €2.1 million by Econocom Group entities.

Transactions with SCI Maillot Pergolèse, which owns the premises in Clichy and of which Jean-Louis Bouchard is Partner and Robert Bouchard Manager, consist of rent for 2017 amounting to €0.9 million.

SCI JMB, which owns the premises in Villeurbanne and of which Jean-Louis Bouchard is Managing Partner, billed the Group for 12 months' rent, for a total amount of €1.1 million in 2017. Amounts receivable relate to a guarantee deposit totalling €0.2 million.

Relations with companies controlled by Robert Bouchard

APL – of which Robert Bouchard is Chairman – invoiced the Group €0.1 million for maintenance services in 2017.

Gestion Management de la Petite Ceinture (GMPC) invoiced Digital Dimension €0.4 million for consulting services.

Other relations with related parties

BAY Consulting SPRL – of which Martine Bayens is Managing Partner – billed the Group consulting fees totalling €0.7 million in 2017.

The Group also recognised liabilities for commitments to one of the Chief Executive Officers to purchase non-controlling interests in Alter Way for €0.3 million.

EIBV – of which Jean-Louis Bouchard is partner – sold its shares in Helis (20% of the company's share capital) to Econocom Osiatis SAS for €2.2 million.

Econocom Group committed to invest €3 million in investment fund Educapital I FCPI, which is managed by a management company (Educapital SAS), of which Marie-Christine Levet, an independent director on the Econocom Group Board of Directors, is chair and shareholder.

Orionisa Consulting, which is controlled by Jean-Philippe Roesch, performed consulting services to the amount of €0.4 million.

Lastly, a transaction was completed with Georges Croix, a former member of the Econocom Group Board of Directors, to acquire his shares in Digital Dimension (i.e. 49.9% of the company's share capital).

23. SUBSEQUENT EVENTS

On 1 March 2018, the Group took advantage of supportive market conditions to successfully issue bonds convertible into new shares and/or exchangeable for existing shares (OCEANE) in the amount of approximately €200 million. The proceeds of these bonds will be used to increase Econocom's financial resources, especially in the context of its "e for excellence 2018-2022" strategic plan, unveiled on 3 October 2017. This plan is designed to enable Econocom to pursue its mixed growth strategy combining organic development and acquisitions.

24. ASSESSMENTS MADE BY MANAGEMENT AND SOURCES OF UNCERTAINTY

The main areas in which judgement was exercised by Management were as follows:

- Impairment of goodwill (Note 9.3): each year, the Group reviews the value of the goodwill in its consolidated financial statements. These impairment tests are particularly sensitive to medium-term financial projections and to the discount rates used to estimate the value in use of CGUs.
- Assessment of provisions for pensions (see Note 17): an actuary calculates the provision for retirement benefits using the projected unit credit method. This calculation is particularly sensitive to assumptions regarding the discount rate, salary increase rate and employee turnover rate.
- Valuation of the stock options granted since November 2002: the actuarial formulae used are sensitive to assumptions concerning employee turnover, changes in and volatility of the share price of Econocom Group SE, as well as the probability of Management achieving its objectives (see Note 15.3.1).

- Valuation of the Group's residual interest in leased assets: this valuation is performed using the method described in Note 11.1 and verified each year using statistical methods.
- Assessments of the probability of recovering the tax loss carryforwards and tax credits of the Group's subsidiaries (see Note 7 on tax loss carryforwards).
- Provisions (Note 16): provisions are recognised to cover probable outflows of resources to a third party with no equivalent consideration for the Group. They include provisions for litigation of any nature which are estimated on the basis of the most probable, conservative settlement assumptions. To determine these assumptions, Group Management relies, where necessary, on assessments made by external consultants.
- Like most digital service companies, Econocom benefits from a research tax credit (*Crédit d'Impôt Recherche*) and competitiveness and employment tax credit (*Crédit d'impôt pour la compétitivité et l'emploi*) in France. The findings of the completed tax audits confirmed the positions adopted by the Group in its financial statements.

Lastly, the accounting methods used in the event of acquisitions are described in the note on business combinations.

07

STATUTORY AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING ON THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2017

pwc

We present to you our statutory auditor's report in the context of our statutory audit of the Consolidated Financial Statements of Econocom Group SE (the "Company") and its subsidiaries (jointly "the Group"). This report includes our report on the audit of the Consolidated Financial Statements, as well as the report on other legal and regulatory requirements. These reports form part of an integrated whole and are indivisible.

We have been appointed as statutory auditor by the general meeting *d.d.* 17 May 2016, following the proposal formulated by the board of directors and following the recommendation by the audit committee and the proposal formulated by the works' council. Our mandate will expire on the date of the general meeting which will deliberate on the Consolidated Financial Statements for the year ended 31 December 2018. We started the statutory audit of the Consolidated Financial Statements of Econocom Group SE before 1990.

Report on the audit of the Consolidated Financial Statements

Unqualified opinion

We have performed the statutory audit of the Group's Consolidated Financial Statements, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated income statement and earning per share, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, as well as notes, comprising a summary of significant accounting policies and other explanatory information. The total of the consolidated statement of financial position amounts to EUR 2.427,7 million and the consolidated income statement shows a profit for the year attributable to owners of the parent of EUR 86,4 million.

In our opinion, the Consolidated Financial Statements give a true and fair view of the group's net equity and consolidated financial position as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards (« IFRS ») as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for unqualified opinion

We conducted our audit in accordance with International Standards on Auditing ((« ISAs »). Our responsibilities under those standards are further described in the *"Statutory auditor's responsibilities for the audit of the consolidated accounts"* section of our report. We have fulfilled our ethical responsibilities in accordance with the ethical requirements that are relevant to our audit of the Consolidated Financial Statements in Belgium, including the requirements related to independence.

We have obtained from the board of directors and Company officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 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 we do not provide a separate opinion on these matters.

Annual goodwill impairment assessment

Key audit matter	The assets side of the consolidated financial statements of Econocom Group as at 31 December 2017 show an amount of EUR 598,8 million for goodwill to be tested annually for impairment as required by International Financial Reporting Standards (see note 9 of the consolidated accounts). We considered these impairment tests as a key audit matter because goodwill accounts for 25% of total assets as at 31 December 2017 and because its recoverable amount as determined by the Board of Directors is based on assumptions related to, among other elements, the business plan (sales, profit margin, working capital needs), the cash flow growth ratio beyond the forecast period, and the cash flow discount rate.
Audit approach to the key audit matter	We received the goodwill impairment tests from Econocom Group and we challenged the reasonableness of the method and key assumptions used. In the performance of the above procedures, we relied on our in-house experts of the Valuation practice group. We compared the assumptions with market assumptions and with economic forecasts (among other things). We also reviewed Econocom Group's strategic plan development procedure as approved by the Company's Board of Directors. In addition, we received and reviewed the sensitivity analyses to determine the impact of possible changes in key assumptions, and we performed our own independent sensitivity analysis to quantify the negative impact on management's models that would result in depreciation. We particularly focused on the CGU Services, representing the major part of goodwill (EUR 446,9 million). We also analysed the reasonableness of the discounted future cash flow forecasts by comparing them with the Group's market capitalisation.

Residual interest in leased assets

Key audit matter	The residual interest in leased assets as at 31 December 2017 (see note 11 of the consolidated accounts) amount to EUR 141,4 million, i.e. EUR 35,9 million in current assets and EUR 105,5 million in non-current assets. Overall, residual interests as at 31 December 2017 account for 2.5% of the historic acquisition value of the portfolio of assets leased out by Econocom Group. These residual interests agree with the start-of-lease forecast of the end-of-lease market value of the assets. The carrying amount of these assets depends on various calculation methods and on whether it concerns fixed-term contracts or renewable contracts (« TRO »). In either case, the carrying amount of the assets depends on assumptions based on historic statistics on the end-of-lease realisation value of the assets disposed of, but also on discount rate assumptions as regards the fixed-term contracts. The Group regularly updates these assumptions on the basis of its experience with resale or sublease markets for second-hand materials. We considered the residual interest in leased assets as a key audit matter because these estimates impact the timing of recognition of such contracts, on the one hand, and there is a risk of depreciation if the forecast figures would prove to exceed fair market values.
Audit approach to the key audit matter	We obtained the key estimates of the residual interest in leased assets as well as of the year-over-year changes in hypotheses. We critically evaluated the procedure put in place by Econocom Group management for proper application to the above estimates and we checked, on a sample basis, the system for correct contract data input. Subsequently, using management's assumptions, we recalculated the value of the residual interest in leased assets for the entire population. Finally, we ascertained that the margins realised on the end-of-lease disposal of the assets were positive. We found these assumptions to be consistent and in line with our expectations.

Responsibilities of the board of directors for the Consolidated Financial Statements

The board of directors is responsible for the preparation of Consolidated Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determine is necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Statutory auditor's responsibilities for the audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are 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 maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made 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 a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 statutory 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 the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee 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.

We also provide with the audit committee 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, 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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 directors' report on the Consolidated Financial Statements and the other information included in the annual report.

Statutory auditor's responsibilities

In the context of our mandate and in accordance with the draft Belgian standard (Revised) which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, the directors' report on the Consolidated Financial Statements and the other information included in the annual report

Aspects related to the directors' report on the Consolidated Financial Statements and to the other information included in the annual report

In our opinion, after having performed specific procedures in relation to the directors' report on the Consolidated Financial Statements and to the other information included in the annual report, this report is consistent with the Consolidated Financial Statements for the year under audit, and it is prepared in accordance with article 119 of the Companies' Code.

In the context of our audit of the Consolidated Financial Statements, we are also responsible for considering, in particular based on the knowledge acquired resulting from the audit, whether the directors' report on the Consolidated Financial Statements and the other information included in the annual report on the Consolidated Financial Statements, containing:

- The essentials;
- Group overview;
- Corporate social responsibility;
- Risk factors;
- Chairman's statement;
- Condensed parent company financial statement; and
- Key consolidated figures.

are materially misstated or contains information which is inadequately disclosed or otherwise misleading. In light of the procedures we have performed, there are no material misstatements we have to report to you. In accordance with our professional standards, we do not express any form of assurance on the information included in this annual report, except for the consolidated financial statements and related notes.

The non-financial information required by article 119, §2 of the Companies' Code is included in the directors' report in section 3 of the annual report. The Company has prepared the non-financial information, based on the principles of the United Nations Global Compact. However, we do not express an opinion as to whether the non-financial information has been prepared, in all material aspects, in accordance with the principles of the United Nations Global Compact as disclosed in the Consolidated Financial Statements. Furthermore, we do not express assurance on individual elements included in this non-financial information.

Statement related to independence

- We did not provide services which are incompatible with the statutory audit of the Consolidated Financial Statements and we remained independent of the Company in the course of our mandate.
- The fees for additional services which are compatible with the statutory audit of the Consolidated Financial Statements referred to in article 134 of the Companies' Code are correctly disclosed and itemized in the notes to the Consolidated Financial Statements.

Other statements

This report is consistent with the additional report to the audit committee referred to in article 11 of the Regulation (EU) N° 537/2014.

Sint-Stevens-Woluwe, le 27 March 2018

The Statutory Auditor
PwC Reviseurs d'Entreprises sccrl/ Bedrijfsrevisoren bcvba

Represented by

Damien Walgrave
Reviseur d'Entreprises / Bedrijfsrevisor

08

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

We hereby declare that, to the best of our knowledge, the consolidated financial statements for the year ended 31 December 2017, prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted in the European Union, and with the legal requirements applicable in Belgium, give a true and fair view of the assets, financial position and profit or loss of the Company and the undertakings in the consolidation taken as a whole, and that the Management Report includes a fair review of the performance of the business and the profit or loss and financial position of the Company and the undertakings in the consolidation taken as a whole, together with a description of the main risks and uncertainties.

20 March 2018

On behalf of the Board of Directors

Jean-Louis Bouchard
Chairman of the Board

09 CONDENSED PARENT COMPANY FINANCIAL STATEMENTS*

ECONOCOM GROUP SE PARENT COMPANY FINANCIAL STATEMENTS

In accordance with article 105 of the Belgian Companies Act, Econocom Group SE hereby states that the following financial statements are an abridged version of the full annual financial statements that can be obtained from the Company and which will be filed with the Banque Nationale de Belgique. This abridged version does not contain all of the notes to the parent company financial statements or the Statutory Auditor's report, which contained an unqualified audit opinion in relation to the annual financial statements.

* The parent company financial statements are prepared in accordance with Belgian GAAP.

1. PARENT COMPANY BALANCE SHEET

At 31 December 2017

Assets

in € thousands	31 Dec. 2017	31 Dec. 2016
Start-up costs	**867**	**1,808**
Fixed assets	**697,594**	**640,610**
Intangible assets	**0**	**0**
Property, plant and equipment	**12**	**35**
Plant and equipment, fixtures and fittings	12	12
Furniture and vehicles	0	23
Long-term financial assets	**697,582**	**640,575**
Related parties	691,164	636,404
Equity interests	590,164	535,404
Receivables	101,000	101,000
Entities with which there are capital links	467	0
Equity interests	467	0
Receivables	0	0
Other long-term financial assets	5,951	4,171
Shares	4,547	3,288
Receivables and cash guarantees	1,404	883
Current assets	**78,964**	**138,053**
Non-current receivables	**0**	**0**
Inventories and work-in-progress	**0**	**0**
Inventories	0	0
Current receivables	**20,496**	**84,231**
Trade receivables	8,202	7,727
Other receivables	12,294	76,504
Cash investments	**57,724**	**52,190**
Treasury shares*	56,769	50,465
Other investments	955	1,725
Cash and cash equivalents	**545**	**1,492**
Accrual accounts	**199**	**140**
Total assets	**777,425**	**780,471**

* Of which €1,281 thousand attributable to impairment losses.

Equity and liabilities

in € thousands	31 Dec. 2017	31 Dec. 2016
Equity	**408,681**	**317,371**
Share capital	**23,490**	**21,564**
Paid-in capital	23,490	21,564
Uncalled capital	-	-
Additional paid-in capital	**236,246**	**152,629**
Revaluation gain	**2,520**	**2,520**
Reserves	**60,818**	**53,039**
Statutory reserve	2,349	2,156
Unavailable reserves	58,051	50,465
For treasury shares	58,051	50,465
Available reserves	418	418
Retained earnings	**80,684**	**39,833**
Profit for the year	**4,923**	**47,786**
Provisions and deferred taxes	**7,128**	**9,500**
Provisions for contingencies and losses	**7,128**	**9,500**
Other contingencies and losses	7,128	9,500
Deferred taxes	-	-
Liabilities	**361,616**	**453,599**
Non-current liabilities	**251,000**	**390,565**
Financial liabilities	251,000	390,565
Unsubordinated debt	251,000	390,565
Trade payables	0	0
Prepayments received on orders	-	-
Other non-current liabilities	-	-
Current liabilities	**110,616**	**63,034**
Current portion of non-current liabilities	1,697	4,274
Financial liabilities	102,000	50,000
Bank loans and borrowings	102,000	50,000
Other borrowings	0	0
Trade payables	4,786	5,583
Suppliers	4,786	5,583
Accrued taxes and personnel costs	1,386	2,943
Income tax	747	1,949
Personnel costs including social security charges	639	994
Other non-current liabilities	747	234
Accrual accounts	-	-
Total equity and liabilities	**777,425**	**780,471**

2. PARENT COMPANY INCOME STATEMENT

At 31 December 2017

in € thousands	31 Dec. 2017	31 Dec. 2016
Sales and services	**25,543**	**32,513**
Revenue	21,884	28,939
Changes in inventories of finished goods and work in progress	-	-
In-house production of fixed assets	-	-
Other operating income	3,659	3,574
Non-recurring operating income	-	
Cost of sales and services	**22,750**	**29,945**
Materials and goods for resale		
Services and miscellaneous goods	21,596	25,076
Personnel costs (including social security charges) and pensions	3,483	8,943
Amortisation/depreciation and impairment of start-up costs, property, plant and equipment and intangible assets	5	118
Additions to (reversals of) impairment of inventories, work-in-progress and trade receivables	0	(11)
Additions to (reversals of) provisions for contingencies and losses	(2,373)	(4,200)
Other operating expenses	11	19
Capitalized restructuring costs	-	-
Non-recurring operating expenses	28	-
Operating income	**2,793**	**2,568**
Financial income	**37,162**	**63,255**
Recurring financial income	18,157	61,444
Income from long-term financial assets	13,366	56,637
Income from current assets	941	815
Other financial income	3,850	3,993
Non-recurring financial income*	19,005	1,810
Financial expenses	**35,048**	**17,350**
Recurring financial expenses	9,404	8,257
Cost of debt	6,742	8,078
Additions to (reversals of) impairment of current assets other than inventories, work-in-progress and trade receivables	1,317	29
Other financial expenses	1,345	150
Non-recurring financial expenses*	25,644	9,093
Pre-tax profit for the year	**4,907**	**48,473**

* Reclassification of the impact of ORNANE bond redemptions in 2016.

in € thousands	31 Dec. 2017	31 Dec. 2016
Deductions from deferred taxes	**-**	-
Transfers to deferred taxes	**-**	-
Income tax	**(16)**	**687**
Income tax	103	687
Tax adjustments and reversals of tax-related provisions	(119)	-
Profit for the year	**4,923**	**47,786**
Deductions from tax-free reserves	**-**	-
Transfers to tax-free reserves	**-**	-
Profit for the year available for distribution	**4,923**	**47,786**

in € thousands	31 Dec. 2017	31 Dec. 2016
Profit available for distribution	**92,542**	**94,088**
Profit for the year available for distribution	4,923	47,786
Retained earnings	87,619	46,302
Deductions from equity	**-**	**0**
from equity and paid-in capital	-	-
from reserves	-	-
Appropriations to equity	**6,935**	**6,469**
to equity and paid-in capital	-	-
to the statutory reserve	192	-
to other reserves	6,743	6,469
Appropriation to retained earnings	**85,607**	**87,619**
Share of associates in losses	**-**	**-**
Profit available for distribution	**-**	**-**
Dividends	-	**-**
Directors or managers	-	-
Employees	-	-
Other beneficiaries	-	-

3. PARENT COMPANY STATEMENT OF CASH FLOWS

At 31 December 2017

in € thousands	31 Dec. 2017	31 Dec. 2016
Profit for the year	4,923	47,786
Income tax expense	-	-
Depreciation, amortisation and impairment	11,468	107
Impact of changes in provisions for other contingencies and losses	(2,372)	(4,200)
Gains/losses on disposal of long-term financial assets	-	-
Dividends received from equity interests	(10,251)	(49,062)
Interest received on non-current financial receivables	(3,033)	(7,575)
Gains/losses on disposal of treasury shares	(16,710)	3,740
Operating cash flow (a)	**(15,975)**	**(9,204)**
Change in current receivables	63,140	(32,830)
Change in other current assets	(59)	(106)
Change in trade payables	(797)	2,391
Change in accrued taxes and personnel costs (current portion)	(1,557)	(658)
Change in other current liabilities	444	(86)
Change in working capital (b)	**61,171**	**(31,289)**
Income tax expense (c)	(16)	687
Net cash from (used in) operating activities (a+b+c)	**45,180**	**(39,806)**
Start-up costs	-	-
Acquisition of property, plant and equipment and intangible assets for internal use	(10)	(4)
Disposal of property, plant and equipment and intangible assets for internal use	28	-
Acquisition of equity interests	(64,941)	(28,378)
Disposal of equity interests	-	16
Acquisition of non-current financial receivables	-	(101,000)
Repayment of non-current financial receivables	-	155,391
Acquisition of other long-term financial assets	(2,228)	(2,322)
Disposal of other long-term financial assets	-	2
Dividends received from equity interests	10,251	9,062
Interest received on non-current financial receivables	3,033	7,575

in € thousands	31 Dec. 2017	31 Dec. 2016
Net cash from (used in) investing activities (d)	**(53,867)**	**40,342**
ORNANE convertible bonds – redemption	(38,621)	(48,746)
ORNANE convertible bonds – conversion	(208)	-
ORNANE convertible bonds – financial expense further to redemption	9,263	9,093
ORNANE convertible bonds – issue costs	709	659
ORNANE convertible bonds – financial expense	124	2,672
ORNANE convertible bonds – interest	(2,020)	(2,625)
Euro Private Placement – issue costs	106	106
Euro Private Placement – financial expense	2,632	2,632
Euro Private Placement – interest	(2,632)	(2,632)
Schuldschein loans – private placement (German market)	-	150,000
Schuldschein loans – issue costs	126	(634)
Schuldschein loans – financial expense	2,751	250
Schuldschein loans – interest	(2,781)	-
Commercial paper	52,000	(2,500)
Change in current borrowings and debt	-	(77,165)
Change in non-current borrowings and debt	-	-
Acquisition of treasury shares	(32,832)	(38,410)
Disposal of treasury shares	41,956	27,340
Dividends paid during the year/refund of additional paid-in capital	(23,603)	(18,790)
Change in other liabilities	-	(718)
Net cash from (used in) financing activities (e)	**6,970**	**532**
Change in cash and cash equivalents (a+b+c+d+e)	**(1,717)**	**1,068**

10 KEY CONSOLIDATED FIGURES

KEY CONSOLIDATED FIGURES

	2012 *(published in AR 2013)*	2013 *(published in AR 2014)*	2014 *restated*	2015	2016 adjusted (published in AR 2017)****	2017
Number of shares (at 31 December)						
Ordinary shares	96,691,588	106,517,314	112,519,287	112,519,287	225,038,574	245,140,430
AFV (preferred shares)	-	-	-	-		
Total	96,691,588	106,517,314	112,519,287	112,519,287	225,038,574	245,140,430
Free float	48.08%	48.44%	57.67%	53.82%	54.20%	59.68%
Average number of shares outstanding	96,241,520	95,940,400	109,938,391	108,508,895	215,443,595	232,763,830
Per share data (in €)						
Net dividend (on ordinary shares)*	0.08	0.09	0.15	0.175	0.100	0.120
Gross dividend (on ordinary shares)*	0.10	0.12	0.15	0.175	0.100	0.120
Payout rate[a]	0.21	0.29	0.52	0.34	0.67	0.34
Recurring operating profit**	0.78	0.95	0.84	1.05	0.63	0.65
Operating profit**	0.74	0.81	0.62	1.00	0.57	0.56
Profit before tax**	0.69	0.71	0.51	0.83	0.32	0.52
Profit for the year attributable to owners**	0.48	0.46	0.28	0.53	0.15	0.37
Consolidated operating cash flow**	0.86	0.82	0.77	0.92	0.56	0.56
Equity attributable to owners***	1.60	2.44	2.31	2.03	0.89	1.55
Price/earnings[b]	12	18	23	16	45	16
Price/operating cash flow[c]	7	10	8	9	12	11%
Net yield[d]	1.26%	1.08%	2.29%	2.05%	1.43%	2.01%
Gross yield[d]	1.68%	1.44%	2.29%	2.05%	1.43%	2.01%
Stock market data (in €)						
Average share price	4.55	6.20	7.10	7.70	5.69	6.82
At 31 December	5.95	8.32	6.56	8.55	6.97	5.96
High	5.95	8.35	9.15	8.98	7.17	8.00
Low	3.56	4.98	4.83	6.02	3.69	5.75
Annual yield at 31 December[e]	55%	41%	-19%	33%	-17%	-13%
Annual trading volume (in units)	19,746,496	21,489,188	29,095,420	24,880,553	13,549,676	101,853,451
Average daily trading volume	77,437	84,938	114,100	97,190	52,722	399,425
Annual trading volume (in €m)	89.0	140.4	201.1	191.5	77.0	695.0
Market capitalisation at 31 December (€m)[f]	575	886	738	962	1,569	1,460
Listing market[g]	TC	TC	TC	TC	TC	TC
Number of employees at 31 December	3,700	8,195	8,587	9,134	10,008	10,760

* Before 2014: distribution of dividends. For 2014, 2015 and 2016, refund of share premiums.
** Expressed as a ratio of the average number of shares outstanding.
*** Expressed as a ratio of the total number of shares.
**** In the 2017 table, the number of shares is shown after the share split approved by the Extraordinary General Meeting of 16 May 2017.
a Payout rate: gross return/profit for the year attributable to owners of the parent before amortisation or reduction of goodwill.
b Share price at 31 December/profit for the year.
c Share price at 31 December/cash flows from operating activities before cost of net debt and income tax.
d Net (gross) yield/share price at 31 December.
e Annual yield = change in share price at 31 December relative to 31 December of the previous year plus net return/share price at 31 December of the previous year.
f Market capitalisation = total number of shares at 31 December x share price at 31 December.
g Listing market = Brussels from 9 June 1988. The share has been listed on the Marché à terme continu (TC) since 16 March 2000.

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