2016 ANNUAL REPORT

econocom

UNDERSTANDING BUSINESS ISSUES, ADDRESSING DIFFERENT POINTS OF VIEW, DEVISING AND BUILDING INNOVATIVE DIGITAL SOLUTIONS

Econocom designs, finances and oversees companies' digital transformation. With 10,000 employees in 19 countries and revenue in excess of €2.5 billion, Econocom has all the requisite abilities to ensure the successful implementation of large-scale digital projects: consulting, sourcing and technology management & financing of digital assets, infrastructure, application and business solution services, and project financing. Econocom has adopted European company status (Societas Europaea). The Econocom Group share has been listed on Euronext Brussels since 1986. It is part of the BEL Mid, Tech 40 and Family Business indices.

ORGANISATION OF ECONOCOM GROUP

at 31 December 2016

BOARD OF DIRECTORS

Chairman and Chief Executive Officer
Jean-Louis Bouchard

Chief Executive Officers
Bruno Grossi
Bruno Lemaistre

Non-Executive Director and Vice-Chairman
Robert Bouchard

Non-Executive Directors
Georges Croix
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

Bruno Grossi
Executive Director of Strategy, Acquisitions, Communications and Strategic Marketing

Bruno Lemaistre
Executive Director of Operations

COMPANY SECRETARY

Galliane Touze

STATUTORY AUDITOR

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


Jean-Louis Bouchard


Robert Bouchard


Walter Butler


Philippe Capron


Adeline Challon-Kemoun


Véronique di Benedetto


Gaspard Dürrleman


Bruno Grossi


Rafi Kouyoumdjian


Anne Lange


Bruno Lemaistre


Marie-Christine Levet


Jean Mounet


Jean-Philippe Roesch


Galliane Touze

CONTENTS

CONTENTS (CONTINUED)

CONTENTS (CONTINUED)

CONTENTS (CONTINUED)

01

KEY CONSOLIDATED FIGURES

1. 2016 IN FIGURES

Condensed consolidated income statement *in € millions*

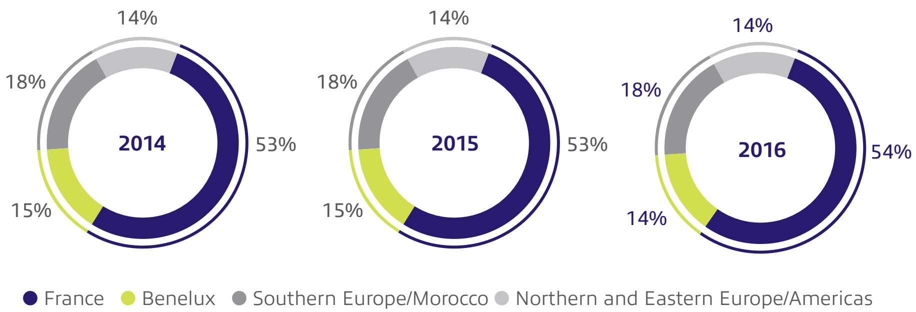
	2014 *restated**	2015	2016	2016 vs 2015
CONSOLIDATED REVENUE	2,092.6	2,316.1	**2,536.2**	+9.5%
RECURRING OPERATING PROFIT[1]	95.9	117.7	**140.3**	+19.2%
RECURRING NET PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT[2]	50.4	70.1	**83.0**	+18.4%

* Restated with the IFRS (IFRIC 21).
1 Before amortisation of intangible assets from acquisitions.
2 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 2016, 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 profit and expenses, net of tax effects,
- Non-reccuring financial income and expense, net of tax effects,
- Income from discontinued operations, net of tax effects.

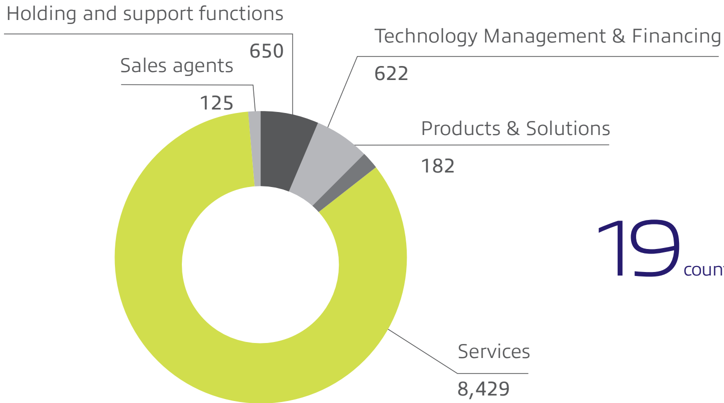
€2,536.2 million
consolidated revenue

Consolidated revenue

Revenue by geographical area



Breakdown of staff at 31 December 2016



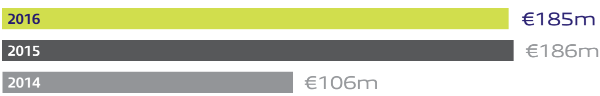
19 countries

10,008 employees

Recurring operating profit[1]

Shareholders'equity (including non-controlling interests)

Net debt

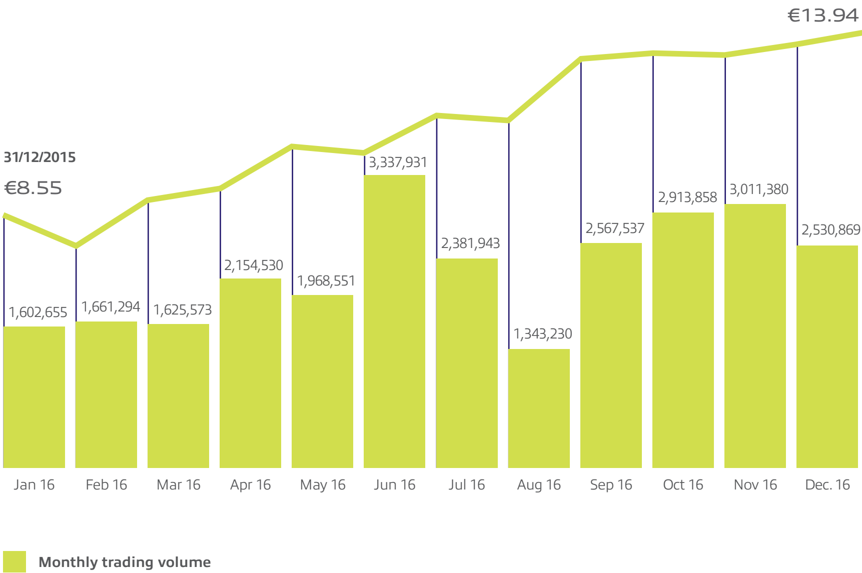


1 Before amortisation of intangible assets from acquisitions.

2. ECONOCOM GROUP SE SHARE PERFORMANCE

- The Econocom Group share is listed on the Eurolist (Compartment B) of Euronext Brussels and on the Bel Mid Index and Tech40
- Code ISIN: BE0974266950
- Average daily trading volume in Brussels in 2016: 105,445
- Market capitalisation at 31 December 2016: €1,569 million

Share performance



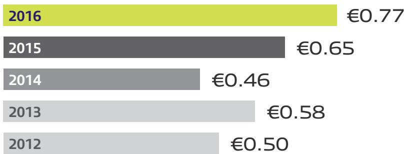
	2011[1]	2012[1]	2013	2014	2015	2016
HIGH (IN €)	4.29	5.95	8.35	9.15	8.98	14.34
LOW (IN €)	2.51	3.56	5.08	4.83	6.02	7.39
SHARE PRICE ON 31 DECEMBER (IN €)	3.89	5.95	8.32	6.56	8.55	13.94
MARKET CAPITALISATION ON 31 DECEMBER (IN €m)	440	575	886.2	738.1	961.6	1 569
AVERAGE DAILY TRADING VOLUME	56,616	77,437	84,938	114,406	97,190	105,445
NUMBER OF SHARES ON 31 DECEMBER (IN MILLIONS)	104.8	96.7	106.5	112.5	112.5	112.5

1 After the Econocom Group share four-for-one split (in September 2012).

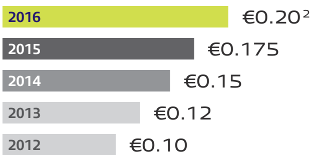
Refund of issue premium

At the General Meeting to be held on 16 May 2017, the Board of Directors will recommend to refund to the shareholders the issue premium considered as paid-up capital of €0.20 per share.

Recurring net profit attributable to owners of the parent[1]



Compensation per share



Shareholders' agenda

20 April 2017

First-quarter trading statement after close of trading

16 May 2017

Annual General Meeting

27 July 2017

Half-year revenue release after close of trading

19 October 2017

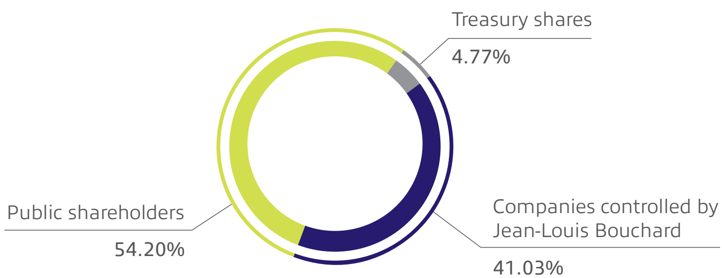
Third-Quarter trading statement after close of trading

Real-time financial information:

www.econocom.com

https://finance.econocom.com

Ownership structure at 31 December 2016



1 Since the end of the first half of 2016, recurring net profit attributable to owners of the parent has been the performance indicator used by Econocom to assess its economic and financial performance, as compared to restated profit for the year attributable to owners of the parent which had been used up to end-2015.
It excludes:
- Amortisation of the ECS customer portfolio and the Osiatis brand, net of tax effects,
- Other non-recurring operating profit and expenses, net of tax effects,
- Adjustments of the fair value of the ORNANE embedded derivative component,
- Other non-recurring financial income and expense, net of tax effects,
- Income 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.

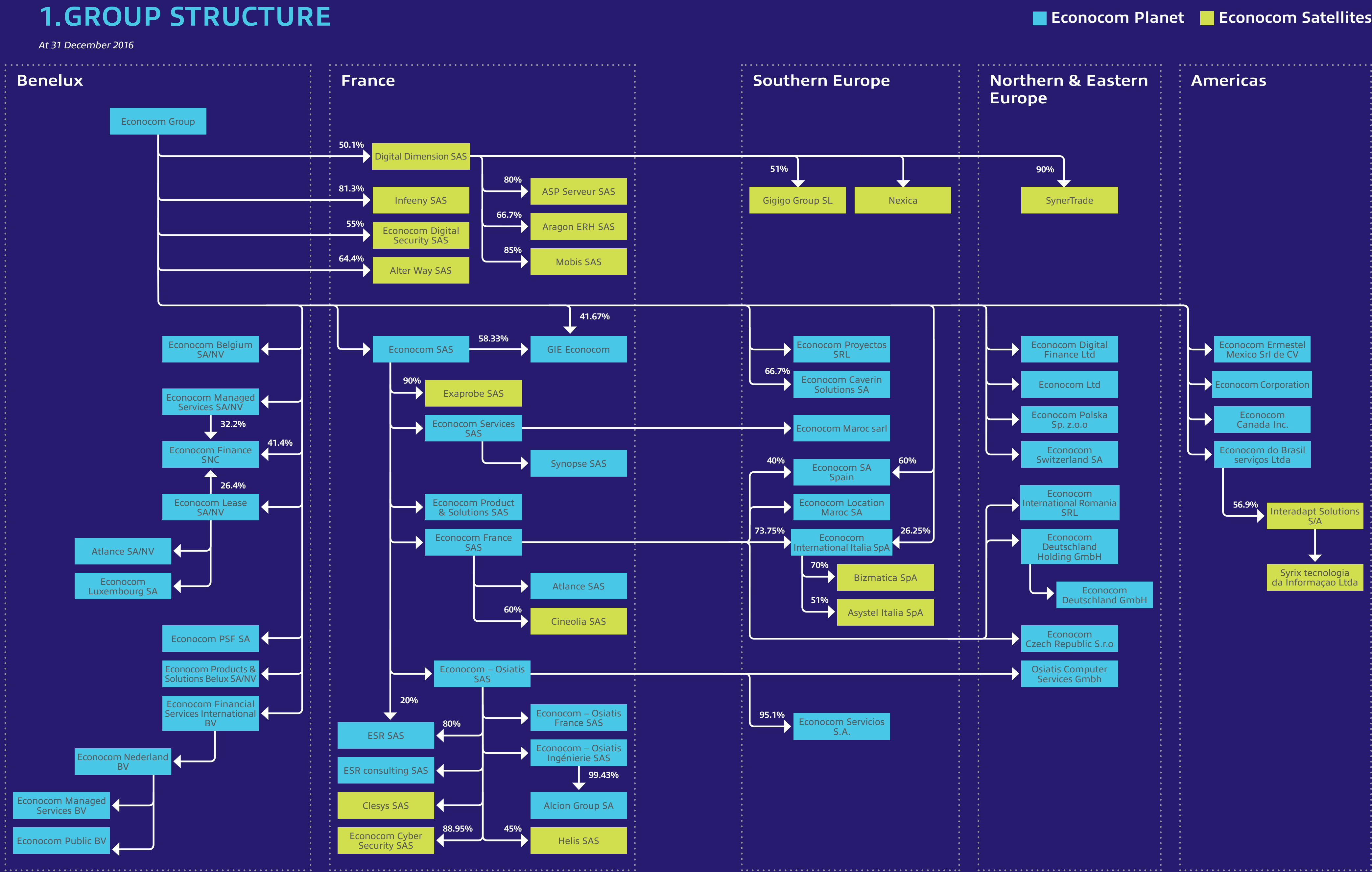
2 Subject to approval at the General Meeting.

02

PRESENTATION OF ECONOCOM GROUP

1.GROUP STRUCTURE

At 31 December 2016



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

2. PRESENTATION OF ECONOCOM GROUP

2.1. HISTORY AND DEVELOPMENT OF THE GROUP STRUCTURE

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 SMB. 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 enterprise activity of Avenir Telecom, followed by the enterprise 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 the leasing of computer hardware.

2008

Acquires Databail, a French IT infrastructure financing company.

2009

Opens a nearshore remote service facility in Rabat, Morocco.

2010

Econocom 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 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 issues €175 million 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 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 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 apps: 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 market capitalisation exceeded €1 billion.

Econocom employs over 10,000 people.

At the end of November, Econocom successfully issued a "Schuldschein" type loan, (private placement under German law) for a total amount of €150 million, thereby strengthening its financial resources and taking advantage of favourable market conditions.

During the year, the Group continued its original "satellites" external growth strategy: either directly or indirectly, via its subsidiary Digital Dimension, Econocom, made several acquisitions:

- In the field of web and mobile apps: Gigigo;
- In Cloud platforms: Asystel Italia, Infeeny;
- In digital signage: Caverin, Cineolia.

2.2. ECONOCOM'S EXPERTISE

Econocom has created an innovative model known as the Econocom Galaxy, made up of the "Planet", home to the established core businesses wholly owned by the Group, around which gravitate the "Satellites". Satellites are small and medium-sized companies that are highly successful in their respective areas of expertise, headed by entrepreneurs – often the founders – who continue to hold a share of the capital. Operating in high-potential markets, these companies keep Econocom at the forefront of critical areas including security, web and mobile applications, digital solutions and digital transformation consulting.

2.2.1. TECHNOLOGY MANAGEMENT & FINANCING

The Group is developing this offering under the Econocom and Atlance brand names.

Access to the digital world and, more generally, to the technologies that enable businesses to grow is often hampered by difficulties experienced by companies in measuring the return on investment and aligning economic benefits with the cost of implementation.

By offering both operational and financial solutions, Econocom helps step up the transformation and adaptation of organisations' businesses and thus enables them to carry out and complete their digital projects.

To address these new challenges, the Group constantly updates its leasing policy to provide companies with tailored financing solutions that will help keep their budgets in check. These new solutions are ideally suited to its customers' projects, including digitalised points of sale, improved tracking of goods and mobile applications, and businesses.

Ever attentive to its customers' needs, Econocom offers all-inclusive or *à la carte* solutions, specific or combining several of its areas of expertise with a linear payment method.

Econocom thus offers a comprehensive range of leasing solutions and services, on a pay-per-use basis or charged per unit, ranging from general modular leasing to service subscription contracts and asset management solutions to guarantee regular technology refreshes and a stable budget.

- In addition, Econocom delivers effective asset management services and offers its clients the benefit of its recognised expertise in equipment reselling and recycling.

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 continuous innovation. Econocom Digital Finance Limited (EDFL) is a dedicated, centralised unit with a team of experts 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.

2.2.2. PRODUCTS & SOLUTIONS

The Group is developing this offering under the Econocom brand name. With the advent of digital solutions, new technologies are transforming the traditional IT landscape. Tablets, hybrid notebooks, smartphones, giant screens, interactive terminals, interactive video-projectors, and connected and intelligent devices have added to the wealth of existing IT hardware.

The Group's know-how makes it possible to simplify the supply of products and solutions that make up its customers' information systems, acting as a one-stop shop.

By pooling their technology purchases, customers can make significant administrative savings and benefit from simplified integration into their professional environment.

This "Products" expertise advises, sources, integrates, customises, deploys, maintains and removes hardware.

The products distributed include:

- computer, telecom, mobile and multimedia products and solutions, both hardware and software. Econocom provides its customers with help, support and transaction tracking tools developed by in-house teams for autonomous and transparent supply management (general and customised online catalogue).

- IT solutions such as multimedia, printing, mobility, server consolidation and virtualisation, etc.

As part of this product offering, the Group has signed partnership agreements with key hardware and software players including Adobe, Apple, Dell EMC, HP, Microsoft, Lenovo, Samsung and VMWare, which recognise its expertise and guarantee competitive prices.

2.2.3. SERVICES

The Group is developing this offering under the Econocom brand name. Econocom is a key provider of IT services for the digital transformation in Europe. The 8,400 employees dedicated to this activity in 10 countries provide support throughout the lifecycle of infrastructure, applications and digital solutions (think, design, build, run, transform). With opportunities for new business, threats from new competitors and volatility among top talent, companies' markets and economic environments can change very swiftly. Stepping into the digital transformation is the way to deal with change and turn it into an asset.

Econocom accordingly provides support for companies on three business challenges.

Operational excellence

Because business never stops, CIOs have to provide their companies with ever more efficient and flexible resources. Econocom uses its infrastructure offerings (infrastructure advisory services, cloud services, infrastructure lifecycle services, infrastructure management services) to optimise IT services and put them into an on-demand information system.

The user experience

Because all users want unique experiences, CIOs must offer the services associated with new uses. Econocom designs solutions for user services (self-help, self-care, service desk, local support), work environment (digital workplace, unified communication and collaboration) and applications (development, lifecycle management and maintenance).

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: advice and support for digital transformation, implementation of proof of concept in its innovation laboratories, deployment and industrialisation of customised and turnkey solutions.

In 2016, Econocom worked to support its customers as they updated or refreshed their IT system, advocating traditional computer solutions combined with innovative digital solutions serving their business lines. At the crossroads of their digital transformation, Econocom offers unique governance combining the confidence and agility necessary to carry out such projects.

2.2.4. DIGITAL DIMENSION'S DIGITAL SOLUTIONS

Digital Dimension boasts an extensive range of tailored or off-the-shelf solutions and services delivered in "build and run" mode and structured around three main service lines:

- Digital Dimension Mobility: born of the merger of four companies based in France – *DMS, Rayonnance, Norcod* – and Spain – *Gigigo* – this solution addresses all mobility issues, for both the Company and its customers.

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

Expert in mobile technologies, Digital Dimension simplifies the management and security of uses within companies, with the upstream provision, configuration, deployment and maintenance of consumer and professional terminals. Downstream, it offers WiFi, EMM, dedicated support desk and corporate appstore managed solutions and services, as well as telecom expenditure optimisation services.

- Digital Dimension Hosting, cloud-based hosting solutions. This business takes charge of IT infrastructure, and provides secure management of highly available critical cloud environments.

Through two data centres in France (ASP Serveur) and Spain (Nexica), this hosting division offers a wide range of services based on IaaS and PaaS solutions from a highly available and secure cloud infrastructure. This comprehensive consulting and managed services offering completes value-added solutions that Digital Dimension brings to new cloud-based projects resulting from the digital transformation.

- Digital Dimension SaaS (SaaS solutions), to make support functions more efficient through more flexible and agile processes.

Digital Dimension offers software solutions designed by HR and Procurement experts These solutions give teams in charge of support functions flexible, scalable and fast tools guaranteeing an even more effective contribution to the company's performance.

- HRIS (Aragon-eRH): HR administration, talent management, time management and planning.
- eProcurement (SynerTrade): Source to Contract, Procure to Pay, Supplier Management, Spend & Purchasing Intelligence.

2.2.5. SECURITY

Econocom has chosen to structure its security offering around two complementary entities. Exaprobe gives the Group a suitable and accepted security infrastructure integration offer in addition to Econocom Digital Security.

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

Acquired in 2013, and now housing Cap Synergy (2012) and Comiris (2014), Exaprobe is an integrator of security solutions working in the areas of information systems security, network infrastructure and platforms for unified communication and digitisation of workspaces. Its current business model is based on a mix of integration products and services in project or outsourcing mode. With 180 employees and revenue of approximately €55 million (50% of which in security), Exaprobe has established itself by virtue of its technological expertise and innovative offers. It boasts high-level partnerships with leading manufacturers and software publishers (Cisco, Check Point, HP, Microsoft, etc.).

- Econocom Digital Security: expertise to support our customers in the control of their digital risks. This entity addresses both the security of information systems and the security of connected objects:
  - by anticipating new uses and quickly countering emerging threats,
  - by guaranteeing a constant and optimum level of security of sensitive digital data, and
  - by integrating good security practices into everyday life and into digital transformation projects.

It provides the following services: audit, consulting, operational security, integration and project, and offers the services of the leading European Computer Emergency Response Team (CERT™) dedicated to the security of connected objects and their environment (IoT). Boasting rare expertise specific to the world of IoT, Econocom 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.

2.2.6. WEB AND MOBILE APPLICATIONS

Alter Way supports the digital transformation of its customers in an approach focused on open source and DevOps solutions. A genuine one-stop-shop for websites (design, engineering/projects, application management, outsourcing and cloud), Alter Way has teamed up with the finest experts in their fields to develop strong technological and commercial partnerships (notably with Microsoft, where it is the leading open source partner on the Azure cloud, as well as with an innovative offer linked to Docker containers).

Consisting of consultants combining the full extent of Econocom's Microsoft skills, Infeeny implements hybrid cloud solutions, and designs and implements collaborative tools and user environments. Building on its Microsoft expertise backed up by Econocom Group's business skills, Infeeny offers innovative solutions combining the design, supply and management of software and hardware, thereby enabling companies to create a customised environment suited to the needs of their businesses and users.

Italian company Bizmatica develops business and mobile applications services, and offers its customers innovative technologies.

Asystel's entry into the Italian market has served to enrich the Group's offer in that country, thanks in large part to its comprehensive new digital services platform. As a market leader in Italy, Asystel occupies strong positions thanks to its expertise in consulting, infrastructure and cloud outsourcing, security and application architectures.

2.2.7. DIGITAL TRANSFORMATION CONSULTING

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

Helis experts assist companies in their respective fields by providing a bespoke response to their transformation projects.

Specialising in application performance management (APM), Econocom Brazil supports its customers in obtaining the best performance management of their work applications. APM enables Econocom Brazil's customers to optimise the control of the operational efficiency of their business, the paramount parameter of digital transformation in their organisation.

2.2.8. DIGITAL SIGNAGE SOLUTIONS

Econocom also operates in the field of digital signage with Econocom Caverin, an entity based in Spain and specialising in B2B audiovisual products and services since 2003.

Cineolia, an entity specialising in the implementation of public service outsourcing provides a range of digital services to hospital patients through multimedia equipment (connected televisions, telephony, tablets, etc.). Entertainment programmes, free or paid, and specific content are integrated into this offering, enabling hospitals to deliver targeted services and messages to patients. Cineolia's main role is to support patients and their entourage as much as possible during their stay in hospital through the use of digital tools.

2.3. ECONOCOM GROUP'S MARKETS AND ITS COMPETITIVE ENVIRONMENT

2.3.1. MAIN MARKETS: TRENDS BY BUSINESS LINE

Technology Management & Financing

The trend towards increased consumption of digital hardware in 2015 was confirmed and gained pace. As such, usage-oriented consumption, rather than ownership, continues to increase.

Boosted by a growing digital transformation market, the leasing market confirmed its good health.

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

Large companies tend to want to keep control of their strategic hardware, while seeking to vary the costs of standardised equipment.

It should be noted that this trend is likely to be strengthened in the coming years by developments in IFRS coming into force in 2019. The new rules will increasingly encourage companies seeking to deconsolidate their technological assets to entrust their management to specialists capable of making the equipment available in a service contract for consumption on a pay-per-use basis.

Another significant trend in the market is the circular economy, where leasing makes sense thanks to an organised and structured reuse and recycling channel. It allows companies to rely on professionals in this business to ensure responsible and sustainable management of their equipment.

Main trends in the IT product market

2016 saw a downturn in PC sales: according to Gartner's twice-yearly report,[1] worldwide shipments dropped by 6.2% in 2016. This is the fifth year in a row that the market has fallen and this continuing decline has brought shipments down to the same level as in 2007. In 2017, PC sales should remain flat as a result of the significant drop in sales of traditional PCs, with consumers opting for other devices such as tablets. Buyers, including professionals, are appearing to keep their equipment for longer, and, in the absence of disruptive innovation in the market, do not feel the need to upgrade. Including ultramobiles, worldwide shipments of PCs remain flat. Gartner estimates that 44 million units of ultrabooks were sold in 2015, compared with around 21 million in 2013. For the enterprise segment, Gartner expects Windows 10 refreshes to lead to a stabilisation of demand in 2017.

The telephony market, meanwhile, was marked by a distinct decline in worldwide smartphone shipments in 2016, with growth estimated at just 2.3% by IDC. A number of consumers are already equipped, and consequently the double-digit growth of previous years was not replicated. IDC does however predict an increase in worldwide smartphone sales of 4.2% in 2017 and 4.4% in 2018.

According to data collected by IDC[2], the tablet market ran into difficulties in 2016, which are set to continue in 2017. It does however predict an upturn in the market in 2018, with growth continuing at least until 2020, and 194.2 million tablets sold that year. This recovery will be driven mainly by the demand from both enterprises and consumers for detachable tablets. At the end of 2016, the detachable market was still dominated by Apple, with its iPad Pro, and Microsoft with the Surface, although both manufacturers experienced difficulties. GFK attributes these chiefly to competition between detachables and convertibles, with price and performance disparity between the two models beginning to narrowing.

Main trends in the services market

The market for digital software and services enjoyed good momentum in 2016, and is expected to remain on this course until 2020, with an average annual growth rate of 3.9% for the EMEA area (Europe, Middle East and Africa).

The Syntec Numérique/IDC business survey published in November 2016 forecasts an increase in the growth rate in the "Consulting in Software, Consulting & Services, and Software Publishing" sector in France from 1.6% in 2015 to 2.8% in 2016 and more than 3% in 2017. The sector is booming, with revenue of €52 billion in 2016.

Digital service companies are enjoying a positive market environment. Nearly half of the market (42%) saw an improvement in the situation in the third quarter of 2016, with fewer than 10% recording a deterioration, and some of these only a slight one. This positive trend covers all sectors: software publishers, digital service companies and technology consulting firms.

Companies continue to invest massively in digital transformation projects. According to IDC, business spending on technology solutions supporting digital transformation projects (cloud, big data and analytics, mobility environments and IoT, social media, security) accounted for 17% of total IT budgets in 2016, a total of €7.2 billion. This amount is set to grow further in 2017, amounting to a projected 19% of IT spending (€8.4 billion), an increase of 15%. This underlying trend, which has been taking shape since early 2014, is firmly rooted in the projects of IT departments.

Digital transformation drives the market, spurs its growth and gives CIOs a better perception of their digital service company partners.

Security

With an average growth rate of around 10%, twice that of IT spending as a whole, the security of information systems has taken on particular importance in view of the mass arrival of digital technology and the transformations it triggers:

(1) Gartner, July 2016 and January 2017.
(2) IDC, Worldwide Quarterly Tablet Tracker, February 2, 2017

- new services and uses (cloud, social media, etc.) responding to a need for greater agility in the use of IT, but which can become obstacles to visibility and control;
- exponential growth in the volumes of digital data, offering the possibility of new value-creating analyses, but which pose the problem of their protection and ownership;
- a proliferation of mobile terminals and connected objects responding to a need for reactivity and control, but which increase the zones at risk and the surfaces of attack.

The countless socioeconomic opportunities require an appropriate and agile approach to security issues and a genuine ability to manage digital risks in order to deal with:

- an open and iterative innovation process (constantly working on new concepts, testing them, industrialising them);
- an information system with increasingly blurred and elastic boundaries based on a complex technological object;
- the existence of an active external threat, more or less professional;
- the determination of governments to strengthen laws, regulations and labels, and to improve digital confidence.

The hundreds of billions of dollars set to be invested in the years to come in digital transformation projects (smart territories, smart transport, smart buildings, etc.) open up massive growth prospects for security, which is seen as a "native component" of these ecosystems.

Mobility

The enterprise mobility management (EMM) software market is seen growing fourfold by 2019, according to a study by Ovum[1]. While it amounted to just $2.7 billion in 2014, it is poised to reach roughly $10 billion within four years, implying average annual growth of 29.5%. Often still considered a niche, this market now appears to have embarked on a phase of growth in its own right. These figures illustrate the importance assumed by mobility and the use of mobile devices in the professional environment in recent years. They now extend to all sectors and have gradually adapted to all assignments, to the point of changing habits and protocols within companies.

Among the elements identified by Ovum as belonging to the EMM market, mobile device management software is projected to generate the greatest amount of revenue until 2019. Mobility therefore represents a major paradigm shift resulting in new issues including the security of the personal machines of employees working remotely on their computer or their tablets. Ovum sees security issues naturally prompting the adoption of applications.

Highly placed among the investment priorities of business mobility decision-makers[2] is the security of mobile applications (a priority for 63% of decision-makers). Fifty-seven percent of European companies plan to develop mobile application management (MAM) and 50% to invest in improving the user experience (UX).

2.3.2. COMPETITION: THE GROUP'S IDENTITY AND PANORAMA

Econocom Group stands out from its competitors thanks to:

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

As part of its Mutation 2013-2017 strategic plan, Econocom is expanding 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) OVUM, Digital Economy 2025. Opportunities and challenges for technology sector as the second digital revolution takes hold.
(2) Enterprise Mobility Exchange

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

It is against this backdrop that Econocom launched an innovative concept known as the Galaxy in 2015. The Galaxy consists of the Econocom Planet (historical core businesses wholly owned by the Group and constantly expanding), around which gravitate Satellites, small and medium-sized companies that are highly successful in their areas of expertise, and in which the managers – often the founders – maintain a share of the capital. This relational and organisational system responds to 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 2015 are described in the first chapter of the Group's Management Report. They are set out here by business line:

- Digital transformation consulting: Helis (project management), Econocom Brazil (APM, application performance management).
- Cyber security: Econocom Digital Security, specialist in digital risk management (operational security, integration and project, audit, consulting and training, and which created the first European CERT dedicated to the security of connected objects), Exaprobe (integration, expertise and managed services in security and networks).
- Web, applications and cloud: Alter Way (specialist in web and open source: design, engineering/projects, application management, outsourcing, cloud), Infeeny (specialist in Microsoft technologies for digital transformation projects), Asystel Italy (infrastructure expert: cloud, outsourcing), Nexica (Spain) and ASP Serveur in the hosting of critical apps and the cloud.
- Digital and mobility solutions: SynerTrade (e-procurement platform in SaaS mode), Aragon (SIRH solution publisher), Rayonnance (applications and deployment of professional equipment fleets), DMS (deployment of mobile fleets), Gigigo (mobile digital marketing solution in Spain), Norcod (specialist in connected solutions for companies and deployment of hardened terminals) and Bizmatica in Italy (API management, business process management).
- Digital signage: Econocom Caverin (B2B audiovisual products and services), Cioneolia (dedicated to hospital environments and patient hospitality).

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 lifecycle of their resources.

Geographical presence

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

It now operates in 19 countries. Enjoying a strong footing in the United Kingdom, Germany, Belgium, Spain, France, Italy and the Netherlands, 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 major customers in their main markets, including Morocco and more recently in the Americas (United States, Canada, Mexico and Brazil). 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 and Devoteam, 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 the Econocom Satellites' activities: of all the previously mentioned companies operate in the Satellite business lines.

3. FINANCIAL POSITION AND RESULTS

3.1. HIGHLIGHTS OF THE PAST THREE YEARS

2016 was notable for:

- The achievement of the objectives announced by the Group, with revenue of over €2.53 billion and a recurring operating profit of €140.3 million.
- 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 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, 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.
- A policy of optimising financial resources, taking advantage of favourable market conditions to launch a successful "Schuldschein" loan issue (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 apps, 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.

2014 was notable for:

- The consolidation of Econocom's presence in cloud-based, front-office solutions for businesses through the development of Digital Dimension, and in the Brazilian IT services market;
- The issuance of €175 million worth of bonds convertible into cash and/or new shares and/or exchangeable for existing shares (ORNANE), reinforcing the Group's financial structure and helping finance its growth strategy;
- The ramp-up of the savings and synergies plans.

3.2. CONSOLIDATED DATA FOR THE YEAR: COMPARISON BETWEEN 2016, 2015 AND 2014

3.2.1. KEY FIGURES

in € millions	**2016**	2015	2014 *restated*
REVENUE FROM CONTINUING OPERATIONS	**2,536.2**	2,316.1	2,092.6
RECURRING OPERATING PROFIT BEFORE AMORTISATION OF INTANGIBLE ASSETS FROM ACQUISITIONS*	**140.3**	117.7	95.9
RECURRING OPERATING PROFIT	**136.1**	113.5	92.9
OPERATING PROFIT	**129.3**	108.3	68.0
SHAREHOLDERS' EQUITY (INCLUDING NON-CONTROLLING INTERESTS)	**279.0**	280.5	281.3
NET DEBT	**(185.2)**	(186.4)	(105.9)

* Before amortisation of intangible assets from acquisitions.

3.2.2. REVENUE

in € millions	**2016**	2015	2014 *restated*
TECHNOLOGY MANAGEMENT & FINANCING	**1,259**	1,149	1,045
SERVICES	**802**	730	663
PRODUCTS & SOLUTIONS	**475**	437	385
TOTAL REVENUE	**2,536**	**2,316**	**2,093**
		+9.5%	
			21.2%

In 2016, Econocom Group posted consolidated full-year revenue of €2,536 million compared with €2,316 million in 2015, an increase of 9.5%, almost 6.7% of which was organic growth. This performance was driven by all three activities, which benefited from the Group's valuable positioning in the digital transformation of organisations, as well as the lively business trend of the Satellites, which contributed €247.5 million to consolidated revenue in 2016.

Between 2014 and 2016, revenue grew by 21.2%. 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

Technology Management & Financing recorded revenue of €1,259 million in 2016, compared with €1,149 million in 2015, an essentially organic increase of 9.6%. This performance reflects good business trends, driven by momentum in the digital transformation market, the Group's in-house funding division, Econocom Digital Finance Ltd, as well as the development of the sales force and the structured financing team.

Technology Management & Financing had recorded exclusively organic revenue growth of 10% in 2015. This performance reflected the healthy business trend, boosted by the Group's in-house financing subsidiary (Econocom Digital Finance Ltd). It also reflected a positive shift in the market, which was increasingly focusing on use as opposed to ownership, a trend driven in part by increasingly swift technological developments.

Technology Management & Financing recorded revenue growth of 1.7% in 2014. It benefited from the market shift towards use as opposed to ownership, and the deployment of digital technologies across organisations and companies. It was a major beneficiary of investments made as part of the Mutation strategic plan to develop and promote digital solutions.

Services

Services posted revenue of €802 million in 2016, compared with €730 million in 2015, an increase of 9.9%, with organic growth of 2.7%. The business benefited from the synergies extracted since the successful integration of Osiatis, change in its offerings and the optimisation plans implemented. It should be noted that revenue generated by the Services business with the

TMF entities increased substantially. This revenue is eliminated from the consolidated figures presented here. Business was also driven by the good performance of the Satellites and their high value-added positioning in the digital transformation market.

In 2015, the Services business had achieved its target revenue around six months behind the timing initially announced in 2013, the successful integration of Osiatis having delivered the positive results expected, giving Econocom Group a robust services platform. Growth also reflected the good performance of the Group's Satellites and their high value-added positioning in the digital transformation market.

In 2014, Services integrated Osiatis, establishing a new organisation, combining teams, harmonising tools and carrying out the synergy plan. The Services business was further bolstered by the contribution of Digital Dimension's acquisitions.

Products & Solutions

Products & Solutions recorded revenue of €475 million in 2016, compared with €437 million in 2015, an increase of 8.6% (6.8% on an organic basis).

The trend was driven notably by France, but also by Spain, where the Caverin Satellite acquired at the beginning of the year is enjoying 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.

In 2014, Products & Solutions prospered through the sale of new types of digital equipment, which are a major growth driver, and business synergies with the Group's other business lines.

3.2.3. RECURRING OPERATING PROFIT

in € millions	**2016**	2015	2014 *restated*
TECHNOLOGY MANAGEMENT & FINANCING	**80.2**	70.1	59.7
SERVICES	**46.4**	35.5	25.8
PRODUCTS & SOLUTIONS	**13.7**	12.1	10.4
TOTAL RECURRING OPERATING PROFIT*	**140.3**	**117.7**	**95.9**

* Before amortisation of intangible assets from acquisitions.

The Group's recurring operating profit before amortisation of intangible assets from acquisitions was €140.3 million, compared with €117.7 million in 2015, an increase of 19.2%. This strong growth was driven by the healthy business trend in 2016, the success of multi-business line offerings, the benefit of the synergies arising from the acquisition of Osiatis and the productivity plans implemented in all of the Group's businesses. It also resulted from improved operating margins across business lines, particularly Services, where the margin firmed from 4.9% to 5.8%. For the Group as a whole, all activities combined, profitability was 5.5%, up from 5.1% in 2015.

Between 2014 and 2016, recurring operating profit before amortisation of intangible assets from acquisitions grew by 46.3%.

In 2015, the Group had already enjoyed a strong increase in recurring operating profit thanks to robust revenue, the success of multi-business line offerings and the early impact of growing synergies.

2014 saw the integration of Osiatis, with the establishment of a new organisation, the combination of teams, the harmonisation of tools and the implementation of a synergy plan.

3.2.4. OPERATING PROFIT

The Group's operating profit was €129.3 million, compared with €108.3 million in the previous year, an increase of more than 19%. Non-recurring expenses amounted to €6.8 million, an increase of €1.5 million compared with 2015, due largely to adjustments to the workforce and the relocation of activities mentioned above, partly offset by changes in the value of certain acquisition-related debt.

In 2015, non-recurring expenses were very limited compared with 2014, when the integration of Osiatis was finalised (€5.3 million, versus €24.9 million in 2014).

In 2014, more than half of non-recurring expenses were related to the extraction of synergies resulting from the integration of Osiatis, the optimisation of the Group's organisation and the amplification of savings plans across all business lines, as well as exceptional costs relating to acquisitions.

3.2.5. FINANCIAL POSITION

The Group generated cash flow from operating activities of €130.6 million in 2016, compared with €74.4 million in 2015. It boasted a sound financial position at 31 December 2016, with net cash at bank of €284.6 million and net debt under control at €185.2 million, less than 1.3x its 2016 EBITDA.

The issuance of a "Schuldschein" loan of €150 million allowed Econocom to diversify its financial resources.

The Group's financial structure and its robust cash-flow generation clearly provide support for growth, allowing it to embark on its new strategic plan with confidence.

It boasted a sound financial position at 31 December 2015, with net cash at bank of €143 million and net debt under control at €186 million, less than 1.5x its 2015 EBITDA. The policy of strengthening, diversifying and optimising the Group's financial resources, reflected in the Euro Private Placement (Euro PP, €101 million) and the commercial paper programme (capped at €300 million), allowed Econocom to conduct eight acquisitions and investments in markets at the very core of the digital transformation in order to enhance its future growth.

Debt backed by rental flows represented two-thirds of the Group's net debt.

The Group's financial structure and its robust cash-flow generation provided support for its ambitious growth strategy.

The Group had a healthy financial position at 31 December 2014, with total equity rising to €280 million and net debt of €106 million, limiting gearing to 38%. The Group made major investments permitted by its substantial cash-flow generation (operating cash flow of €85 million). Net cash at bank stood at €121 million at 31 December 2014 after the success of the second ORNANE bond issue (€175 million) in January 2014.

3.3. EQUITY RESTRICTIONS

Econocom is not subject to any financial covenant liable to force the early redemption of the bonds convertible into cash and/or new shares and/or exchangeable for existing shares (ORNANE) issued in January 2014, the Euro PP bond issued in May 2015 or the Schuldschein loan issued in November 2016.

These debts only subject Econocom to the standard clauses with respect to anti-dilution provisions (ORNANE) and the continued listing of the shares (ORNANE and Euro PP).

The Group is subject to a single covenant, on the Euro Private Placement (Euro PP) bond and the Schuldschein loan issued in November 2016. 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. The ratio in question is net debt to proforma EBITDA. It is calculated as of 31 December of each year, and may not exceed 3x over two consecutive years.

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.

4. COMPANY, SHARES AND SHAREHOLDERS

4.1. ECONOCOM GROUP SE SHARE PERFORMANCE

	PRICE (€)				VOLUME	
Month	High (€)	Low (€)	Closing (€)	Average (€)	Number of shares traded	Value (€k)
JANUARY	5.99	5.19	5.98	5.68	2,210,089	12,552.30
FEBRUARY	6.16	5.55	5.85	5.87	841,502	4,938.35
MARCH	6.38	5.90	6.30	6.10	1,085,424	6,620.54
APRIL	6.44	5.71	5.71	6.07	1,259,085	7,647.44
MAY	5.90	5.52	5.88	5.78	970,290	5,604.31
JUNE	5.90	4.98	5.44	5.45	1,182,183	6,442.31
JULY	6.03	5.26	6.01	5.57	1,477,196	8,223.49
AUGUST	6.05	5.69	5.80	5.87	637,540	3,742.07
SEPTEMBER	6.58	5.81	6.30	6.26	2,014,961	12,620.71
OCTOBER	7.16	5.82	7.16	6.56	3,202,852	21,006.53
NOVEMBER	7.65	7.06	7.65	7.33	2,524,031	18,498.74
DECEMBER	8.35	7.67	8.32	7.95	4,084,035	32,455.83
2013 TOTAL	**8.35**	**4.98**	**8.32**	**6.20**	**21,489,188**	**140,352.62**
JANUARY	8.52	7.31	7.85	7.87	3,955,563	31,060.67
FEBRUARY	8.81	7.70	8.66	8.28	1,875,640	15,577.84
MARCH	9.15	8.20	8.33	8.49	2,569,800	21,924.08
APRIL	8.67	7.36	7.73	7.90	1,729,632	13,580.77
MAY	7.88	6.86	7.11	7.37	1,734,808	12,748.15
JUNE	7.65	6.88	6.93	7.24	1,760,015	12,789.98
JULY	7.31	6.32	6.81	6.95	2,081,963	14,354.27
AUGUST	6.94	6.55	6.86	6.75	788,919	5,340.60
SEPTEMBER	7.58	6.80	7.15	7.27	1,654,078	12,072.25
OCTOBER	7.43	5.00	5.16	6.12	5,523,461	32,095.45
NOVEMBER	5.87	4.83	5.62	5.33	3,213,204	16,996.15
DECEMBER	6.56	5.30	6.56	5.75	2,208,337	12,589.74
2014 TOTAL	**9.15**	**4.831**	**6.56**	**7.10**	**29,095,420**	**201,129.94**

	PRICE (€)				VOLUME	
Month	High (€)	Low (€)	Closing (€)	Average (€)	Number of shares traded	Value (€k)
JANUARY	7.29	6.02	7.25	6.39	2,772,498	17,718.50
FEBRUARY	7.99	7.25	7.89	7.71	2,914,557	22,456.70
MARCH	7.94	6.65	7.38	7.42	2,674,519	19,834.67
APRIL	8.38	7.22	7.80	7.93	2,958,982	23,454.62
MAY	8.24	7.55	7.84	7.96	1,247,661	9,934.74
JUNE	8.05	7.00	7.38	7.71	1,835,991	14,162.90
JULY	8.52	7.37	8.43	8.05	2,224,483	17,899.59
AUGUST	8.55	6.95	7.87	8.05	1,921,576	15,460.79
SEPTEMBER	8.03	7.02	7.76	7.53	1,672,371	12,584.65
OCTOBER	8.20	7.22	8.13	7.71	1,431,218	11,033.08
NOVEMBER	8.48	7.84	8.33	8.26	1,683,123	13,906.79
DECEMBER	8.98	8.11	8.55	8.47	1,543,574	13,074.76
2015 TOTAL	**8.98**	**6.02**	**8.55**	**7.70**	**24,880,553**	**191,521.77**
JANUARY	8.84	7.60	8.62	8.31	1,602,655	13,312.81
FEBRUARY	8.98	7.39	7.68	8.10	1,661,294	13,458.31
MARCH	9.10	7.73	9.10	8.57	1,625,573	13,932.95
APRIL	9.73	9.00	9.41	9.35	2,154,530	20,255.07
MAY	10.79	9.40	10.72	9.95	1,968,551	20,674.92
JUNE	11.00	9.05	10.31	10.41	3,337,931	35,861.28
JULY	12.27	10.22	11.72	11.14	2,381,943	26,982.43
AUGUST	11.91	10.71	11.37	11.61	1,343,230	15,728.83
SEPTEMBER	13.48	11.21	13.37	12.58	2,567,537	32,959.94
OCTOBER	14.16	12.84	13.56	13.56	2,913,858	39,754.02
NOVEMBER	14.34	12.71	13.47	13.62	3,011,380	41,012.07
DECEMBER	14.04	13.10	13.94	13.55	2,530,869	34,284.65
2016 TOTAL *	**14.34**	**7.39**	**13.94**	**11.37**	**27,099,351**	**308,217.28**

* These figures include the volumes traded on the Euronext Turquoise and Chi-X platforms.

4.2. 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.

4.3. 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.

4.4. SHARE CAPITAL

4.4.1. SHARE CAPITAL (ARTICLE 5 OF THE BYLAWS)

At 31 December 2016, the Company's share capital stood at €21,563,999.86 and was composed of 112,519,287 ordinary shares with no stated par value, held in registered, bearer or dematerialised form. The capital is fully paid-up.

4.4.2. 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 of Shareholders 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 individuals 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.

4.4.3. CHANGES IN CAPITAL

At 31 December 2016, the Company's share capital stood at €21,563,999.86 and was composed of 112,519,287 ordinary shares with no stated par value, held in registered, bearer or dematerialised form. The capital is fully paid-up.

At 31 December 2016, authorised unissued capital (excluding additional paid-in capital) stood at €21,563,999.86.

Changes in the Company's capital between 2002 and 2009 correspond to capital increases carried out to allocate shares on the exercise of employee stock options.

In 2010, Econocom Group issued 1,372,897 new shares for the capital increase reserved for Société Générale Financial Services Holding, a subsidiary of Société Générale, as partial payment for the acquisition of ECS.

In 2011, Econocom Group issued 4 million bonds, worth a total of €84 million, that could be converted or exchanged for new or existing shares until 1 June 2016, with a coupon of 4% per annum, paid annually in arrears. Following the four-for-one split of the Econocom Group share in September 2012, each bond now entitles the bearer to four Econocom Group shares at a conversion price of €5.25 (€21 before the share split). In 2014, Econocom redeemed 43% of these bonds and converted the balance of 57%, resulting in the issue of 9,055,276 Econocom Group shares.

As decided on 14 September 2012, Econocom cancelled 2 million shares and carried out a four-for-one split of Econocom Group shares.

The following changes to the share capital occurred in 2013:

- the capital increase carried out on 12 September 2013 to allow the acquisition of the controlling interest and equity warrants of Osiatis from its main shareholders and managers brought Econocom Group's share capital to €18,759,320.08 or 106,219,048 shares, through the issue of 9,527,460 new shares;

- the capital increase carried out on 18 November 2013 to allow payment for Osiatis shares as part of the public exchange offer to acquire Osiatis brought Econocom Group's share capital to €19,874,285.37 or 112,532,206 shares, through the issue 6,313,158 new shares;
- the cancellation of 6,014,892 treasury shares as decided at the Extraordinary General Meeting of 31 December 2013 brought Econocom Group's share capital to €19,874,285.37, divided into 106,517,314 shares.

The following changes to the share capital occurred in 2014:

- the capital increase carried out on 24 January 2014 through the issue of 20,000 new shares due to a bond conversion request (OCEANE) brought Econocom Group's share capital to €19,878,017.37, divided into 106,537,314 shares;
- the capital increase carried out on 25 February 2014 through the issue of 266,028 new shares due to a bond conversion request (OCEANE) brought Econocom Group's share capital to €19,927,658.19, divided into 106,803,342 shares;
- the capital increase carried out on 26 March 2014 through the issue of 210,592 new shares due to bond conversion requests (OCEANE) brought Econocom Group's share capital to €19,966,954.66, divided into 107,013,934 shares;
- the capital increase carried out on 28 May 2014 through the issue of 708,428 new shares due to bond conversion requests (OCEANE) brought Econocom Group's share capital to €20,099,147.32, divided into 107,722,362 shares;
- the capital increase carried out on 18 June 2014 through the issue of 7,850,228 new shares due to bond conversion requests (OCEANE) brought Econocom Group's share capital to €21,563,999.86, divided into 115,572,590 shares;
- the cancellation of 3,053,303 treasury shares as decided at the Extraordinary General Meeting of 29 December 2014 brought Econocom Group's share capital to €21,563,999.86, divided into 112,519,287 shares.

No changes were made to capital in 2015 or 2016.

The number of Econocom shares and voting rights (denominator) both stood at 112,519,287 at 31 December 2016.

Changes in the Company's share capital and number of shares since 1 January 2005 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 (€)
01/01/2005		-	-	-	-	30,000,000	16,037,822.08
20/07/2005	EXERCISE OF STOCK OPTIONS	265,000	143,100.00	966,650.00	1,109,750.00	30,265,000	16,180,922.08
22/12/2005	CANCELLATION OF TREASURY SHARES	-1,265,000	-	-	-	29,000,000	16,180,922.08
15/05/2007	CANCELLATION OF TREASURY SHARES	-2,200,000	-	-	-	26,800,000	16,180,922.08
20/12/2007	CANCELLATION OF TREASURY SHARES	-1,000,000	-	-	-	25,800,000	16,180,922.08
22/12/2008	CANCELLATION OF TREASURY SHARES	-1,000,000	-	-	-	24,800,000	16,180,922.08
28/10/2010	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
14/09/2012	CANCELLATION OF TREASURY SHARES	-2,000,000	-	-	-	24,172,897	17,076,677.70
14/09/2012	FOUR-FOR-ONE SHARE SPLIT	72,518,691	-	-	-	96,691,588	17,076,677.70
12/09/2013	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
18/11/2013	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
31/12/2013	CANCELLATION OF TREASURY SHARES	(6,014,892)	-	-	-	106,517,314	19,874,285.37
24/01/2014	CAPITAL INCREASE THROUGH CONVERTIBLE BONDS (OCEANE)	20,000	3,732.00	101,268.00	105,000.00	106,537,314	19,878,017.37
25/02/2014	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
26/03/2014	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
28/05/2014	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
18/06/2014	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
29/12/2014	CANCELLATION OF TREASURY SHARES	(3,053,303)	-	-	-	112,519,287	21,563,999.86

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.

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 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 article 603 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.

At 31 December 2016, Econocom Group held 5,406,013 treasury shares as part of the share buyback programme, and 34,100 Econocom Group shares as part of the liquidity agreement with Exane, representing a total of 5,440,113 Econocom Group shares or 4.83% of the total number of shares outstanding.

4.5. RIGHTS ATTACHED TO SHARES

4.5.1. PARTICIPATION IN GENERAL MEETINGS AND VOTING RIGHTS

4.5.1.1. Participation in General Meetings

***4.5.1.1.1.** Right to participate in General Meetings*

All shareholders are entitled to attend Econocom'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.

***4.5.1.1.2.** 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.

***4.5.1.1.3.** Right to add matters to the agenda and to table draft resolutions*

Shareholders who, alone or jointly, hold at least 3% of Econocom'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'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 e-mail. As appropriate, such 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 e-mail 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.

4.5.1.1.4. *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 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.

4.5.1.1.5. *Other rights to information*

All Econocom 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 and reports), (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'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.

4.5.1.2. Right to vote at General Meetings

4.5.1.2.1. 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;
- 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.

4.5.1.2.2. 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. To be adopted, amendments must be approved by a majority of at least four-fifths of votes cast.

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.

4.5.1.2.3. 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.

4.5.1.2.4. 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.

4.5.2. 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.

4.5.3. LIQUIDATION

In the event that Econocom is dissolved, for any reason and at any time whatsoever, the liquidation process shall 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, which shall act 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.

4.5.4. 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.

4.5.5. CHANGES IN RIGHTS ATTACHED TO SHARES

Rights attached to shares issued by Econocom 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.

4.6. GENERAL MEETINGS

4.6.1. 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.

4.6.2. EXTRAORDINARY GENERAL MEETINGS AND SPECIAL SHAREHOLDER 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).

4.6.3. 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 e-mail 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 e-mail 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 33 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 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.

4.6.4. AVAILABILITY OF DOCUMENTS ON ECONOCOM'S WEBSITE

In addition, from the date of publication of the Notice of Meeting and until 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 e-mail 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.

4.6.5. 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 thirty 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 relevant paragraph 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 seventeen days before the Meeting.

4.6.6. 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, or by placing bearer shares with a financial intermediary, 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.

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

4.7.1. 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.

4.7.2. 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 2016, authorised unissued capital stood at €21,563,999.86 (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.

4.7.3. 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.

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 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 listed Company within the meaning of article 4 of the Belgian Companies Code in the conditions provided by the 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.

4.8. 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.

4.9. AGREEMENTS THAT COULD LEAD TO A CHANGE IN CONTROL OF ECONOCOM

Jean-Louis Bouchard, Chairman of Econocom Group, remains Econocom's largest shareholder, with approximately 41.03% of the share capital at 31 December 2016. Walter Butler, former controlling shareholder of Osiatis and member of the Board of Directors of Econocom, is a significant shareholder of the Company, notably through Butler Industries Benelux, with 6.43% of the capital of Econocom.

5. CORPORATE GOVERNANCE

5.1. 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; and
- 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 sections 5 and 7 of Chapter V of this report, which contains the report of the Board of Directors on the financial statements for the year ended 31 December 2016.

5.1.1. BOARD OF DIRECTORS

5.1.1.1. Composition of the Board of Directors

5.1.1.1.1. 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 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'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.

5.1.1.1.2. 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.

5.1.1.1.3. 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 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.

The Board of Directors also 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 effectively 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 the Chairman be prevented from attending a Board meeting, the Directors present elect a Chairman for the meeting in question.

5.1.1.1.4. *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.

5.1.1.2. 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 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, a 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, to 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.

5.1.1.3. Functioning of the Board of Directors

5.1.1.3.1. *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.

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.

5.1.1.3.2. *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.

Decisions of the Board of Directors are adopted on the basis of a majority of votes cast; abstentions are not counted.

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.

5.1.1.3.3. *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.

5.1.1.3.4. *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.

5.1.1.3.5. *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.

5.1.1.4. 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 Managing Directors, 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.

5.1.1.5. Liability of the Board of Directors (article 25 of the bylaws)

The Directors, members of the Chairman's Council (as referred to in section 5.2.2 below) 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.

5.1.1.6. 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 Managing Director, 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.

5.1.2. 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.

5.1.2.1. Chairman's Council (article 21 of the bylaws and article 3 of the Chairman's Council's internal rules)

5.1.2.1.1. 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 the 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.

5.1.2.1.2. 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 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).

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.

5.1.2.1.3. 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 Executive Committee.

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 Managing Directors.

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

5.1.2.1.4. *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 Committee 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.

5.1.2.2. Audit Committee (article 21 of the bylaws and the Audit Committee's internal rules)

5.1.2.2.1. 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 Econcom'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.

5.1.2.2.2. 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.

5.1.2.2.3. 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 it.

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.

5.1.2.2.4. 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 internal rules of the Audit Committee. It reports this assessment to the Board of Directors and makes, if necessary, proposals for modifications.

5.1.2.3. Compensation Committee (article 21 of the bylaws and the Compensation Committee's internal rules)

5.1.2.3.1. 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.

5.1.2.3.2. 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.

5.1.2.3.3. 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, the Compensation Committee is in charge of:

- Upon recommendations of the Chairman:
  - 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 procedure and conditions concerning the Directors' and Chairman's Council members' employment 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.

5.1.2.3.4. 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.

5.2. 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), 524 (intragroup conflicts of interest) and 525 (conflicts of interest between Econocom and a Chairman's Council member) 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.

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, no later than the beginning of the meeting at which the matter giving rise to the conflict is discussed. He or she will then not take part in the discussion or vote on the matter. If the person is a member of the Chairman's Council, the Chairman shall decide whether it is appropriate to make a report to the Board.

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 2016 annual report.

5.3. 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 has been Chairman of Digital Dimension since November 2016. Robert Bouchard is Jean-Louis Bouchard's son.

Christian Bret began his career with IBM, initially as a manufacturing engineer and then as Account Manager. From 1969 to 1972, he was Deputy Managing Director of Sofragem (Rothschild Group) before joining Sligos in 1972, where he served as Managing Director. From 1989 to 1995, he was Vice-Chairman and Managing Director of Cisi, before serving as Executive Director of France Télécom's Enterprise division from 1996 to 2003. In addition, from 1985 to 1995, Christian Bret was Vice Chairman of the Syntec Numérique, before serving as Chairman of the inter-industry group for information highways (Groupe Inter-industries sur les Autoroutes de l'information) from 1995 to 1997. His term as Director ceased at the end of the Annual General Meeting of 17 May 2016.

Walter Butler, who has French and Brazilian 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 Finances. She subsequently held executive management positions (Euris and Rallye) and served as Communications Director for major groups (Casino, France Télévisions and Air France). In early 2015, she was appointed Executive Vice President of Marketing, Digital & Communications for Air France-KLM and a member of the Group's Executive Board. As a specialist in marketing and digital, she has a sound understanding of the expectations of individual and corporate clients.

Georges Croix founded his first company at the age of 25. After helping create the IT system used in France's national lottery, he co-founded France's first telematic hosting centre, Sytem, in 1985. In 1989, he founded RSDI (Réseaux Systèmes Développement Informatique), an IT consulting firm, followed by a second firm, Polisoft, in 1995. 1998 saw the creation of the Prosodie group from the merger of RSDI, Polisoft and SJT. He successively occupied the positions of director of IT resources, head of the network and services division, CEO of Prosodie Europe and CEO of the entire company from 2007 to 2012, until its acquisition by Capgemini. He was Chairman of Digital Dimension until October 2016. He is currently a mentor to SMEs at the International Chamber of Commerce of Paris and a member of the Executive Committee of Réseau Citoyen Cyberdéfense sponsored by the Ministry of Defence.

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 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 (formerly the Executive Committee) 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. Currently Managing Director and co-founder of Mentis, an innovative company specialising in IoT and smart city solutions, she also serves on the Boards of Directors 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.

Bruno Lemaistre began his career in 1981 with BRGM (*Bureau de Recherches Geologiques & Minières*) in Latin America. In 1983, he became an Account Manager with IBM, before joining Promodata as Sales Director in 1986. He was appointed Managing Director for France of Comdisco in 1994, before being named Managing Director Europe. When Promodata was acquired by Econocom, he took over the Technology Management & Financing division in France, the UK and Germany, before being appointed Group Managing Director in 2006. He managed all operations during 2016, with the exception of Digital Dimension and the companies acquired in 2016, known as Satellites. He stepped down in January 2017.

Marie-Christine Levet, an Internet pioneer in France, has run several French Internet and media companies (Lycos, Club-Internet, Tests Group, etc.). In 2010 she joined forces with Marc Simoncini to set up the seed fund Jaina Capital. She is currently Associate Director of LER (Les Entrepreneurs Réunis), a digital transformation consulting firm and start-up accelerator. She is a Director of Iliad (Free), Mercialys, Hi Pay, Maisons du Monde 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 will be an asset in supporting Econocom'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-size companies;
- "*Faire de la France un leader de l'Economie Numérique*" (Making France a Leader in the Digital Economy).

Jean Mounet is the Chairman of the Executive Committee of the *Observatoire du Numérique* (Digital Observatory), a government body that reports on developments and changes in the digital market and the growth of digital technologies in the economy and society.

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 was in charge of the Group's various central and support functions for part of 2016. 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.

6. EVENTS SUBSEQUENT TO THE APPROVAL OF THE MANAGEMENT REPORT ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

Ahead of the launch of its new strategic plan, "E for Excellence", and having added four experienced new profiles to its Board of Directors in 2016, Econocom Group made changes to its operational organisation and its executive team. Bruno Lemaistre, Executive Director in charge of operations for the historic core businesses, stepped down. Jean-Louis Bouchard, Chairman and Chief Executive Officer, and Bruno Grossi, Executive Director, will lead the Group's new Executive Committee. In a press release issued on 13 January 2017, Jean-Louis Bouchard paid tribute to Bruno Lemaistre's contribution to building the solid foundations on which the Group can continue its adventure.

7. HR POLICY

Its employees are a source of strength and an inestimable asset for Econocom. The human resources policy is geared towards making the Group a model employer among digital service companies. It is based on the following model:

- recruit top talent, from new graduates to more experienced profiles,
- manage career paths in an individualised fashion, and
- provide opportunities for development throughout employees' careers, allowing them to flourish sustainably within the company.

Econocom's HR strategy is built in compliance with the Company's values (be enterprising, bounce back, face reality, build together, responsible, respect) and presented in several major initiatives.

Developing human potential, an innovative professional adventure:

To attract the best candidates and maximise employees' motivation and performance, Econocom opens up pathways allowing them to flourish and to express their personality, all within the framework of a collaborative dimension. The very first mention of Econocom's employer brand sets the tone for the authentic professional adventure enjoyed by its employees. The HR strategy sees life within the business as a pioneering professional adventure. The involvement of Econocom's employees is a major asset for the company; it is what allows it to adapt successfully to the needs of its customers by providing quality, efficient and accountable service. Econocom is also committed to being a responsible employer, versed in the art of attracting and retaining talent from diverse backgrounds, and promoting a collaborative approach and well-being at work. Its ability to meet the expectations of its employees, combined with the size and values of a global company, helps attract the best candidates on the market.

A great place to work:

Ensuring the quality of the work environment and its employees' work-life balance is an integral part of Econocom's HR policy. Through an internal well-being at work programme known as Share, Econocom strives to give its employees a pleasant work environment on a day-to-day basis, using such levers as professional life fostering exchange and cohesion, paced around multiple opportunities for meetings (integration days, after-work events, weekly breakfasts), a telecommuting system encouraging flexibility and seen as a facilitator of organisation, specific measures for working parents, partly through a dedicated platform, and a range of services designed to improve the work-life balance (business concierge, etc.).

In 2017, more than 1,500 talents from the digital world will join us.

8. 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.

9. MAJOR CONTRACTS

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

Outside the normal course of its business, the Group has not entered into any contracts involving a major commitment.

10. RESEARCH AND DEVELOPMENT

Research & Development at Econocom enriches the offer of digital transformation solutions proposed by the Group. More broadly, innovations are additional vectors inspiring and shaping the solutions of the future. Teams in all Group entities (Planet and Satellites) focus primarily on new areas, allowing it to create its own new markets. This makes innovation more than just an accelerator for Econocom: it is key to competitiveness and involves teaming up with partners recognised for their expertise.

Some of these activities make Econocom eligible for the French research tax credit (*crédit d'impôt recherche* – CIR), which provides support for the efforts of the 7,900 engineers and technicians that made up the Group in 2016 and the Research and Development teams that deliver solutions matching the Group's strategy and the market's needs. Econocom was involved in several milestone innovations in their respective fields in 2016:

Within the Group, the Infrastructure Continuity Services (ICS) business unit, specialising in the maintenance of the critical infrastructure of all brands, and the leading independent maintenance provider in France, last year developed an innovative and agnostic approach to predictive maintenance.

In recent years, IT maintenance has evolved from a reactive model (breakdown, alert, repair) to a preventive model (based on the manufacturers' recommendations) and then a conditioned model (based on monitoring and supervision systems alerts). The Internet of Things, mobility, industry 4.0, the platform economy and the growth of embedded, connected and intelligent systems have made technology infrastructure central to business. In all sectors, sales and corporate image are directly dependent on the quality of service, and as such the reliability the infrastructure. Everything is now hinged on "zero defect" technology, underpinned by predictive maintenance.

Econocom, in partnership with publishers of solutions such as TIBCO Spotfire, develops analytical services to predict where and when a problem will occur before it happens, and to determine how to solve it optimally, in terms of both time and cost. With over 40 years' experience, ICS has all the data necessary for predictive maintenance. Data from its own reporting, monitoring and supervision systems; the ability to cross these data with the use made of assets and, last of all, dig data; the associated data types help to construct a veritable predictive maintenance rule book.

The approach proposed by Econocom is based not only on human reaction to warning signals, but also on a probabilistic risk assessment. It is a profound change for all stakeholders. But it alone is able to provide an answer matching the scale of digital challenges.

To position itself at the heart of the customer challenge, Econocom created and developed Econova in 2016.

Its purpose it to understand companies' business challenges and requirements, and to translate them into IT and digital solutions calling on the full breadth of expertise available in Econocom and its innovative ecosystem (partners, start-ups, etc.). Taking a human centric and open innovation methodological approach, Econova provides comprehensive and customised support to co-construct a unique trajectory of transformation focused on short-term achievements.

This support is structured in three phases. First comes ideation (from idea to creation), which involves listening to and translating user needs. Econova looks for opportunities, taking into account technical, financial and HR aspects. The second step is to test and validate the solution in the target environment through a POC (Proof of Concept) and prepare for change management. The third and final step is industrialisation through widespread deployment.

The Digital Security entity is a participant in the Intelligent Transport Cyber Security (ITC) project within the SystemX Institute for Technological Research (ITR). The aim of this project is to implement good cybersecurity practices in three areas, namely the automotive, rail and aerospace applications of the future. So-called "smart" transport, in other words transport that is increasingly autonomous and connected, offers new services and promises greater safety for users. Paradoxically, hyperconnexion carries with it new digital threats such as systems intrusion, data theft and cybercrime, any of which can also jeopardise operational safety. Digital Security's involvement in this project reinforces the importance that Econocom Group gives to issues impacting companies. Safety-security convergence is hugely important in the field of transport. Through this research, industrial transport also stands to benefit from innovation, either to optimise the production line or to perform predictive maintenance.

The Digital Security Research and Development laboratory also 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 safety conferences on innovative equipment and technologies.

Moreover, the EvalUbik platform developed by Digital Security is there to transform the R&D laboratory's work on security solutions and connected objects. This test bench contributes notably to the assessment made in the process of obtaining the Internet of Things security label developed by Digital Security.

Taking its place among the Econocom Satellites in 2015, Alter Way has since 2013 hosted a research team dedicated development within its Innovation Centre. Its role is to develop and strengthen the Company's industrial equipment through reverse production studies and participation in public R&D.

In this context, and as the leader of the French open source ecosystem, Alter Way regularly positions itself as a participant or pilot for innovative collaborative projects, usually through the labelling of its projects by Systematic/GTLL. At the end of 2016, Alter Way was piloting three French government single interdepartmental fund (*fonds unifié interministériel* – FUI) projects bringing together a dozen partners and funds totalling nearly €7.5 million.

Among these projects, AiC 2.0, which will end in October 2017, aims to facilitate functional acceptance of Android apps, locally and on a large scale on virtual machines available on an OpenStack cloud. The solution comprises three main features: the Android system display in the user's browser, allowing an Android developer to test its application directly in their web browser; the simulation of Android sensors, which serves to monitor the behaviour of the Android application based on the state of the system; and the configuration of test campaigns, for scheduling the execution of a set of tests, expressed in AiC syntax on a fleet of Android virtual machines. The project has been carried out in a consortium with partners including TCS[(1)], Zenika and the laboratories LIP6[(2)] and LIAFAA[(3)].

(1) Thales Communications & Security.
(2) Computer Laboratory, University of Paris 6, affiliated with the CNRS.
(3) Computer Algorithms Laboratory: Fundamentals and Applications, mixed CNRS research unit and the University of Paris 7.

11. RECENT DEVELOPMENTS AND OUTLOOK

Econocom Group's growth strategy is based on a combination of organic and external growth.

11.1. 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.

11.1.1. 2014

11.1.1.1. Investments made to create and acquire companies

In 2014, Econocom Group made investments as part of its Mutation 2013-2017 strategic plan in order to consolidate its positions in high-growth market segments – in particular business-to-business digital solutions – and to extend its geographical coverage so as to better serve its international clients.

In January 2014, Econocom invested in Digital Dimension, in partnership with Georges Croix. The aim is to create a leading player in the market for B2B cloud-based digital solutions. Econocom Group has set aside an investment budget of up to €100 million over three years. It aims to achieve revenue of €120 million and an operating margin of at least 10% in 2016.

In 2014, Digital Dimension made three acquisitions:

- Rayonnance (May 2014), of which it owns 70%, specialises in business-to-business mobile solutions.
- ASP Serveur (in July 2014), of which it owns 80%, is a leading provider of business-to-business public and private cloud hosting solutions. ASP Serveur owns its infrastructure and has a last-generation ecoefficient data centre.
- Aragon-eRH, of which it owns 66.67%, is a software vendor specialising in cloud-based HRIS solutions that address the full spectrum of a company's HR requirements.

Cross put and call options were signed to finance Digital Dimension's acquisition of the remaining share capital in these three companies.

In addition, Econocom Telecom Services and Tactem, companies specialising in mobile device services, have been made subsidiaries of Digital Dimension to create a more consistent structure.

Econocom also acquired Comiris, a French specialist in collaborative and videoconferencing tools with revenue of €13 million.

Lastly, in December, Econocom exercised a call option to increase its stake and acquire a controlling interest (51.3%) in Brazilian company Interadapt and its subsidiary Syrix. Title was transferred in early 2015.

Together, these acquisitions represented a total investment of €17 million (net of the cash position of the acquired companies). Econocom also settled in 2014 the remaining balance to complete the acquisition of Osiatis, i.e., approximately €30 million.

11.1.1.2. Other investments

Econocom also set up its own in-house financing entity, part of its subsidiary Econocom Digital Finance Ltd, to support the development of the Group's innovative offerings in the digital sector. This initiative boosted the momentum of the Technology Management & Financing activity. Its impact on the Group's net debt at 31 December 2014 was €27 million.

The Group also invested in its equipment and software to improve staff productivity and deliver new services to clients. These investments totalled €17 million for the year, primarily financed through equity.

11.1.2. 2015

In 2015, Econocom devoted nearly €70 million to acquisitions, €20 million to acquisition capital, 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 IT security; in 2015, it created the first European CERTTM dedicated to the security of connected objects 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 apps. 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.

11.1.3. 2016

As in 2015, the Group focused its acquisition strategy on SMBs operating in high-potential 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, telephony, 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 term of changes in ownership interest, in 2016, Econocom Group acquired an additional tranche of shares in the Rayonnance group, 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 now stands at 56.87%, 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.

11.1.3.1. Other equity 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, lifting 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 clients. 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.

11.2. TRENDS AND OUTLOOK

The group's Management is confident in the group's prospects for 2017 and expects another year of a sustained organic growth (in excess of 5%) and a double-digit rise in recurring operating profit . Recurring operating profit should thus exceed the target of €150 million set as part of the Mutation 2013-2017 plan, and includes €18 million of "operational investments" which will be used to expand the teams, develop talents, and enhance the ofering and brand image.

In addition, Econocom will continue its selective acquisition policy in strategic areas.

With these successes and the encouraging start, the group will present a new strategic plan called "E for Excellence" in September 2017.

03

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 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 2.1 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 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 Brazilian subsidiaries.

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", to the consolidated financial statements).

Each year, Econocom undertakes external growth transactions as part of its mixed growth strategy, and the Group boasts recognised integration experience. The successful acquisition and subsequent integration of ECS Group, which was acquired in 2010 and enabled the Group to double in size, followed by the acquisition of Osiatis in 2013, are testament to the Group's experience in this area.

In 2016, Econocom Group pressed ahead with its acquisition policy, taking control of five mid-sized companies specialising in four strategic growth sectors: security, web and mobile apps, digital solutions and infrastructure and network consulting. Econocom Group has put in place an original integration and governance model for 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.

The Group is not aware of any exceptional events or litigation likely to have a substantial impact on its financial position, assets, business or the results of its operations. Any pending litigation is covered by provisions for appropriate amounts calculated by Group Management.

Disclosures concerning litigation and arbitration proceedings likely to have a material impact on Econocom Group's financial position, business or results of operations at 31 December 2016 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. Regarding 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 Econocom 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. DEPENDENCY 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.

Between 2015 and 2016, the proportion of the Group's five biggest funders rose slightly to 68% of the total value of refinanced rents in 2016. In 2016, the Group's main funder represented some 30% of the total value of refinanced rents.

3.2. CUSTOMER DEPENDENCY RISK

The Group continually strives to broaden its client portfolio as part of its development strategy to gain market share. At 31 December 2016, no single client represented over 5% of the Group's consolidated revenue.

3.3. SUPPLIER DEPENDENCY RISK

Given the wide 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 2016, no supplier accounted for more than 15% of the Group's total purchases.

3.4. TECHNOLOGY DEPENDENCY 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 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 manages its exposure to interest rate risks by balancing out its sources of financing between fixed and floating rate borrowings.

At 31 December 2016, the Group's floating-rate debt comprises short-term borrowings (credit lines, commercial paper and bridge loans), and short-term factoring agreements. No hedges of floating-rate borrowings were outstanding at 31 December 2016.

The Group's long-term debt is at fixed rates and comprises the ORNANE bonds convertible into cash and/or into new shares and/or exchangeable for existing shares for €175 million, a euro private placement (Euro PP) for €101 million and a €150 million Schuldschein bond. Following acquisitions carried out as from 2013, Econocom has also taken on the fixed-rate loans carried on its acquirees' books.

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 2016, 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 €50 million was outstanding at 31 December 2016.

At that date, Econocom had €320 million in bilateral bank credit facilities of which €130 million committed for two years and €90 million committed for more than two years.

Econocom also has €52 million in bilateral bank loans to finance its leases at rates that remain fixed for the duration of the loans.

To finance its investments – in particular acquisitions – in December 2016, Econocom issued a Schuldschein bond (German private placement) for a total amount of €150 million with tranches maturing in five and seven years, paying interest at an average rate of 1.54%.

Econocom Group also issued:

- in May 2015, a €101 million private placement on Alternext, split into two tranches: one tranche for €45.5 million maturing in five years and paying interest at 2.364%, and a second tranche for €55.5 million maturing in seven years and paying interest at 2.804%.
- In January 2014, the Group issued ORNANE bonds convertible into cash and/or into new shares and/or exchangeable for existing shares. The issue was for a total of €175 million, maturing in 2019, and paying annual interest at a nominal rate of 1.5%. The issue price was €10.60 per bond. The bonds will be redeemed in cash at 105.26% of par, i.e. at a price of €11.16 per bond.

Based on current financial forecasts, Group Management believes it has sufficient resources to ensure the continuity of its activities. 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 2017 or 2018.

4.2. 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 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 does nevertheless have the option of retaining the credit risk on certain strategic transactions, provided that they do not have a material impact on the business's risk profile. At 31 December 2016, outstanding amounts at risk totalled €151 million or around 6% of total outstanding amounts for the Technology Management & Financing business.

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 2016 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.

The Group's January 2014 ORNANE bond issue has a derivative component which varies in line with changes in Econocom's share price and other criteria (volatility, dividends, interest rates). ORNANE is a convertible bond which associates investors with share price performance by awarding an outperformance premium representing the difference between the share price at the maturity date and the par value of the bond. In the event that bondholders wish to convert any number of their bonds, the number of shares to be issued by Econocom to redeem the corresponding bonds can vary depending on the share price and the payment method chosen by the Group (in cash and/or in shares). This variable factor is reflected by recognising a liability remeasured at fair value through profit or loss each year. This derivative instrument is carried in liabilities in the statement of financial position for €45.4 million at 31 December 2016.

04

MANAGEMENT REPORT OF THE BOARD OF DIRECTORS ON THE FINANCIAL STATEMENTS

for the year ended 31 December 2016

MANAGEMENT REPORT OF THE BOARD OF DIRECTORS ON THE FINANCIAL STATEMENTS

for the year ended 31 December 2016 presented to the Annual General Meeting of 16 May 2017

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 2016, as well as the compensation report.
The definitions of the performance indicators used in the following pages are provided as an appendix to this report (section 2.2.1) when they differ from the commonly accepted definitions.

1. THE GROUP'S FINANCIAL POSITION AND 2016 HIGHLIGHTS

2016 was a stellar year. The Group delivered a performance in line with its objectives, reporting the best results in its history, notably in terms of revenue and recurring operating profit(1).

Revenue exceeded €2.53 billion; it was up 9.5% compared with 2015, with organic growth of 6.7%. As in 2015, all activities contributed to growth.

Recurring operating profit totalled €140.3 million, an increase of 19.2% compared with 2015. All of the Group's businesses recorded double-digit growth in their recurring operating profit and an improvement in their margins. The growth in the Group's recurring operating profit, at more than twice the pace of revenue, was attributable chiefly to the increased profitability of the Services business, which benefited from the synergies implemented since the acquisition of Osiatis, the development of its offer and productivity gains in its delivery. The Group received a further boost from targeted investments in fast-growing sectors such as security, web and mobile applications, digital solutions charged as a fee and digital transformation consulting.

Recurring profit for the year attributable to owners of the parent grew by more than 19%, in line with the increase in recurring operating profit.

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 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 2016, Econocom accordingly continued its investment strategy initiated in 2014 by taking majority shareholdings in new Satellites (see below), whilst launching a number of 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.

Econocom also took advantage of favourable market conditions to launch a successful "Schuldschein" loan issue (private placement under German law) in a total amount of €150 million at the end of November 2016, thereby increasing its financial resources.

(1) Before amortisation of intangible assets from acquisitions.

1.1. CHANGES IN THE SCOPE OF CONSOLIDATION IN THE YEAR

1.1.1. ACQUISITIONS

As in 2015, the Group focused its acquisition strategy on SMBs operating in high-potential markets. The five deals carried out in 2016 are as follows:

Technology Management & Financing

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, telephony, tablets, etc.). It reported revenue of €2.1 million in 2016.

Products & Solutions

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 launch its Products & Solutions business successfully in Spain, and to offer its Spanish customers a comprehensive range of services, as it does in France, Benelux and Italy.

Services

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.

1.1.2. CHANGES IN OWNERSHIP INTEREST

Rayonnance – Acquisition of an additional tranche of shares

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

Econocom Brasil – Capital increase

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

Exaprobe – Capital increase

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.

1.1.3. OTHER EQUITY 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.

1.2. PRINCIPAL INVESTMENTS

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 clients.

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.

1.3. FINANCING TRANSACTIONS

Amid attractive market conditions, the Group continued to diversify and optimise its financing sources.

1.3.1. ISSUE OF A SCHULDSCHEIN LOAN

At the end of November 2016, Econocom successfully issued a Schuldschein loan (private placement under German law) in a total amount of €150 million with fixed- and floating-rate tranches of five and seven years respectively; the floating-rate tranche was hedged by a swap contract.

The Schuldschein format was chosen because of its non-dilutive nature and the buoyancy of the market. The transaction, carried out at an average interest rate of 1.54%, enabled the Group to lower the average cost of its debt while extending its average maturity. It allowed Econocom to further diversify its financing sources and to expand its investor base.

1.3.2. BOND AND SHARE BUYBACKS

In 2016, Econocom bought back on the market 3,740,745 of its ORNANE convertible bonds maturing in 2019, representing 22.7% of the bonds issued.

The Group also continued to buy back its own shares. In 2016, it purchased 2,766,927 and sold 3,160,000 shares in connection with the exercise of options. At 31 December 2016, the Group held (directly and through its liquidity agreement) 5,398,364 of its own shares, representing 4.77% of the company's share capital.

These transactions demonstrate the Group's confidence in its growth prospects and its commitment to limiting dilution for its shareholders.

1.4. RESEARCH & DEVELOPMENT

The Group places particular emphasis on innovation and as such has research and development conducted by employees from the Group's various business lines and countries. R&D projects primarily cover the study of uses, the transformation of clients' ICT and communications systems, and the design and implementation of innovative digital solutions to address the various issues associated with the security, mobility, architecture and interoperability of information and communication systems. At 31 December 2016, the Group had nearly 7,900 engineers and technicians.

2. RESULTS FOR THE YEAR

2.1. INCOME STATEMENT

in € millions	2016	2015	Change
REVENUE	2,536.2	2,316.1	9.5%
TECHNOLOGY MANAGEMENT & FINANCING	*1,259.0*	1,149.0	9.6%
SERVICES	*802.3*	729.9	9.9%
PRODUCTS & SOLUTIONS	*474.9*	437.2	8.6%
RECURRING OPERATING PROFIT BEFORE AMORTISATION OF INTANGIBLE ASSETS FROM ACQUISITIONS(1)	**140.3**	**117.7**	**19%**
RECURRING OPERATING PROFIT	136.1	113.5	20%
NON-RECURRING OPERATING INCOME AND EXPENSES	(6.8)	(5.2)	29%
OPERATING PROFIT	**129.3**	**108.3**	**19%**
CHANGE IN FAIR VALUE OF THE ORNANE EMBEDDED DERIVATIVE COMPONENT	(37.9)	(6.3)	501%
OTHER FINANCIAL INCOME AND EXPENSES	(17.4)	(12.4)	40%
PROFIT BEFORE TAX	**74.1**	**89.6**	**(17%)**
INCOME TAX EXPENSE	(35.7)	(30.7)	16%
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	-	(0.1)	n/a
SHARE OF PROFIT (LOSS) OF ASSOCIATES AND JOINT VENTURES	(0.2)	(0.1)	n/a
PROFIT FOR THE YEAR	**38.2**	**58.7**	**(35%)**
NON-CONTROLLING INTERESTS	(1.4)	0.9	(256%)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	39.6	57.8	(31%)
RECURRING PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT(1)	**83.0**	**70.1**	**18%**

(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.

Reconciliation of reported profit with recurring profit: 2016 with comparable 2015 data

in € millions	2016 – Reported	Amortisation of intangible assets from acquisitions	Change in fair value of the ORNANE embedded derivative component	Buybacks of ORNANE bonds	Other non-recurring items	2016 – Recurring	2015 – Recurring
REVENUE	**2,536.2**	-	-	-	-	2,536.2	2,316.1
RECURRING OPERATING PROFIT[1]	**140.3**	**-**	**-**	**-**	**-**	**140.3**	**117.7**
RECURRING OPERATING PROFIT	*136.1*	*4.2*	*-*	*-*	*-*	*140.3*	*117.7*
OTHER NON-RECURRING OPERATING INCOME AND EXPENSES	**(6.8)**	-	-	-	6.8	-	-
OPERATING PROFIT	**129.3**	4.2	-	-	6.8	140.3	117.7
OTHER FINANCIAL INCOME AND EXPENSE	**(17.4)**	-	-	4.5	-	(12.9)	(12.4)
CHANGE IN FAIR VALUE OF THE ORNANE EMBEDDED DERIVATIVE COMPONENT	**(37.9)**	-	37.9	-	-	-	-
PROFIT BEFORE TAX	**74.1**	**4.2**	**37.9**	**4.5**	**6.8**	**127.4**	**105.3**
INCOME TAX EXPENSE	**(35.7)**	(1.7)	-	(2.8)	(3.2)	(43.4)	(33.6)
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	**0.0**	-	-	-	-	-	-
SHARE OF PROFIT (LOSS) OF ASSOCIATES AND JOINT VENTURES	**(0.2)**	-	-	-	-	(0.2)	(0.1)
PROFIT FOR THE YEAR	**38.2**	**2.5**	**37.9**	**1.7**	**3.6**	**83.8**	**71.6**
NON-CONTROLLING INTERESTS	**(1.4)**	-	-	-	2.3	0.8	1.5
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	**39.6**	2.5	37.9	1.7	1.3	83.0	70.1

(1) Before amortisation of intangible assets from acquisitions.

Earnings per share attributable to owners of the parent (€)

in €	**2016**	2015	Change
EARNINGS PER SHARE	0.37	0.53	-30.9%
DILUTED EARNINGS PER SHARE	0.36	0.52	-31.0%
RECURRING EARNINGS PER SHARE	0.77	0.65	19.2%

Number of outstanding shares

	2016	2015
AVERAGE NUMBER OF SHARES OUTSTANDING(1)	107,721,797	108,508,895
TOTAL NUMBER OF SHARES AT YEAR-END	112,519,287	112,519,287
NUMBER OF SHARES OUTSTANDING AT YEAR-END(1)	107,120,923	106,727,850
SHARE PRICE AT 31 DECEMBER *in €*	13.94	8.55
MARKET CAPITALISATION AT 31 DECEMBER *in € millions*	1,569	962

(1) Excluding treasury shares.

Comments on the Group's key figures

In 2016, Econocom Group posted consolidated revenue of €2,536 million, compared with €2,316 million in 2015, an increase of 9.5%, with organic growth of 6.7%. This performance was driven by all three activities, 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 €247.5 million to consolidated revenue in 2016, compared with €155.9 million in 2015.

The Group's recurring operating profit before amortisation of intangible assets from acquisitions was €140.3 million, compared with €117.7 million in 2015, an increase of 19.2%. This strong growth was driven by the healthy business trend in 2016, the success of multi-business line offerings, the benefit of the synergies arising from the acquisition of Osiatis and the productivity plans implemented in all of the Group's businesses. It also resulted from improved operating margins across business lines, particularly Services, where the margin firmed from 4.9% to 5.8%. For the Group as a whole, all activities combined, profitability was 5.5%, up from 5.1% in 2015.

The Group's operating profit was €129.3 million, compared with €108.3 million in the previous year, an increase of more than 19%. Non-recurring expenses amounted to €6.8 million, an increase of €1.5 million compared with 2015, due largely to adjustments to the workforce and the relocation of activities mentioned above, partly offset by changes in the value of certain acquisition-related debt.

Net financial expense for 2016 was very unfavourably impacted by the effects linked to the convertible bond issue (ORNANE), and in particular the €37.9 million expense relating to the marking to market of the embedded derivative component (an accounting item with no cash impact) following the sharp increase in the share price from €8.55 to €13.94 between 31 December 2015 and 31 December 2016. In 2015, the impact of the valuation of the ORNANE derivative was an expense of €6.3 million.

Net financial expense was further impacted by the buyback of ORNANE bonds during the year. In 2016, the Group bought back 3.7 million bonds for €48.7 million, representing an average purchase price of €13.03. At the end of December 2016, 12.8 million bonds remained outstanding, out of an initial total of 16.5 million. These buybacks, which resulted in an unfavourable income tax impact of €1.7 million, significantly reduced the change in the fair value of the derivative instrument, meaning that the transaction had a positive overall impact of €7.2 million over the year.

Adjusted for the impacts related to the ORNANE bonds, net financial expense for 2016 edged up slightly (+3.8%) year on year.

In view of this change in net financial expense, and despite a strong increase in recurring operating profit, net profit was €38.2 million, down 34.5%, whereas recurring profit attributable to owners of the parent rose by more than 18% to €83.0 million.

This trend and the absence of dilution resulted in a 19.2% increase in recurring earnings per share to €0.77.

2.1.1. BREAKDOWN OF KEY FIGURES BY BUSINESS SECTOR

Revenue and recurring operating profit[1] break down as follows:

Revenue

in € millions	2016	2015	Total growth	Like-for-like growth
TECHNOLOGY MANAGEMENT & FINANCING	1,259	1,149	9.6%	9.4%
SERVICES	802	730	9.9%	2.7%
PRODUCTS & SOLUTIONS	475	437	8.6%	6.8%
TOTAL REVENUE	**2,536**	**2,316**	**9.5%**	**6.7%**

(1) Before amortisation of intangible assets from acquisitions.

Recurring operating profit

in € millions	2016	2015	Total growth	2016 recurring operating margin	2015 recurring operating margin
TECHNOLOGY MANAGEMENT & FINANCING	80.2	70.1	14.4%	6.4%	6.1%
SERVICES	46.4	35.5	30.7%	5.8%	4.9%
PRODUCTS & SOLUTIONS	13.7	12.1	13.2%	2.9%	2.8%
TOTAL RECURRING OPERATING PROFIT	**140.3**	**117.7**	**19.2%**	**5.5%**	**5.1%**

Technology Management & Financing (TMF) recorded revenue of €1,259 million in 2016, compared with €1,149 million in 2015, representing growth of 9.6%, essentially organic. This performance reflects good business trends, driven by momentum in the digital transformation market, the Group's in-house funding division, Econocom Digital Finance Ltd, as well as the development of the sales force and the structured financing team. This excellent trend was also seen in the business's recurring operating profit, which increased by 14.4% to €80.2 million, compared with €70.1 million in 2015.

Services posted revenue of €802 million in 2016, compared with €730 million in 2015, an increase of 9.9%, with organic growth of 2.7%. The business benefited from the synergies extracted since the successful integration of Osiatis, the change in its offerings and the optimisation plans implemented. It should be noted that revenue generated by the Services business with the TMF entities increased substantially. This revenue is eliminated from the consolidated figures presented here. Business was also driven by the good performance of the Satellites and their high value-added positioning in the digital transformation market. The improvement in the profitability of the Planet's Services business resulted in a recurring operating profit of €46.4 million, with a margin of 5.8%, up from 4.9% in 2015.

Lastly, Products & Solutions recorded revenue of €475 million in 2016, compared with €437 million in 2015, an increase of 8.6% (6.8% on an organic basis). The trend was driven notably by France, but also by Spain, where the Caverin Satellite, acquired at the beginning of the year, is enjoying strong growth on the back of synergies between the Group's three businesses, now all represented in that country.

2.1.2. REVENUE BY GEOGRAPHICAL AREA

The breakdown of revenue by geographical area is as follows:

in € millions	2016	2015	Change
FRANCE	1,363	1,236	10.3%
BENELUX	344	346	-0.6%
SOUTHERN EUROPE/MOROCCO	476	409	16.4%
NORTHERN & EASTERN EUROPE/AMERICAS	353	325	8.7%
TOTAL REVENUE	**2,536**	**2,316**	**9.5%**

All the Group's geographical areas posted strong growth, with the exception of Benelux, which was down slightly. In this area, positive business momentum almost entirely offset the unfavourable comparison base resulting from the large TMF contracts signed in early 2015, a performance not replicated in 2016.

Growth in France was driven by Technology Management & Financing and Products & Solutions, but also by the Services business, which benefited from the the Satellites. France is the Group's leading geographical area, benefiting above all 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 in Italy, where all three businesses delivered significant growth, and where the Group's cross-functional offerings were successfully deployed.

Northern & Eastern Europe and the Americas also posted strong sales, particularly in the Technology Management & Financing business in the United Kingdom and Ireland.

2.2. STATEMENT OF FINANCIAL POSITION

in € millions	2016	2015
GOODWILL	539.1	483.5
PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND LONG-TERM FINANCIAL ASSETS	135.8	118.4
RESIDUAL INTEREST IN LEASED ASSETS	107.1	98.2
OTHER NON-CURRENT ASSETS	24.0	18.7
TRADE AND OTHER RECEIVABLES	882.1	804.7
OTHER CURRENT ASSETS	97.7	84.4
CASH AND CASH EQUIVALENTS	348.7	209.6
TOTAL ASSETS	**2,134.5**	**1,817.5**

in € millions	2016	2015
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	201.4	228.1
NON-CONTROLLING INTERESTS	77.6	52.4
TOTAL EQUITY	**279.0**	**280.5**
FINANCIAL LIABILITIES	144.8	120.5
CONVERTIBLE BONDS (ORNANE)	137.5	173.6
OTHER NON-CONVERTIBLE BONDS	251.6	101.9
SHORT-TERM PROVISIONS	81.4	74.3
GROSS LIABILITY FOR PURCHASES OF LEASED ASSETS	68.3	62.1
TRADE AND OTHER PAYABLES	862.6	739.8
ORNANE DERIVATIVE	45.4	11.9
OTHER LIABILITIES	263.9	252.9
TOTAL EQUITY AND LIABILITIES	**2,134.5**	**1,817.5**

Goodwill

At 31 December 2016, goodwill amounted to €539.1 million, up €55.6 million compared with the previous year (€483.5 million at 31 December 2015). The increase is attributable to acquisitions made during the year. Goodwill of companies acquired in 2016 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

Equity remained stable at €279 million at end-2016 (€280.5 million at 31 December 2015), as profit for the year in 2016 (€38.2 million) was offset essentially by the shareholder return (€18.8 million refund of the issue premium) and the impact of €17.2 million in treasury shares bought back.

At 31 December 2016, Econocom Group held 5,398,364 treasury shares valued at €75.3 million not recorded in its balance sheet (at the share price on 31 December 2016, i.e., €13.94).

The breakdown of equity attributable to owners of the parent and to non-controlling interests varies as a result of acquisitions. Accordingly, at 31 December 2016, equity attributable to non-controlling interests stood at €77.6 million, up €25.2 million. This increase is due mainly to the Group's decision to apply the full goodwill method.

The decrease in equity attributable to owners of the parent is mainly the result of the recognition of put and call options for non-controlling interests in the companies acquired in 2016.

Net debt

At 31 December 2016 net debt stood at €185.2 million and broke down as follows:

in € millions	**2016**	**2015**
CASH AND CASH EQUIVALENTS	348.7	209.5
BANK DEBT AND COMMERCIAL PAPER	(64.1)	(66.2)
NET CASH AT BANK	**284.6**	**143.4**
CONVERTIBLE BOND DEBT (ORNANE)	137.5	173.6
NON-CONVERTIBLE BOND DEBT (EURO PP)	102.0	101.9
NON-CONVERTIBLE BOND DEBT (SCHULDSCHEIN)	149.6	-
FINANCE LEASE LIABILITIES	(3.3)	(3.4)
CONTRACTS AND RECEIVABLES REFINANCED WITH RECOURSE	(77.4)	(50.8)
NET DEBT	**(185.2)**	**(186.4)**

At 31 December 2016, Econocom had net debt of €185 million, equivalent to that of 2015. At the same date, the Group had net cash at bank of €285 million, bolstered by the €150 million Schuldschein loan successfully issued at the end of November.

Its ability to generate robust cash flows allowed the Group to maintain its net financial debt at the same level as a year earlier, despite significant investments during the year on external growth transactions, on developing the EDFL in-house funding division, and on the Group's active shareholder return policy (buybacks of treasury shares and refunds of issue premiums).

Net financial debt represents less than 1.3 times the Group's 2016 EBITDA, and the Group's gearing (net financial debt to total equity) stands at 66%. This low level gives the Group the means to achieve its future development ambitions.

2.2.1. WW – 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 2016, 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, reciprocal commitments to buy non-controlling interests), as well as costs related to the various external growth operations.

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 Group 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 2016, 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 profit and expenses, net of tax effects,
- Non-recurring financial income and expense, net of tax effects,
- Income 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. 2016 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

Sales of services to the Group's subsidiaries for the year totalled €28.9 million, compared with €14.2 million in the previous year.

Operating profit for the year amounted to €2.6 million in 2016, compared with €1.6 million in 2015. This decrease is due mainly to movements in provisions for risk of losses on exercise of stock options. The exercise of options during the year had a net positive impact of €1.2 million.

Net financial income came to €45.8 million, compared with €4.9 million in 2015. It consists mainly of dividends received from subsidiaries in the amount of €49.1 million and income net of interest and guarantee commissions invoiced to the subsidiaries amounting to €10.7 million (compared with €7.3 million in 2015), and the cost of external debt in the amount of €16.6 million, compared with €6.4 million the previous year. The latter amount includes a full year of interest for the Euro PP (issued May 2015), the increased use of commercial paper, the Schuldschein loan issued in November 2016 and the impact of buybacks of ORNANE bonds during the year.

Net non-recurring items were virtually nil (income of €0.1 million), as in the previous year.

Income tax expense was €0.7 million for the year, compared with €1.9 million in 2015.

Net profit accordingly totalled €47.8 million (compared with €4.6 million in 2015).

2.3.2. BALANCE SHEET OF ECONOCOM GROUP SE

At 31 December 2015, Econocom Group SA's equity stood at €317.4 million, compared with €288.4 million in 2015. This favourable trend reflects the strong growth in profit for the year (€47.8 million), which substantially exceeded the amount of issue premium refunds, treated as paid-up capital, in the amount of €18.8 million in 2016.

External borrowings (non-Group) amounting to €444.8 million correspond to the ORNANE convertible bonds (issued in January 2014 and due to mature in 2019) worth €142.1 million, the EURO PP (issued in May 2015 with maturities of five and seven years) of €102.5 million, the Schuldschein loan (issued in November 2016 with maturities of five and seven years) of €150.3 million and the commercial paper programme worth €50 million (with short-term maturities of between one and three months).

Long-term receivables and investments in related companies decreased by €23.7 million due to a €54.3 million reduction in loans granted to subsidiaries corresponding to repayments made during the year, partially offset by new equity investments made in 2016 and described below.

2.3.3. BUSINESS OVERVIEW

2.3.3.1. Acquisitions, additional investments and formations of subsidiaries

In 2016, Econocom Group made investments focused on mid-sized companies specialising in strategic growth sectors: digital solutions and multimedia solutions.

Econocom Group as such acquired a controlling stake (66.67%) in Spanish company Caverin Solutions, a provider of digital multimedia solutions. Caverin Solutions reported revenue of €14 million in 2015.

Econocom Group also acquired a controlling stake (81.3%) in MCNext, a consulting and engineering firm specialising in Microsoft solutions. MCNext posted revenue of €15.6 million in 2015; it has 190 employees.

Econocom Group also increased or acquired non-controlling interests in innovative digital start-ups:

- Histovery, which offers visitors a new way of enjoying France's cultural heritage via interactive technological solutions.
- Magic Maker, a French start-up specialising in the teaching of programming through creative programming workshops for children.

In addition, in terms of its subsidiaries:

- Econocom carried out a capital increase of €5.9 million for its subsidiary Econocom International Italia SpA in order to fund the acquisition of Asystel Italia.
- Econocom Group also acquired part of the stake held in Econocom Finance SNC by Econocom Managed Services for approximately €14.0 million. This transaction left Econocom Group directly holding 41.4% of Econocom Finance SNC.

2.3.3.2. Legal reorganisation

As is the case each year, Econocom Group implemented measures to streamline and simplify its legal organisation.

Measures performed in 2016 were aimed at combining companies with similar activities in the same country. In France, Econocom Products and Solutions absorbed Asystel, while Alter Way consolidated all of its operating subsidiaries within Alter Way Makers. In Italy, Bizmatica's various operating subsidiaries were merged to form Bizmatica Sistemi. Lastly, Digital Dimension absorbed Norcod, a company acquired in 2015.

German subsidiary Econocom Services GmbH was also merged with its parent company, Econocom GmbH.

As a result of the reorganisation carried out in 2016, the number of legal entities within the Group was reduced by 10, and the company organisation was streamlined.

2.3.3.3. Treasury shares

Econocom Group has a share buyback programme, which allows it to:

- issue shares to avoid potential dilution of shareholders' interests due to the exercise of options;
- fund 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 €4 and the maximum price at €20.

The maximum number of shares to be purchased throughout the five-year period was increased to 22,503,857. Since the beginning of the buyback programme, 12,185,813 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 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 (*Code des sociétés*), for up to 20% of the share capital, as provided for under article 620 of the Belgian Companies Code.

In 2016, the following treasury share movements took place:

- Econocom Group acquired 3,149,829 Econocom Group shares for an acquisition price of €34.4 million;
- Econocom Group delivered 3,160,000 treasury shares to cover the exercise of stock options due to mature in the amount of €9.7 million;
- Econocom Group delivered 270,749 treasury shares as part of transactions backing buybacks 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 2016, Econocom Group held 5,364,264 treasury shares as part of the share buyback programme, and 34,100 Econocom Group shares as part of the liquidity agreement with Exane, representing a total of 5,398,364 Econocom Group shares or 4.80% 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 €155.5 million, in addition to retained earnings in the amount of €87.6 million.

Econocom Group’s non-distributable reserves stood at €50.5 million.

2.3.3.4. Share capital

At 31 December 2016, Econocom Group’s share capital was made up of 112,519,287 shares with no stated par value and totalled €21,563,999.86.

Items that could have an influence on Econocom Group’s share capital are the ORNANE convertible bonds issued in 2014 and the 2014 stock option plan.

In January 2014 Econocom Group successfully placed €175 million worth of bonds convertible into cash and/or new shares and/or exchangeable for existing shares (ORNANE), due to mature in January 2019.

The bonds were issued with an initial conversion premium of 33% over the reference price of the Econocom share of €7.9696. They carry a fixed coupon of 1.5% per annum, payable annually in arrears on 15 January of each year. They were issued at 100% of the par value (i.e., €10.60 per bond) and, unless previously redeemed, converted or repurchased, will be redeemed in cash on 15 January 2019 at the accreted redemption price of 105.26% of the par value, corresponding to an effective conversion premium and price of 40% and €11.16, respectively, at maturity.

On 31 December 2016, following the buybacks carried out during the year, the total number of ORNANE convertible bonds due to mature on 15 January 2019 currently outstanding was 12,768,688. Upon exercise of their conversion right, bondholders will receive an amount in cash and, where applicable, an amount payable in new and/or existing Econocom shares for the remainder (Econocom may choose whether to use only new and/or existing shares). In the event that all convertible bonds were converted into new shares, at the initial conversion price and according to the initial conversion rate of one share for each bond, 12,768,688 new shares carrying voting rights would be issued.

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. The granting of stock subscription options in 2014 resulted in an issue of a maximum of 2,500,000 new shares, within the authorised capital. At 31 December 2016, 2,480,000 stock options had been granted to approximately 20 of the Group’s managers under the 2014 Stock Option Plan.

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, 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 2016, authorised unissued capital (excluding issue premiums) stood at €21,563,999.86, as no transactions concerning the authorised capital were carried out in 2016.

Changes in share capital since 2005 have consisted of capital increases in connection with the exercise of stock options by the Group's employees, and capital increases within the scope of external growth transactions to fund a portion of acquisitions, as was the case in 2010 for the acquisition of ECS Group and in 2013 for the mixed public offer carried out for the acquisition of Osiatis. In 2014, there were five capital increases in connection with OCEANE bond conversion requests for a total of 9,055,276 new shares.

The Company's ownership structure is described in section 5, "Corporate governance statement".

3. RISK FACTORS AND DISPUTES

Risk factors did not change significantly in 2016. They are described in Note 19.

4. OUTLOOK FOR 2017 AND DIVIDEND FOR 2016

Econocom Group's Management anticipates another year of sustained organic revenue growth of more than 5% in 2017. This strong growth will be driven by trends in the market for the digital transformation of businesses and public services, the Group's unique growth model and its investments in Satellites operating in the most promising segments of the digital market, investments in its sales forces and commercial offerings, and lastly, synergies between the Group's three areas of expertise, which will spur its growth and contribute to the increase in profitability.

Management also expects further double-digit growth in recurring operating profit[(1)], which is expected to be well above the target of €150 million set at the launch of the Mutation 2013-2017 strategic plan.

As a result of the Group's strong financial position and prospects, the Board of Directors will recommend to the General Meeting that shareholders receive a refund of the issue premium, considered as paid-in capital, in the amount of €0.20 per share.

This refund represents a 14% increase in the gross shareholder return and a 33% increase over two years.

In addition, the Group plans to continue to buy back treasury shares.

These shares will be used to cover the Group's commitments as part of stock option plans and to limit the dilution generated by the possible conversion of the convertible bonds (ORNANE).

(1) Before amortisation of intangible assets from acquisitions.

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 its Corporate Governance charter (in French only) on its website: www.econocom.com under Investors/ Governance.

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 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.

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 which Econocom Group has set aside, in whole or in part, are described below.

The Group currently only partially applies the recommendations of Principle 1 of the 2009 Code.

For reasons relating to Econocom Group's ownership structure, Jean-Louis Bouchard performs the duties of Chairman of the Board, Chief Executive Officer and Chairman of the 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 2016, Jean-Louis Bouchard indirectly held 41.03% of Econocom Group's capital.

Econocom Group complies with Principle 2 of the Belgium Corporate Governance Code, which recommends that at least half of the members of the Board of Directors should be non-executive. At 31 December 2016, the Board of Directors comprised 12 Non-executive Directors out of 15.

However, the Board has not appointed 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.

To date, Econocom Group does not have a Board of Directors of which at least a third of the members are women, as required pursuant to article 518 *bis* of the Belgian Companies Code. At 31 December 2016, the Board had four women members: Véronique di Benedetto, appointed in 2011, and Adeline Challon-Kemoun, Anne Lange and Marie-Christine Levet, appointed in 2016. In accordance with paragraph 3 of article 518 *bis*, Econocom Group has one year to comply with this requirement (i.e., until the end of 2017).

In order to comply with the recommendations in Principle 3 of the 2009 Code, Econocom Group drew up and implemented a procedure relating to transactions and other contractual relations between the companies making up Econocom Group and its directors and senior managers.

The Board of Directors has not drafted specific procedures on insider trading but keeps an updated list of insiders. These people have been formally notified of the law regarding market malpractices.

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 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, its members and its Committees, such assessments take place on a continuous basis.

In order to comply with the changes to Corporate Governance rules, and in particular the law of 6 April 2010, in 2011 the Econocom Board of Directors set up a Compensation Committee. The composition of the Compensation Committee at 31 December 2016 complies with the 2009 Code, which requires that a majority of the members of the committee be independent. The committee now has three Non-executive Directors, two of whom are 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.

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 IT systems used by the Group for the development of financial reporting are largely harmonised and unified; the migration of all subsidiaries to the same accounting software was finalised in the first quarter 2016.

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

The accounting systems used within the Group have now been harmonised, and are shared by all businesses and subsidiaries except Satellites in which the Group has acquired a stake since 2014, some of which still use software other than that used elsewhere in the Group.

The various business IT systems are interfaced with the accounting system in order to ensure that the 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. SHARE VALUE AND OWNERSHIP STRUCTURE

At 31 December 2016, Econocom Group's share capital consisted of 112,519,287 shares, held as indicated below:

	2016	2015
COMPANIES CONTROLLED BY JEAN-LOUIS BOUCHARD	41.03%	41.03%
PUBLIC SHAREHOLDERS	54.20%	53.82%
TREASURY SHARES	4.77%	5.15%
TOTAL	**100%**	**100%**

Econocom Group was notified that, at 31 December 2016, two shareholders (other than the companies controlled by Jean-Louis Bouchard) – Butler Industries Benelux Ltd (and, indirectly WB Finance et Partenaires and Walter Butler) and Kabouter Management, LLC – had exceeded the 5% share ownership threshold.

There are no shareholders with special controlling rights.

Other than the treasury shares (4.77%) and shares held by the Belgian Caisse des Dépôts et Consignations (0.49% belong to bearer shareholders who did not come forward when the Belgian Stock Market converted to electronic shares), which have no voting rights, there are no other particular legal or statutory restrictions with respect to voting rights.

5.5. COMPOSITION AND FUNCTIONING OF THE ADMINISTRATIVE BODIES AND COMMITTEES

5.5.1. COMPOSITION OF THE BOARD OF DIRECTORS

At 31 December 2016, the Board of Directors had 15 members:

Jean-Louis Bouchard,
(term of office expires at the May 2020 Annual General Meeting)
23, avenue de Boufflers, 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)
4, rue des Cérisoles, 75008 Paris (France)
Vice-Chairman of the Board of Directors and Non-executive Director 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 2017 Annual General Meeting)
86, rue Miromesnil, 75008 Paris (France)
Non-executive Director of Econocom Group

Georges Croix,
(term of office expires at the May 2019 Annual General Meeting)
1, rue Salomon Reinach, 78100 Saint-Germain-en-Laye (France)
Non-executive Director of Econocom Group

Gaspard Dürrleman,
(term of office expires at the May 2017 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, rue de Lubeck, 75016 Paris (France)
Non-executive Director of Econocom Group

Bruno Lemaistre,
(term of office expires at the May 2020 Annual General Meeting)
Avenue Lequime 59, 1640 Rhode Saint-Genèse (Belgium)
Chief Executive Officer 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)
8, rue Berlioz, 75116 Paris (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 2017 Annual General Meeting)
60, quai du Parc, 94100 Saint-Maur-des-Fossés (France)
Independent Director of Econocom Group

At 31 December 2016, 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 General Shareholders' Meeting of 19 May 2015, a decision was made to create a Vice-Chairman 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-Chairman 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 Lemaistre (appointed at the Board meeting of 20 November 2008 with effect from 22 December 2008) and Bruno Grossi (appointed at the Board meeting of 4 November 2015 with effect from 18 December 2015).
- Six Non-executive Directors, Véronique di Benedetto, Rafi Kouyoumdjian, Gaspard Dürrleman, Robert Bouchard, Georges Croix and Jean-Philippe Roesch. Véronique di Benedetto and Robert Bouchard exercised operational functions within Econocom Group companies at 31 December 2016. However, they are not considered to be Executive Directors, 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, Adeline Challon-Kemoun, Anne Lange, Marie-Christine Levet, Walter Butler, Philippe Capron 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 Code 2009.

In 2016, the Board saw the appointment of four experienced individuals. Adeline Challon-Kemoun and Marie-Christine Levet were appointed at the General Meeting of 17 May 2016, and Anne Lange and Philippe Capron at the General Meeting of 4 November 2016. Christian Bret, who was an Independent Director of Econocom Group, ceased his duties when his term expired in May 2016.

Robert Bouchard has since September 2016 held operational functions within the Group as Managing Director of Digital Dimension. Georges Cross and Jean-Philippe Roesch ceased their operational functions in November and December 2016 respectively.

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 Director 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 and SNC Fontainebleau International.

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 SCI Taillis des Aigles and GMPC, and Co-manager of SCI Maillot Pergolèse.

Véronique di Benedetto holds the position of Chairwoman of SAS Numeya, 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.

Georges Croix is Chairman of GCX.COM, Director of Timyo, Datavolution and Style & Design. He is also Director and Vice-Chairman of the ARCC (*Association de la Réserve Citoyenne Cyberdéfense*).

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.

Bruno Lemaistre does not serve on any other boards outside those of Econocom Group and its subsidiaries.

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, 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.), member of the Supervisory Board and Chairman of the Audit Committee of Virbac.

Adeline Challon-Kemoun is a Director of the Air France Foundation.

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 the ESCPE, Chairman and Director of the Fondation CPE Lyon Monde Nouveau and the Observatoire du Numérique.

5.5.2. ROLE OF THE BOARD OF DIRECTORS

The Board of Directors meets as often as it deems necessary.

In 2016, the Board met on five occasions, including two meetings to approve the interim and annual financial statements. Two written and unanimous decisions of the Directors were also adopted, in accordance with article 18 of the bylaws.

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 the Group's 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, as well as 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 on 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 Committee 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 modified by the Board of Directors at its meeting of 7 September 2016 following the termination of the operational functions of Jean-Philippe Roesch. At 31 December 2016, the Chairman's Council consisted of Jean-Louis Bouchard, Chairman, and Bruno Grossi and Bruno Lemaistre, Executive Directors.

The members of the Chairman's Council hold the title of 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 and it is in charge of 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 once in 2016.

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, three Non-executive Directors and one Independent Director. The Board of Directors appointed Robert Bouchard as member of the Committee for three years on 5 March 2015 and then as Chairman on 1 September 2015. 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 five times in 2016, with all Committee members in attendance, as well as Jean-Philippe Roesch, who then served as Chief Executive Officer in charge of support functions, 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

Whilst the Chairman's Council is in charge of operational management, the Board of Directors has entrusted the day-to-day management 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 the Group's subsidiaries' managers and the limits to these powers are set out in an internal reference document.

5.5.5. APPLICATION OF ARTICLES 523 AND 524 OF THE BELGIAN COMPANIES CODE

Neither article 523 nor article 524 of the Belgian Companies Code were applied in 2016.

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. 2016 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:

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 appended to the corporate governance statement.

3) Commenting on the report during the Ordinary General Shareholders' Meeting.

4) Submitting recommendations to the Board of Directors with respect to the procedure and conditions concerning the directors' and Chairman's Committee members' employment 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 once in 2016.

5.7.1.2. 2016 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; 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, compensation for Chairmen 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 at meetings.

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 on 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 2016 based on annual performance criteria.

Variable compensation paid to Executive Directors and members of the Chairman's Council in 2016 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 joint objectives in line with the Group's budget targets, and in particular restated earnings per share in 2016. The other qualitative and quantitative targets are specific to each Chairman's Council member and Executive Director, and depend on the scope of their responsibility. These targets concern (i) results (revenue and pre-tax profit) of the activity for which they are responsible, (ii) revenue targets or development targets in strategic market segments or offers for the Group (strategic accounts, structured finance, Satellites), and (iii) quality-based targets.

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. However, one of them is paid under a consulting services contract that may be terminated at any time with notice of one month; the monthly salary has been set at €30,000.

The compensation policy for 2017 is consistent with the policy for 2016. 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 Chairman's Council member, Non-executive Director exercising an operational function and Executive Director, based on the tasks and responsibilities of each.

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 2016

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 2016.

Compensation paid in 2016, including payroll costs:

in € thousands

CHRISTIAN BRET	14
ROBERT BOUCHARD(1)	27
WALTER BUTLER	15
PHILIPPE CAPRON(2)	10
GEORGES CROIX	20
ADELINE CHALLON-KEMOUN(2)	15
GASPARD DÜRRLEMAN	40
RAFI KOUYOUMDJIAN	38
ANNE LANGE(2)	20
MARIE-CHRISTINE LEVET(2)	26
JEAN MOUNET	23
TOTAL	**248**

(1) Robert Bouchard has no longer received directors' fees since he assumed an operational role at Digital Dimension in September 2016.
(2) The Directors appointed during 2016 were paid attendance fees for meetings of the Board and its Committees that they attended as guests, at the request of the Chairman, before their appointment became effective.

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 €2.4 million in 2016, compared with €2.5 million in 2015.

Half of this amount is composed of personnel costs and the other half of chargebacks of costs incurred by EIBV on behalf of Econocom (management seminars, etc.).

5.7.2.3. Total compensation allocated to the Executive Directors of the Board, Non-executive Directors with operational functions and Chairman's Council members in 2016

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 2016.

Total compensation paid in 2016, including payroll costs:

in €

FIXED PORTION(1)	2,390,515
VARIABLE PORTION(2)	1,094,755
PENSIONS AND OTHER COMPENSATION, INCLUDING BENEFITS IN KIND(3) & (4)	481,336
TOTAL	**3,966,606**

(1) Of which €50,000 in respect of 2015 and paid in 2016.
(2) Of which €1,024,000 in respect of 2015 and paid in 2016.
(3) Of which €51,000 in respect of 2015 and paid in 2016.
(4) This amount includes termination benefits.

Total compensation paid in 2016, including payroll costs

in €

FIXED PORTION(1)	2,370,515
VARIABLE PORTION(2)	951,050
PENSIONS AND OTHER COMPENSATION, INCLUDING BENEFITS IN KIND(3) & (4)	950,110
TOTAL	**4,271,675**

(1) Of which €30,000 in respect of 2016 to be paid in 2017.
(2) Of which €881,000 yet to be paid in 2017.
(3) Of which €571,000 yet to be paid in 2017.
(4) This amount includes termination benefits.

This information refers to compensation including payroll costs paid to Executive Directors and Chairman's Council members in office on 31 December 2016, namely Bruno Lemaistre, Jean-Philippe Roesch and Bruno Grossi, as well as compensation including payroll costs paid to Non-executive Directors with operational functions, namely Véronique di Benedetto, Georges Croix and Robert Bouchard.

Robert Bouchard assumed his operational duties in September 2016. Georges Cross left office in November 2016, Jean-Philippe Roesch in December 2016 and Bruno Lemaistre in January 2017.

Four of the six 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. Two Non-executive Directors with operational functions indirectly received compensation through a company they control, one being paid as a corporate officer of an Econocom Group company and the other 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.

One of the Executive Directors, Chairman's Council members and Non-executive Directors with operational functions has 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 plans and/or free shares.

In 2016, they exercised options granted in 2011 entitling them to 2.8 million Econocom Group shares at an exercise price of €8.6 million.

Moreover, the General Meeting of 17 May 2016 approved the terms of a free share plan for 1,125,000 shares, and the Board of Directors, at its meeting of 19 May 2016, granted 220,000 of these free shares to an Executive Director and Chairman's Council member.

At 31 December 2016, the Executive Directors, Chairman's Council members and Non-executive Directors held 500,000 stock options entitling them to 500,000 Econocom Group shares at a subscription price of €3.0 million, as well as 220,000 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 2016 contain standard clauses, in particular as regards notice period. They contain no specific clause with respect to pensions or termination benefits, except for the cases below.

5.8. APPROPRIATION OF PROFIT AND DIVIDEND POLICY

At the General Meeting to be held on 16 May 2017, the Board of Directors will recommend that shareholders receive a refund of the issue premium, considered as paid-in capital, in the amount of €0.20 per share.

This refund represents a 14% increase in gross shareholder return compared with the gross dividend of €0.175 per share paid in 2016, and a 33% rise 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.

At 31 December 2016, Jean-Louis Bouchard directly and indirectly held 46,166,451 Econocom Group shares, representing 41.03% of the share capital. 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 4 January 2016, following the buyback of treasury shares, Econocom Group received joint notification from Econocom International BV, SCI de Dion Bouton, Econocom Group SA and, indirectly, from Jean-Louis Bouchard, stating that Econocom Group held more than 5% of its share capital and that the group comprising Econocom International BV, SCI de Dion Bouton, Econocom Group SA and, indirectly, Jean-Louis Bouchard, held more than 46% of the share capital. However, shares held in treasury by Econocom Group do not carry voting rights, meaning that, at 4 January 2016, all above-mentioned shareholders together held 41.03% of the company's voting rights.

On 15 February 2016, Econocom Group received threshold crossing notification from BML Belgium SA (renamed Butler Industries Benelux), Butler Management Ltd, Butler Industries SA and Walter Butler, stating that Butler Management had sold all of its securities, i.e., 7,152,865 Econocom Group shares, to BML Belgium SA on 11 February 2016, and that BML Belgium SA, Walter Butler and his companies together held 7,258,343 shares representing 6.45% of the capital of Econocom Group.

On 3 June 2016, Econocom Group received threshold crossing notification from AXA SA, stating that AXA SA had moved below the threshold of 5% of the company's capital on 30 May 2016, and that it held 5,593,065 shares representing 4.97% of the capital of Econocom Group at that date.

Relations with the majority shareholder, Econocom International BV, correspond to loans granted or received and the provision of standard services 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 locate a number of the Paris area-based employees at the same premises in Puteaux. 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 locate a number of the Lyon area-based employees at the same premises in Villeurbanne. This lease was signed on arm's-length terms. In 2016, Econocom SAS signed a lease with SCI Maillot Pergolèse, which is controlled by Jean-Louis Bouchard, for premises located in Clichy. This lease was signed on arm's length terms.

5.10. ECONOCOM GROUP SHARE OWNERSHIP

Econocom Group has set up several stock option plans for its employees, managers and executives.

During the year, the beneficiaries of the stock option plan issued in 2011 exercised options entitling them to 3,160,000 Econocom Group shares at a strike price of €9.7 million

Moreover, the General Meeting of 17 May 2016 approved the terms of a free share plan for 1,125,000 shares that may be granted until 31 December 2018.

Lastly, the Board of Directors and its Compensation Committee awarded 105,000 stock options and 220,000 free shares to employees of the Group during the year. An updated summary of the Group's commitments in this respect at 31 December 2016 is provided below.

	Type of plan	Number of stock options[1] and free shares	Expiry date	Exercise price (€) per option	Exercise price *in € thousands*
2013	Stock options	875,000	18 Dec.	5.96	5,215
2014	Stock options	2,015,000	19 Dec.	5.52	11,123
2015	Stock options	240,000 120,000	20 Dec. 20 Dec.	7.74 7.61	2,771
2016	Stock options	60,000 45,000	21 Dec. 21 Dec.	9.57 13.60	1,186
2016	Free shares	220,000	19 May	–	–
TOTAL		**3,575,000**	**–**	**–**	**20,295**

(1) Each option granted entitles holders to one Econocom Group share.

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 strike 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. The text of the standard stock option contract was last amended to take into account the 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. The documentation, particularly relating to the 2014 Stock Option Plan, was approved by the Board of Directors on 17 December 2014. They also include a stock option award letter for each beneficiary, along with an option acceptance form to be completed by the beneficiary. If exercised, these options will result in the issuance of new shares.

The free share plan issued in 2016 was approved by the General Meeting of 17 May 2016; 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.

At 31 December 2016, 3,575,000 stock options and free shares had not yet been exercised. They entitle the holder to a total of 3,575,000 Econocom Group shares representing 3.18% of the number of outstanding shares. Lastly, of the 3,575,000 stock options and free shares granted and not yet exercised, 63.5% were subject to the achievement of quantitative and/or qualitative, and individual and/or collective performance conditions.

The exercise of all 3,575,000 options would result in a capital increase of €20.3 million.

5.11. STATUTORY AUDITOR'S FEES

in €	31/12/2016	31/12/2015
STATUTORY AUDITOR'S FEES FOR AUDITING THE CONSOLIDATED FINANCIAL STATEMENTS	348,960	396,960
FEES FOR AUDIT-RELATED ENGAGEMENTS OR SIMILAR ASSIGNMENTS PERFORMED IN THE GROUP BY INDIVIDUALS RELATED TO THE STATUTORY AUDITOR	754,367	540,872
FEES FOR NON AUDIT-RELATED ENGAGEMENTS OR SPECIFIC ASSESSMENTS CARRIED OUT BY THE STATUTORY AUDITOR FOR ECONOCOM GROUP	-	-
NON-AUDIT CERTIFICATION ENGAGEMENTS	6,500	16,500
TAX ADVISORY WORK	0	0
OTHER	0	0
FEES FOR NON AUDIT-RELATED ENGAGEMENTS OR SPECIFIC ASSIGNMENTS PERFORMED IN THE GROUP BY INDIVIDUALS LINKED TO THE STATUTORY AUDITOR	-	-
NON-AUDIT CERTIFICATION ENGAGEMENTS	12,500	6,800
TAX ADVISORY WORK	770,012	623,286
OTHER	65,387	149,840

5.12. TREASURY SHARES

See section 2.3.3.3 above.

6. SUBSEQUENT EVENTS

Ahead of the launch of its new strategic plan, "E for Excellence", and having added four experienced new profiles to its Board of Directors in 2016, Econocom Group made changes to its operational organisation and its executive team. Bruno Lemaistre, Executive Director in charge of operations for the historic core businesses, stepped down. Jean-Louis Bouchard, Chairman and Chief Executive Officer, and Bruno Grossi, Executive Director, will lead the Group's new Executive Committee. In a press release issued on 13 January 2017, Jean-Louis Bouchard paid tribute to Bruno Lemaistre's contribution to building the solid foundations on which the Group can continue its adventure.

7. CSR STRATEGY

An integral part of the Group's overall strategy, the Corporate Social Responsibility (CSR) policy is seen as central in the digital transformation on which Econocom is positioned. To better manage its transformation and that of its customers, the Group has made its CSR strategy a lever for progress and development shared with stakeholders.

Introducing an ethical, responsible approach to its business dealings is in that way fundamental to ensuring long-term success.

Econocom also publishes an annual report on its CSR policy, which describes the main initiatives undertaken. It is available on the Econocom website.

In 2015, the Group announced its new CSR strategy, which is part of its ongoing strategic plan, "Mutation". In 2016, Econocom measured the initial results of its CSR action plan.

7.1. ECONOCOM GROUP'S CSR POLICY

The Group has defined its CSR objectives as follows: "To enable organisations to benefit from digital technology by offering innovative, realistic, sustainable solutions to address the major societal issues."

They are underpinned by two key commitments:

The first focuses on the men and women of Econocom: "To make employees the first instruments of change and Group corporate social responsibility."

The second concerns the Group's external stakeholders: "To be a pioneer of Digital Corporate Responsibility by developing projects collaboratively, in the interests of society and sustainable development."

The Group has set up a CSR Steering Committee to strengthen its CSR governance and ensure that it achieves its CSR objectives and implements its action plan. It comprises 10 Directors representing the Group's main business lines and functions. A CSR barometer with 13 major priority objectives has also been established. The indicators are monitored monthly and presented to the Chairman's Council every six months.

7.2. DEVELOPMENT PRIORITIES

7.2.1. TO MAKE EMPLOYEES THE FIRST INSTRUMENTS OF CHANGE AND GROUP CORPORATE SOCIAL RESPONSIBILITY

Collaborative, cross-departmental organisation:

The digital transformation now involves all Group customers, but is also essential for its own employees. This is why Econocom drew up its digital transformation plan with a focus on the uses of all Group employees. This resulted in the establishment of a task force bringing together digital players in the various business lines. Its purpose is to set out a digital transformation support plan taking into consideration the needs, expectations and questions of all employees.

2016 was the year in which digital tools were implemented and user awareness was raised with a view to intensifying uses. For instance, more than half of the Group's employees are now active on in-house social media, a real accelerator and facilitator of collaborative, cross-cutting work. The gradual deployment of Microsoft Office 365 and the digitisation of sites also foster greater exchange and interaction between employees.

In 2016, Econocom launched a joint CSR initiative around the "engaged, now!" programme. Through this programme, Econocom enhances employee commitment within their personal lives. Employees can therefore submit an application:

- for support for a charitable organisation in which they volunteer. The organisation will then receive a financial contribution from Econocom to support its development; or
- for support for an individual commitment, such as a charity sports event, or participation in a solidarity foot race.

Two editions were held in 2016, with rewards going to six winners in each category.

Employee satisfaction:

Econocom operates in a highly competitive sector; it must be attentive to employee satisfaction in order to attract and retain talents. The Group aims above all to offer its employees a unique experience. For example, Econocom launched in 2012 the Share programme designed to promote employees' work-life balance and improve the quality of work life. The Share programme is a set of measures ranging from teleworking, mobile working, and social and financial aid to features such as business concierge services, tutoring and sports coaching classes.

A specific programme for employees working on customer premises is also taking shape. The challenge is to share Econocom's values and preserve a connection with these employees so that their experience at Econocom Group remains rewarding and positive, allowing them to become ambassadors for the Group.

Training and career development:

Econocom has a real role to play in its employees' professional development. Current developments in the professional world and the company require employees to develop new skills continuously. As a responsible employer, but also as an actor in the digital sector, Econocom offers its employees innovative training modules based on the possibilities offered by digital technology. The Group therefore strongly encourages its employees to train themselves. To this end, the company offers digital training courses such as SPOCs (Small Private Online Courses), MOOCs (Massive Open Online Courses) and e-learning modules.

The Group's first MOOCs were set up in 2016; they deal with topics related to the digital transformation and its impact on the various business lines. MOOCs focusing on commercial and financial aspects have also been introduced; the range is gradually diversifying.

7.2.2. TO BE A PIONEER OF DIGITAL CORPORATE RESPONSIBILITY BY DEVELOPING PROJECTS COLLABORATIVELY, IN THE INTERESTS OF SOCIETY AND SUSTAINABLE DEVELOPMENT.

Solutions geared towards reducing the negative impact across the entire lifecycle:

Econocom has a role to play in supporting the environmental impact related to digital technology. To this end, the Group develops solutions to help control and reduce such impacts. For instance, green IT and smart lighting solutions have emerged over the last two years.

Econocom has also set a goal of factoring CSR criteria into all of its new offerings. To achieve this goal by the end of 2017, specific support is currently being drafted for marketing teams in the offer design phase.

Promoting entrepreneurship in the ecosystem:

Econocom is relentlessly entrepreneurial, and in turn supports entrepreneurs. The Group also included this aspect in one of its values, "Be enterprising". Econocom accordingly encourages the development of start-ups, and more generally initiatives undertaken around the value of entrepreneurship.

The Group partnered with seed fund Partech Contractors in 2013, and later joined forces with the Partech Shaker campus to support the development of entrepreneurship in the field of digital technology in France. Partech Shaker is the world's first campus dedicated to open innovation initiated by a private equity fund management company.

Econocom also supports 100,000 Entrepreneurs, a charitable organisation dedicated to educating young people in middle and senior school about entrepreneurship and intrapreneurship.

Firmly committed to the major social issue of education:

Econocom is committed to promoting digital technology in school curriculums in order to fight inequalities related to its use and accessibility. The Group aims to be a leading player in this field. Econocom's goal through its commitment to education is to play a role in the transformation of learning, to ingrain the love of learning among students, to encourage new teaching practices and to promote parental involvement in the education of children.

Econocom takes part in providing students, teachers and schools with digital solutions, but also in supporting teachers in these new tools and applications. The Group is additionally involved in conversations within society around the notion of digital technology in schools, particularly through its *Digital for all now* website.

Over the last two years, Econocom has implemented a policy of investing in start-ups in the education sector. Econocom has notably acquired a stake in Magic Makers. This start-up offers coding lessons to children from the age of 6 in three types of workshops: weekly workshops, holiday workshops and events workshops. Magic Makers has developed its own method, which allows children to learn coding concepts with trained facilitators and innovative tools.

Econocom has also invested in Kartable, a start-up that has released a platform allowing users to consult programmes, courses and exercises spanning all years of secondary school, free of charge.

Econocom will continue to deploy its CSR action plan in 2017 with a view to achieving the objectives set as part of its strategy.

05

CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2016

1. CONSOLIDATED INCOME STATEMENT AND EARNINGS PER SHARE

For the years ended 31 December 2016 and 31 December 2015

(in € millions)	*Notes*	2016	2015
REVENUE FROM CONTINUING OPERATIONS	*4.1*	**2,536.2**	**2,316.1**
OPERATING EXPENSES		**(2,400.1)**	**(2,202.6)**
COST OF SALES[1]		(1,704.0)	(1,547.7)
PERSONNEL COSTS	*4.2*	(513.2)	(470.6)
EXTERNAL EXPENSES	*4.4*	(171.1)	(164.9)
DEPRECIATION, AMORTISATION AND PROVISIONS	*4.5*	(11.2)	(11.9)
TAXES (OTHER THAN INCOME TAXES)		(11.0)	(14.2)
NET IMPAIRMENT LOSSES ON CURRENT AND NON-CURRENT ASSETS	*4.6*	0.7	(4.3)
OTHER OPERATING INCOME AND EXPENSES[1]	*4.7*	5.8	7.4
FINANCIAL INCOME – OPERATING ACTIVITIES[1]	*4.8*	3.9	3.6
RECURRING OPERATING PROFIT BEFORE AMORTISATION OF INTANGIBLE ASSETS FROM ACQUISITIONS[2]		**140.3**	**117.7**
RECURRING OPERATING PROFIT		**136.1**	**113.5**
NON-RECURRING OPERATING INCOME AND EXPENSES	*5*	(6.8)	(5.2)
OPERATING PROFIT		**129.3**	**108.3**
OTHER FINANCIAL INCOME AND EXPENSES	*6*	(17.4)	(12.4)
CHANGE IN FAIR VALUE OF THE ORNANE EMBEDDED DERIVATIVE COMPONENT	*6*	(37.9)	(6.3)
PROFIT BEFORE TAX		**74.1**	**89.6**
INCOME TAX EXPENSE	*7*	(35.7)	(30.7)
PROFIT FROM CONTINUING OPERATIONS		**38.3**	**58.9**
SHARE OF PROFIT (LOSS) OF ASSOCIATES AND JOINT VENTURES		(0.2)	(0.1)
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	*2.2*	-	(0.1)
PROFIT FOR THE YEAR		**38.2**	**58.7**
NON-CONTROLLING INTERESTS		(1.4)	0.9
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		39.6	57.8
RECURRING PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT[3]		**83.0**	**70.1**

in €	*Notes*	**2016**	**2015**
BASIC EARNINGS PER SHARE – CONTINUING OPERATIONS		0.37	0.53
BASIC EARNINGS PER SHARE – DISCONTINUED OPERATIONS		-	-
BASIC EARNINGS PER SHARE	*8*	**0.37**	**0.53**
DILUTED EARNINGS PER SHARE – CONTINUING OPERATIONS		0.36	0.52
DILUTED EARNINGS PER SHARE – DISCONTINUED OPERATIONS		-	-
DILUTED EARNINGS PER SHARE	*8*	**0.36**	**0.52**
RECURRING EARNINGS PER SHARE(3)	*8*	**0.77**	**0.65**

(1) Non-material reclassifications were made between operating expense lines for 2015 data in order to provide a meaningful comparison with 2016 figures.
(2) ECS customer portfolio and the Osiatis brand.
(3) 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 as compared to restated profit for the year attributable to owners of the parent which had been used up to end-2015. Recurring profit excludes:
- Amortisation of the ECS customer portfolio and the Osiatis brand, net of tax effects
- Other non-recurring operating income and expenses, net of tax effects
- Adjustment 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 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 2016 and 31 December 2015

(in € millions)	**2016**	**2015**
PROFIT FOR THE YEAR	38.2	58.7
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS:	**(2.6)**	**1.5**
- REMEASUREMENTS OF THE NET LIABILITY (ASSET) UNDER DEFINED BENEFIT PLANS	(4.2)	2.2
- DEFERRED TAX ON REMEASUREMENTS OF THE LIABILITY (ASSET) UNDER DEFINED BENEFIT PLANS	1.6	(0.7)
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS:	**(0.1)**	**(1.1)**
- CHANGE IN VALUE OF CASH FLOW HEDGES	(0.3)	-
- DEFERRED TAXES ARISING ON CHANGES IN VALUE OF CASH FLOW HEDGES	0.1	-
- FOREIGN CURRENCY TRANSLATION ADJUSTMENTS	0.1	(1.1)
OTHER COMPREHENSIVE INCOME (EXPENSE)	**(2.7)**	**0.4**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**35.5**	**59.1**
ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	(0.8)	*0.2*
ATTRIBUTABLE TO OWNERS OF THE PARENT	36.3	*58.9*

2. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2016

Assets

(in € millions)	*Notes*	2016	2015
NON-CURRENT ASSETS			
INTANGIBLE ASSETS	*10.1*	67.6	64.1
GOODWILL	*9.2*	539.1	483.5
PROPERTY, PLANT AND EQUIPMENT	*10.2*	41.4	30.1
LONG-TERM FINANCIAL ASSETS	*10.3*	26.7	24.2
RESIDUAL INTEREST IN LEASED ASSETS	*11.1*	77.4	70.1
OTHER LONG-TERM RECEIVABLES	*10.4*	10.1	4.6
DEFERRED TAX ASSETS	*7.2*	13.9	14.1
TOTAL NON-CURRENT ASSETS	-	**776.2**	**690.7**
CURRENT ASSETS			
INVENTORIES	*12.1*	39.2	22.1
TRADE AND OTHER RECEIVABLES	*12.2*	882.2	804.7
RESIDUAL INTEREST IN LEASED ASSETS	*11.1*	29.7	28.1
CURRENT TAX ASSETS		5.6	6.9
OTHER CURRENT ASSETS	*12.2*	52.9	55.4
CASH AND CASH EQUIVALENTS	*14.1*	348.7	209.6
TOTAL CURRENT ASSETS	-	**1,358.3**	**1,126.8**
ASSETS HELD FOR SALE	-	-	-
TOTAL ASSETS	-	**2,134.5**	**1,817.5**

Equity and liabilities

(in € millions)	*Notes*	2016	2015
SHARE CAPITAL	-	21.6	21.6
ADDITIONAL PAID-IN CAPITAL AND RESERVES	-	140.2	148.7
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	-	39.6	57.8
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	*15*	**201.4**	**228.1**
NON-CONTROLLING INTERESTS	*15.4*	77.6	52.4
TOTAL EQUITY	-	**279.0**	**280.5**
NON-CURRENT LIABILITIES			
FINANCIAL LIABILITIES	*14.2*	9.0	10.9
GROSS LIABILITY FOR PURCHASES OF LEASED ASSETS	*11.2*	52.5	45.9
BONDS	*14.2*	381.9	270.3
LONG-TERM PROVISIONS	*16*	1.8	4.8
PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS	*17*	43.2	36.3
OTHER NON-CURRENT LIABILITIES	*12.4*	91.2	69.2
DEFERRED TAX LIABILITIES	*7.2*	6.3	9.7
TOTAL NON-CURRENT LIABILITIES	-	**585.9**	**447.1**
CURRENT LIABILITIES			
FINANCIAL LIABILITIES	*14.2*	135.8	109.6
GROSS LIABILITY FOR PURCHASES OF LEASED ASSETS	*11.2*	15.8	16.2
BONDS	*14.2*	7.3	5.3
SHORT-TERM PROVISIONS	*16*	36.3	33.2
CURRENT TAX LIABILITIES		19.0	16.5
TRADE AND OTHER PAYABLES	*12.3*	908.0	751.5
OTHER CURRENT LIABILITIES	*12.4*	147.4	157.6
TOTAL CURRENT LIABILITIES	-	**1,269.6**	**1,089.9**
LIABILITIES RELATED TO ASSETS HELD FOR SALE	-	-	-
TOTAL EQUITY AND LIABILITIES	-	**2,134.5**	**1,817.5**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

3. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended 31 December 2016 and 31 December 2015

(in € millions and in number of shares)	*Number of shares*	Share capital	Additional paid-in capital[2]	Treasury shares	Consolidated reserves and retained earnings	Other comprehensive income (expense)	Attributable to owners of the parent	Attributable to non-controlling interests	Total
BALANCE AT 1 JANUARY 2015 (REPORTED)	***112,519,287***	**21.6**	**205.3**	**(8.7)**	**46.7**	**(4.9)**	**260.0**	**19.5**	**279.5**
IMPACT OF IFRIC 21	-	-	-	-	1.8	-	1.8	-	1.8
ADJUSTMENTS TO BUSINESS COMBINATIONS[1]	-	-	-	-	(2.0)	-	(2.0)	2.0	-
BALANCE AT 1 JANUARY 2015 (RESTATED)	***112,519,287***	**21.6**	**205.3**	**(8.7)**	**46.5**	**(4.9)**	**259.8**	**21.5**	**281.3**
PROFIT FOR THE YEAR	-	-	-	-	57.8	-	57.8	0.9	58.7
OTHER COMPREHENSIVE INCOME (EXPENSE), NET OF TAX	-	-	-	-	-	1.1	1.1	(0.7)	0.4
TOTAL COMPREHENSIVE INCOME FOR 2015	**-**	**-**	**-**	**-**	**57.8**	**1.1**	**58.9**	**0.2**	**59.1**
SHARE-BASED PAYMENTS	-	-	-	-	0.8	-	0.8	-	0.8
REFUND OF ISSUE PREMIUMS	-	-	(16.2)	-	-	-	(16.2)	-	(16.2)
TREASURY SHARE TRANSACTIONS	-	-	-	(34.4)	(3.7)	-	(38.1)	-	(38.1)
PUT AND CALL OPTIONS ON NON-CONTROLLING INTERESTS	-	-	-	-	(35.4)	-	(35.4)	(3.0)	(38.4)
NON-CONTROLLING INTERESTS IN ACQUISITIONS IN THE YEAR	-	-	-	-	-	-	-	36.2	36.2
OTHER TRANSACTIONS AND TRANSACTIONS WITH AN IMPACT ON NON-CONTROLLING INTERESTS	-	-	-	-	(1.7)	-	(1.7)	(2.5)	(4.2)
BALANCE AT 31 DECEMBER 2015	***112,519,287***	**21.6**	**189.1**	**(43.1)**	**64.3**	**(3.8)**	**228.1**	**52.4**	**280.5**
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	-	-	-	-	39.6	-	39.6	(1.4)	38.2
OTHER COMPREHENSIVE INCOME (EXPENSE), NET OF TAX	-	-	-	-	-	(3.3)	(3.3)	0.6	(2.7)
TOTAL COMPREHENSIVE INCOME FOR 2016	**-**	**-**			**39.6**	**(3.3)**	**36.3**	**(0.8)**	**35.5**
SHARE-BASED PAYMENTS	-	-	-	-	0.9	-	0.9	-	0.9
REFUND OF ISSUE PREMIUMS	-	-	(19.7)	0.9	-	-	(18.8)	-	(18.8)
TREASURY SHARE TRANSACTIONS	-	-	-	(8.3)	(8.9)	-	(17.2)	-	(17.2)
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**

(1) In accordance with IFRS 3, the Group reconsidered the value of the assets and liabilities arising from acquisitions of controlling interests in 2014. Adjustments were made to the value of goodwill in 2015 and to a liability relating to an entity acquired in 2014.
(2) The €16.7 million difference between additional paid-in capital shown in Econocom Group's statutory financial statements and additional paid-in capital shown in the consolidated financial statements prepared under IFRS is attributable to the different methods used to value the Osiatis shares during the various phases completed to acquire this group in 2013.

4. CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

(in € millions)	*Notes*	2016	2015(1)
PROFIT FOR THE YEAR		38.2	58.7
ELIMINATION OF SHARE OF PROFIT (LOSS) OF ASSOCIATES AND JOINT VENTURES	*18.1.1*	0.2	0.1
PROVISIONS, DEPRECIATION, AMORTISATION AND IMPAIRMENT	*18.1.1*	8.2	10.7
CHANGE IN FAIR VALUE OF THE ORNANE EMBEDDED DERIVATIVE COMPONENT	*18.1.1*	37.9	6.3
ELIMINATION OF THE IMPACT OF RESIDUAL INTEREST IN LEASED ASSETS	*18.1.1*	(7.7)	(11.2)
OTHER NON-CASH EXPENSES (INCOME)	*18.1.1*	(3.5)	(4.9)
CASH FLOWS FROM OPERATING ACTIVITIES AFTER COST OF NET DEBT AND INCOME TAX		**73.3**	**59.7**
INCOME TAX EXPENSE	*7*	35.7	30.7
COST OF NET DEBT	*18.1.2*	12.5	10.0
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE COST OF NET DEBT AND INCOME TAX (A)		121.5	100.4
CHANGE IN WORKING CAPITAL (B)(1), O/W:	*18.1.3*	40.5	(10.1)
INVESTMENTS IN SELF-FUNDED TMF(2) CONTRACTS		*(26.8)*	*(59.8)*
OTHER CHANGES IN WORKING CAPITAL		*67.3*	*49.7*
TAX PAID NET OF TAX CREDITS (C)		(31.4)	(15.9)
NET CASH FROM OPERATING ACTIVITIES (A+B+C=D)	*18.1*	**130.6**	**74.4**
O/W RELATED TO DISCONTINUED OPERATIONS(3)		-	*(0.4)*
ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS		(33.1)	(20.2)
DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS		0.8	0.1
ACQUISITION OF LONG-TERM FINANCIAL ASSETS		(2.3)	(2.2)
DISPOSAL OF LONG-TERM FINANCIAL ASSETS		0.8	0.7
ACQUISITION OF COMPANIES AND BUSINESSES, NET OF CASH ACQUIRED		(21.9)	(59.0)
DISPOSAL OF COMPANIES AND BUSINESSES, NET OF CASH ACQUIRED		-	1.9
NET CASH USED IN INVESTING ACTIVITIES (E)	*18.2*	**(55.7)**	**(78.7)**
O/W RELATED TO DISCONTINUED OPERATIONS(3)		-	*1.3*

(1) In 2016, interest accruing on operating activities is shown within working capital items rather than within cash flows used in financing activities (as interest paid) as was the case in 2015. In order to provide a meaningful comparison, the data shown here for 2015 have been updated accordingly.
(2) Technology Management & Financing.
(3) Cash flows attributable to discontinued operations in 2015 within the meaning of IFRS 5 relate to the Services business in Germany.

(in € millions)	*Notes*	**2016**	**2015[1]**
ISSUE OF OTHER NON-CONVERTIBLE BONDS	*18.3*	150.0	101.0
REDEMPTION OF ORNANE CONVERTIBLE BONDS	*18.3*	(48.7)	-
EXERCISE OF STOCK OPTIONS	*18.3*	9.7	0.4
BUYBACK AND DISPOSAL OF TREASURY SHARES	*18.3*	(29.8)	(34.8)
CHANGES IN REFINANCING LIABILITIES ON LEASE CONTRACTS AND LIABILITIES ON SELF-FUNDED CONTRACTS		28.7	(6.4)
INCREASE IN NON-CURRENT FINANCIAL LIABILITIES	*18.3*	-	0.6
DECREASE IN NON-CURRENT FINANCIAL LIABILITIES	*18.3*	(4.5)	(34.7)
INCREASE IN CURRENT FINANCIAL LIABILITIES	*18.3*	3.5	58.5
DECREASE IN CURRENT FINANCIAL LIABILITIES	*18.3*	(12.3)	(49.8)
INTEREST PAID[1]	*18.3*	(12.8)	(9.7)
PAYMENTS TO SHAREHOLDERS DURING THE YEAR	*18.3*	(18.8)	(16.1)
NET CASH FROM FINANCING ACTIVITIES (F)		**65.0**	**9.0**
O/W RELATED TO DISCONTINUED OPERATIONS[2]		-	-
IMPACT OF EXCHANGE RATES ON CASH AND CASH EQUIVALENTS (G)		(0.8)	0.2
IMPACT OF DISCONTINUED OPERATIONS ON THE OPENING NET CASH POSITION (H)[1]		-	-
CHANGE IN CASH AND CASH EQUIVALENTS (D+E+F+G+H)		**139.1**	**4.9**
NET CASH AND CASH EQUIVALENTS AT 1 JANUARY[3]	*14.1/18*	**209.4**	**204.5**
CHANGE IN CASH AND CASH EQUIVALENTS		139.1	4.9
NET CASH AND CASH EQUIVALENTS AT 31 DECEMBER[3]	*14.1/18*	**348.5**	**209.4**

(1) In 2016, interest accruing on operating activities is shown within working capital items rather than within cash flows used in financing activities (as interest paid) as was the case in 2015. In order to provide a meaningful comparison, the data shown here for 2015 have been updated accordingly.
(2) Cash flows attributable to discontinued operations in 2015 within the meaning of IFRS 5 relate to the Services business in Germany.
(3) Net of bank overdrafts: €0.2 million at 31 December 2016 and 31 December 2015.

5. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2016

1. BASIS OF PREPARATION

The consolidated financial statements of Econocom Group ("the Group") for the year ended 31 December 2016 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.

At its meeting on 23 February 2017, the Board of Directors approved and authorised the issue of the consolidated financial statements for the year ended 31 December 2016. These financial statements will only be deemed final once they have been approved by the shareholders at the Annual General Meeting on 16 May 2017.

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 2016 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 2016 are the same as those used to prepare the consolidated financial statements for the year ended 31 December 2015, apart from the new standards and interpretations applicable from 1 January 2016.

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 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:

http://ec.europa.eu/internal_market/accounting/ias/index_en.htm.

1.1.1. NEW IFRS STANDARDS AND INTERPRETATIONS MANDATORILY APPLICABLE FOR ACCOUNTING PERIODS BEGINNING ON OR AFTER 1 JANUARY 2016

The Group has applied all of the new standards, amendments and interpretations adopted by the European Union whose application is mandatory as from 1 January 2016. The amendments applicable to Econocom are shown below.

Standard/interpretation	EU mandatory adoption date	Group application date	Impact on the Group
Amendments to IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016	1 January 2016	No impact.
Amendments to IAS 1 – Presentation of Financial Statements, which is part of the IASB's initiative to improve presentation and disclosures in financial reports, and to encourage the use of professional adjustment in determining the information to be presented in financial statements	1 January 2016	1 January 2016	The presentation of the notes to the financial statements has been changed compared to that used for the 2015 financial statements in order to improve understandability and relevance.
Amendments to IAS 19 – Employee contributions to defined benefit plans: these amendments are designed to clarify the accounting for employee contributions to defined benefit plans	1 January 2016	1 January 2016	No impact.

Standard/interpretation	EU mandatory adoption date	Group application date	Impact on the Group
IFRS 11 – Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations: prescribes that acquisitions of interests in joint operations must be accounted for using the acquisition method	1 January 2016	1 January 2016	No impact.
Annual Improvements to IFRSs (2010-2012 cycle): affects standards on share-based payments, the recognition of earn-outs and contingent consideration in business combinations, aggregation of segments, short-term receivables and payables, and the remeasurement of non-current assets	1 January 2016	1 January 2016	No impact.
Annual Improvements to IFRSs (2012-2014 cycle): relating to IFRS 5, IFRS 7, IAS 14 and IAS 19	1 January 2016	1 January 2016	No impact.

1.1.2. NEW IFRS STANDARDS AND INTERPRETATIONS THAT MAY BE EARLY ADOPTED FOR ACCOUNTING PERIODS BEGINNING ON OR AFTER 1 JANUARY 2016

Standard/interpretation	EU/IASB application date	Group application date	Impact on the Group
Amendments to IAS 7 – Statement of Cash Flows: introduce additional disclosures intended to enable users of the financial statements to assess changes in liabilities relating to financing activities	IASB 1 January 2017 (not yet adopted by the European Union).	1 January 2016	A table showing changes in net debt is included in section 14.3.

1.1.3. NEW IFRS STANDARDS AND INTERPRETATIONS APPLICABLE FOR ACCOUNTING PERIODS BEGINNING AFTER 1 JANUARY 2016 AND NOT EARLY ADOPTED

The standards, amendments and interpretations that are likely to have an impact on the Group's financial statements are presented below:

Standard/interpretation	EU mandatory adoption date	Group application date	Impact on the Group
IFRS 9 – Financial Instruments: this standard modifies the classification and measurement of financial assets and introduces a new impairment model based on expected losses	1 January 2018	1 January 2018	The Group is currently analysing the impacts of IFRS 9; however no material impact is expected.
IFRS 15 – Revenue from Contracts with Customers	1 January 2018	1 January 2018	Since IFRS 15 is likely to impact Econocom's financial statements, the Finance Department has set up a project to analyse the consequences of the new standard in depth to prepare for its application in 2018, including updating its internal information systems where necessary.
IFRS 16 – Leases	Not yet approved	1 January 2019	The Group has also launched a project to prepare for the application of IFRS 16. Analyses are still in progress as regards lessor accounting (TMF business). As regards lessee accounting, the impact on the statement of financial position of the first-time application of IFRS 16 can be seen in the amounts presented for lease commitments at 31 December 2016 (see section 20.5).
Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses	Not yet approved	1 January 2017	No material impact expected.

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

The Group did not change any of its accounting policies in 2016. The presentation of the notes to the financial statements has been changed compared to that used for the 2015 financial statements in order to improve understandability and relevance (amendments to IAS 1 and ESMA recommendations). Most accounting policies (excluding general accounting principles) previously set out in Note 2 are now included in other notes.

Non-material reclassifications have also been made between operating expense lines in the income statement for 2015 in order to provide a meaningful comparison with 2016 figures.

In the statement of cash flows, interest accruing on operating activities is shown within working capital items rather than within cash flows used in financing activities (as interest paid) as was the case in 2015. In order to provide a meaningful comparison, the data shown for 2015 have been updated accordingly.

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 the value of 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:

- 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 POLICIES 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

Items included in the financial statements of each Group entity are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

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 financial 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. This financial liability is measured at fair value. Any subsequent changes in value are recognised in the income statement within other non-recurring operating income and expenses.

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 geographic 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 2016 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. All transactions in 2016 where the Group did not acquire the entire share capital have been accounted for using the full goodwill method.

The purchase price of all these transactions was €20.4 million, including a portion relating to contingent consideration based on revenue and/or profitability. Disbursements related to these acquisitions totalled €17.5 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 2016 for a total amount of €32.8 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 €54.0 million (see Note 9).

Technology Management & Financing

Cineolia

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, telephony, tablets, etc.). It reported revenue of €2.1 million in 2016.

Products & Solutions

Caverin

In January 2016, the Group 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.

Services

Asystel Italia

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.

MC NEXT group

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.

Gigigo group

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), by taking a 51% stake in the company. Digital Dimension owns a 70% interest in Gigigo, or 35.07% for Econocom Group. This acquisition strengthens Econocom's Services business in Spain, Mexico and Brazil. Gigigo posted full-year revenue of €7.2 million.

2.2.2. CHANGES IN OWNERSHIP INTEREST

Rayonnance – Acquisition of an additional tranche of shares

Through its subsidiary Digital Dimension, Econocom also exercised part of the call option set up with the founders of Mobis (Rayonnance group), allowing it to acquire an additional 15% stake in the company, increasing Digital Dimension's interest in Rayonnance to 85%. Econocom's interest in Rayonnance stands at 42.58% at end-2016, compared with 35.07% previously.

Econocom Brasil – Capital increase

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

Exaprobe – Capital increase

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. Put and call options were set up with non-controlling shareholders on the entity's remaining capital and a corresponding liability recognised against equity.

2.2.3. COMPANIES CREATED

No material companies were created in 2016.

2.2.4. SOLD OR DISCONTINUED OPERATIONS

There were no sold or discontinued operations in 2016.

2.2.5. ADJUSTMENTS TO ACQUISITIONS MADE IN THE PREVIOUS FINANCIAL YEAR

Adjustments made during the 12-month measurement period concerned Norcod (merged with Digital Dimension), Clesys and especially SynerTrade. 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 2016 and 2015 were as follows:

Company	Country	2016		2015	
		% interest	% control	% interest	% control
TECHNOLOGY MANAGEMENT & FINANCING					
ECONOCOM DIGITAL FINANCE LIMITED	Ireland	100%	100%	100%	100%
ECONOCOM FRANCE SAS	France	100%	100%	100%	100%
ATLANCE SAS	France	100%	100%	100%	100%
CINEOLIA SAS	France	60%	60%	N/A	N/A
ECONOCOM INTERNATIONAL ITALIA SPA(1)	Italy	100%	100%	100%	100%
ECONOCOM SA (SPAIN)(1)	Spain	100%	100%	100%	100%
ATLANCE SA/NV	Belgium	100%	100%	100%	100%
ECONOCOM LEASE SA/NV	Belgium	100%	100%	100%	100%
ECONOCOM NEDERLAND BV	Netherlands	100%	100%	100%	100%
ECONOCOM PUBLIC BV	Netherlands	100%	100%	100%	100%
ECONOCOM LTD	UK	100%	100%	100%	100%
ECONOCOM DEUTSCHLAND GMBH	Germany	100%	100%	100%	100%
ECONOCOM POLSKA SP Z.O.O	Poland	100%	100%	100%	100%
ECONOCOM CORPORATION	US	100%	100%	100%	100%
PRODUCTS & SOLUTIONS					
ASYSTEL SAS(2)	France	0%	0%	100%	100%
ECONOCOM PRODUCTS & SOLUTIONS SAS	France	100%	100%	100%	100%
CAVERIN	Spain	66.66%	66.66%	N/A	N/A
ECONOCOM PRODUCTS & SOLUTIONS BELUX SA/NV	Belgium	100%	100%	100%	100%
ECONOCOM PSF SA	Luxembourg	100%	100%	100%	100%

(1) Econocom International Italia SpA also operates "Services" and "Products & Solutions" businesses, while Econocom SA (Spain) also has "Services" operations.
(2) Asystel SAS was merged into Econocom Products & Solutions SAS in 2016.

Main subsidiaries (cont.)

Company	Country	2016		2015	
		% interest	% control	% interest	% control
SERVICES					
ALTER WAY GROUP	France	64.45%	64.45%	64.45%	64.45%
ASP SERVEUR SAS	France	40.08%	80%	40.08%	80%
BIZMATICA GROUP	Italy/Poland	70%	70%	70%	70%
CLESYS SAS	France	100%	100%	100%	100%
DIGITAL DIMENSION SAS	France	50.10%	50.10%	50.10%	50.10%
ECONOCOM DIGITAL SECURITY SAS	France	55%	55%	55%	55%
ECONOCOM CYBER SECURITY SA	France	88.95%	88.95%	90.40%	90.40%
ECONOCOM SERVICES SAS	France	100%	100%	100%	100%
ECONOCOM ERMESTEL SL (SPAIN)	Spain	100%	100%	100%	100%
ESR SAS	France	100%	100%	100%	100%
EXAPROBE SAS	France	90%	90%	100%	100%
HELIS SAS	France	45%	45%	45%	45%
MOBIS SAS GROUP (RAYONNANCE)	France	42.58%	85%	35.07%	70%
COM 2002 SL NEXICA	Spain	50.10%	100%	50.10%	100%
NORCOD SAS[1]	France	0%	0%	50.10%	100%
ECONOCOM - OSIATIS FRANCE SAS	France	100%	100%	100%	100%
ECONOCOM - OSIATIS INGÉNIERIE SAS	France	100%	100%	100%	100%
SYNERTRADE GROUP	Luxembourg, France, Germany, Romania, US	45.09%	90%	45.09%	90%
ECONOCOM OSIATIS SA	Spain	95.10%	95.10%	95.10%	95.10%
ECONOCOM MANAGED SERVICES SA/NV	Belgium	100%	100%	100%	100%
INTERADAPT GROUP	Brazil	56.87%	56.87%	61.25%	61.25%
ASYSTEL ITALIA	Italy	51%	51%	N/A	N/A

Main subsidiaries (cont.)

Company	Country	2016		2015	
		% interest	**% control**	% interest	% control
OSIATIS COMPUTER SERVICES GMBH	Austria	100%	100%	100%	100%
MCNEXT GROUP	France	81.30%	81.30%	N/A	N/A
GIGIGO GROUP(2)	Spain, Brazil, Mexico	35.07%	70%	N/A	N/A
HOLDING COMPANIES					
ECONOCOM SAS	France	100%	100%	100%	100%
ECONOCOM FINANCE SNC	Belgium	100%	100%	100%	100%

(1) Norcod SAS was merged into Digital Dimension SAS in 2016.
(2) Digital Dimension acquired 51% of Gigigo group; however, percentages of ownership and control are calculated based on a 70% shareholding in view of the fixed-price option exercisable in 2017.

At 31 December 2016, Econocom had an interest in only one associate, which was valued using the equity method:

Company	Country	% interest	
		2016	**2015**
NORCOD SANTÉ SAS	France	33.77%	33.77%

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.

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, Aragon, ASP Serveur, Asystel Italia, Bizmatica, Caverin, Cineolia, Econocom Digital Security, Exaprobe, Mobis (Rayonnance), MC Next, Helis, SynerTrade, Econocom Cyber Security (formerly Altasys), Gigigo. 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 period.

(in € millions)	*Notes*	Put and call options on non-controlling interests	Contingent price consideration	Deferred payment	Total - acquisition-related liabilities	*Current portion*	*Non-current portion*
31 DEC. 2015		**59.2**	**5.9**	**1.2**	**66.3**	***4.4***	***61.9***
INCREASES AGAINST EQUITY OR GOODWILL(1)		34.2	1.2	1.7	**37.0**		
DISBURSEMENTS		(7.3)	(3.4)	-	**(10.7)**		
CHANGE IN FAIR VALUE THROUGH PROFIT OR LOSS(2)	*5*	(5.5)	-	-	**(5.5)**		
31 DEC. 2016	***12.4 12.5***	**80.6**	**3.7**	**2.9**	**87.1**	***4.6***	***82.5***

(1) The amount of €34.2 million includes €32.8 million in respect of acquisitions of controlling interests in the period and €1.4 million relating to the opening up of capital to the Managing Directors of an entity.
(2) The offsetting entry for these changes in fair value is recorded within "Non-recurring operating income and expenses".

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 Council, 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 OPERATING BUSINESS SEGMENT

The following table presents the contribution of each operating business segment to the Group's financial statements:

(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 THE ECS CUSTOMER PORTFOLIO AND THE OSIATIS BRAND	(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 resulting from acquisitions (the ECS customer portfolio and the Osiatis brand).

(in € millions)	Technology Management & Financing	Services	Products & Solutions	Total operating segments	Total
2015 REVENUE					
REVENUE FROM EXTERNAL CLIENTS	**1,149.0**	**729.9**	**437.2**	**2,316.1**	**2,316.1**
INTERNAL OPERATING REVENUE	0.8	44.9	65.6	111.3	111.3
TOTAL – REVENUE FROM OPERATING SEGMENTS	1,149.8	774.8	502.8	2,427.4	2,427.4
RECURRING OPERATING PROFIT FROM ORDINARY ACTIVITIES(1)	**70.1**	**35.5**	**12.1**	**117.7**	**117.7**
AMORTISATION OF THE ECS CUSTOMER PORTFOLIO AND THE OSIATIS BRAND	(2.0)	(2.2)	-	(4.2)	(4.2)
RECURRING OPERATING PROFIT FROM ORDINARY ACTIVITIES	**68.1**	**33.3**	**12.1**	**113.5**	**113.5**

(1) Before amortisation of intangible assets resulting from acquisitions (the ECS customer portfolio and the 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 result corresponds to "Recurring operating profit from ordinary activities". This corresponds to operating profit before other non-recurring operating income and expenses and the amortisation of non-current assets from major transactions (amortisation of the ECS customer portfolio and the Osiatis brand).

3.2. BREAKDOWN OF REVENUE BY GEOGRAPHICAL AREA

	Revenue by geographical area (origin)	
(in € millions)	**2016**	**2015**
FRANCE	1,362.5	1,235.6
BENELUX	344.4	346.5
SOUTHERN EUROPE AND MOROCCO	476.0	409.0
NORTHERN & EASTERN EUROPE/AMERICAS	353.3	325.0
TOTAL	**2,536.2**	**2,316.1**

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)	**2016**	**2015**
TECHNOLOGY MANAGEMENT & FINANCING	1,259.0	1,149.0
SERVICES	802.3	729.9
PRODUCTS & SOLUTIONS	474.9	437.2
TOTAL REVENUE FROM CONTINUING OPERATIONS	**2,536.2**	**2,316.1**

4.1.1. REVENUE RECOGNITION: ACCOUNTING PRINCIPLES

Income from ordinary operations is reported where:

- 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.

Income from ordinary operations comprises:

Sales of goods (Products & Solutions, Services)

Sales of 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 through 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 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.

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 qualification 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)	2016	2015
WAGES AND SALARIES	(356.5)	(325.4)
PAYROLL COSTS	(144.4)	(130.3)
OTHER	(12.2)	(14.9)
TOTAL	**(513.2)**	**(470.6)**

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 useful life of the depreciable asset covered by the grant; deferred income is 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 affect 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)	2016	2015
FEES PAID TO INTERMEDIARIES AND OTHER PROFESSIONALS	(49.9)	(48.3)
EXTERNAL SERVICES (RENT, MAINTENANCE, INSURANCE, ETC.)	(33.1)	(36.1)
AGENTS' COMMISSIONS	(26.0)	(26.8)
OTHER EXTERNAL EXPENSES (SUBCONTRACTING, PUBLIC RELATIONS, TRANSPORT, ETC.)	(62.1)	(53.7)
TOTAL	**(171.1)**	**(164.9)**

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)	2016	2015
INTANGIBLE ASSETS – FRANCHISES, PATENTS, LICENCES, BUSINESS ASSETS, ETC.(1)	(12.3)	(10.1)
PROPERTY, PLANT AND EQUIPMENT (LEASED ASSETS)	(0.7)	(1.4)
PROPERTY, PLANT AND EQUIPMENT: OTHER NON-CURRENT ASSETS	(8.6)	(7.2)
DEPRECIATION AND AMORTISATION(1)	**(21.6)**	**(18.6)**
MOVEMENTS IN PROVISIONS FOR OPERATING CONTINGENCIES AND EXPENSES	10.4	6.7
TOTAL	**(11.2)**	**(11.9)**

(1) Including €4.2 million in respect of amortisation of the ECS customer portfolio and the Osiatis brand in both 2016 and 2015.

4.6. NET IMPAIRMENT LOSSES ON CURRENT AND NON-CURRENT ASSETS

(in € millions)	2016	2015
IMPAIRMENT OF INVENTORIES	(2.1)	(6.3)
REVERSALS OF IMPAIRMENT OF INVENTORIES	6.6	7.1
NET LOSSES/GAINS ON INVENTORIES	**4.5**	**0.8**
IMPAIRMENT OF DOUBTFUL RECEIVABLES	(6.4)	(9.4)
REVERSALS OF IMPAIRMENT OF DOUBTFUL RECEIVABLES	7.2	5.4
GAINS AND LOSSES ON THE SALE OF RECEIVABLES	(0.7)	(0.2)
NET LOSSES/GAINS ON TRADE RECEIVABLES	**0.1**	**(4.2)**
GAINS AND LOSSES ON THE SALE OF OTHER ASSETS	**(3.9)**	**(1.0)**
TOTAL	**0.7**	**(4.3)**

4.7. OTHER RECURRING OPERATING INCOME AND EXPENSES

Other recurring operating income and expenses break down as follows:

(in € millions)	2016	2015(1)
CROSS-CHARGING AND INDEMNITIES RECEIVED	8.6	8.5
CAPITAL LOSSES ON SALES OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS – RECURRING OPERATING ACTIVITIES	(1.2)	(0.3)
CROSS-CHARGING AND INDEMNITIES PAID	(1.6)	(0.8)
TOTAL	**5.8**	**7.4**

(1) After the 2015 reclassification of back margins in "cost of sales".

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)	2016	2015
FINANCIAL INCOME RELATED TO TECHNOLOGY MANAGEMENT & FINANCING OPERATIONS	12.0	11.6
MISCELLANEOUS FINANCIAL INCOME FROM OPERATING ACTIVITIES	0.4	0.7
TOTAL FINANCIAL INCOME – OPERATING ACTIVITIES	**12.4**	**12.3**
FINANCIAL EXPENSES RELATED TO TECHNOLOGY MANAGEMENT & FINANCING OPERATIONS	(5.3)	(5.9)
FINANCIAL EXPENSES RELATED TO MISCELLANEOUS OPERATING ACTIVITIES	(2.1)	(2.1)
EXCHANGE LOSSES	(1.1)	(0.7)
TOTAL FINANCIAL EXPENSES – OPERATING ACTIVITIES	**(8.5)**	**(8.7)**
TOTAL	**3.9**	**3.6**

Financial income and expenses relating to TMF 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 value of the Mexican peso.

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 associated with external growth (acquisition fees);
- the costs of relocating premises;
- changes in the fair value of acquisition-related liabilities (contingent price consideration, put and call options on non-controlling interests)

(in € millions)	**2016**	**2015**
RESTRUCTURING COSTS	(10.0)	(6.4)
ACQUISITION COSTS	(1.2)	(1.9)
OTHER EXPENSES	(3.1)	(0.6)
OTHER OPERATING EXPENSES	**(14.3)**	**(8.9)**
OTHER INCOME	7.5	3.7
OTHER OPERATING INCOME	**7.5**	**3.7**
TOTAL	**(6.8)**	**(5.2)**

Restructuring costs relate to plans to improve operating performance implemented during the year as well as to the cost of moving premises. Acquisition costs relate to the various acquisitions carried out by the Group.

In 2016, other operating income and expenses related mainly to changes in the fair value of acquisition-related liabilities (put and call options on non-controlling interests) for a net amount of €5.5 million.

In 2015, other operating income mainly comprised capital gains generated on the sale of Asystel and A2Z business assets, and gains recognised on the acquisition of an additional interest in Brazilian subsidiary Interadapt.

6. NET FINANCIAL EXPENSE

(in € millions)	2016	2015
CAPITAL GAINS ON DISPOSALS OF FINANCIAL ASSETS	-	-
OTHER FINANCIAL INCOME	0.5	0.2
FINANCIAL INCOME	***0.5***	***0.2***
INTEREST EXPENSE ON BONDS	(7.3)	(6.3)
LOSS ON REDEMPTION OF ORNANE BONDS(2)	(4.5)	-
EXPENSES ON NON-CURRENT LIABILITIES	(0.7)	(0.5)
INTEREST COST OF RETIREMENT BENEFITS AND OTHER POST-EMPLOYMENT BENEFITS	(0.7)	(0.6)
INTEREST ON SHORT-TERM FINANCING	(2.1)	(3.1)
FINANCIAL EXPENSES ON FACTORING	(2.4)	(1.6)
OTHER FINANCIAL EXPENSES	(0.2)	(0.5)
FINANCIAL EXPENSES	***(17.9)***	***(12.6)***
OTHER FINANCIAL INCOME AND EXPENSES	**(17.4)**	**(12.4)**
CHANGE IN FAIR VALUE OF THE ORNANE EMBEDDED DERIVATIVE COMPONENT(1)	**(37.9)**	**(6.3)**
NET FINANCIAL EXPENSE	**(55.3)**	**(18.7)**

Net financial expense rose €36.6 million year-on-year in 2016, reflecting:

(1) the increase in the adjustment to the fair value of the ORNANE embedded derivative component (negative €37.9 million at end-2016 versus a negative €6.3 million at end-2015). This is recalculated at the end of each reporting period based on the number of bonds outstanding (12,768,688 bonds at 31 December 2016) and changes in line with the Econocom share price (which increased from €8.55 at end-2015 to €13.94 at end-2016);

(2) the cost (before tax savings) of redeeming ORNANE bonds in 2016 (€4.5 million). This led to a significant reduction in the adjustment to the fair value of the ORNANE embedded derivative component, with the transaction resulting in a positive €7.2 million net-of-tax impact on profit for the year. In 2016, Econocom redeemed 3,740,745 of its ORNANE convertible bonds maturing in 2019, representing 22.7% of bonds issued.

Adjusted for these items, net financial expense was €12.9 million, representing a slight €0.5 million increase on 2015.

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*	2016	2015
CURRENT TAX		(36.4)	(30.8)
MOVEMENTS IN TAX PROVISIONS	*16*	0.5	(0.2)
DEFERRED TAX	*7.2*	0.2	0.3
TOTAL		**(35.7)**	**(30.7)**

Effective tax rate

Income tax expense was €29.7 million, plus €6.1 million in CVAE tax on value added in France and IRAP regional production tax in Italy, representing a total of €35.7 million.

Based on reported profit before tax of €74.1 million, the reported effective tax rate was 48.2% (34.3% at end-2015). Taking account of the adjustment to the fair value of the ORNANE embedded derivative component (a non-deductible expense of €37.9 million), the effective tax rate came out at 31.9% for 2016 (32.0% in 2015).

Tax proof

(in € millions)	2016	2015
PROFIT BEFORE TAX	74.1	89.6
THEORETICAL TAX EXPENSE CALCULATED AT THE BELGIAN STANDARD TAX RATE (33.99% IN BOTH 2016 AND 2015)	(25.2)	(30.4)

Reconciliation:

IMPACTS OF CHANGES IN THE FAIR VALUE OF THE ORNANE EMBEDDED DERIVATIVE COMPONENT	(12.9)	(2.2)
UNRECOGNISED TAX LOSSES ARISING IN THE YEAR	(4.2)	(4.3)
PREVIOUSLY UNRECOGNISED TAX LOSSES USED IN THE YEAR	3.5	2.8
ADJUSTMENT TO CURRENT AND DEFERRED TAX	(0.3)	1.3
EFFECT OF TAXES OTHER THAN ON INCOME(1)	(6.1)	(6.1)
EFFECT OF FOREIGN INCOME TAX RATES	5.4	2.3
TAX CREDITS AND OTHER	4.8	6.0
OTHER PERMANENT DIFFERENCES	(0.7)	(0.1)
TOTAL PERMANENT DIFFERENCES	**(10.5)**	**(0.3)**
EFFECTIVE INCOME TAX EXPENSE	**(35.7)**	**(30.7)**

(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.

7.2. DEFERRED TAX ASSETS AND LIABILITIES

Analysis of deferred tax assets and liabilities

(in € millions)	31 Dec. 2015	Income (expense) for the year	Equity Other comprehensive income	Reclassifications	Changes in scope of consolidation	31 Dec. 2016
PENSION OBLIGATIONS	11.3	0.3	1.6	-	0.1	13.3
TEMPORARY DIFFERENCES ARISING ON PROVISIONS	10.8	(4.9)	-	(3.5)	1.1	3.5
OTHER ASSETS AND LIABILITIES	6.7	(1.8)	0.1	3.0	0.3	8.3
TAX LOSS CARRYFORWARDS	3.2	5.2	-	(0.2)	-	8.2
IMPACT OF NETTING DTA/ DTL	(17.9)	-	-	(1.5)	-	(19.4)
TOTAL DEFERRED TAX ASSETS	**14.1**	**(1.2)**	**1.7**	**(2.2)**	**1.5**	**13.9**
DEFERRED TAX ON TMF BUSINESS	(12.8)	(0.3)	-	(2.2)	-	(15.3)
AMORTISABLE INTANGIBLE ASSETS	(11.8)	1.9	-	(0.1)	-	(10.0)
OTHER ASSETS AND LIABILITIES	(3.0)	(0.2)	-	3.0	(0.2)	(0.4)
IMPACT OF NETTING DTA/ DTL	17.9	0.0	-	1.5	-	19.4
TOTAL DEFERRED TAX LIABILITIES	**(9.7)**	**1.4**	**-**	**2.2**	**(0.2)**	**(6.3)**
NET DEFERRED TAX ASSETS (LIABILITIES)	**4.4**	**0.2**	**1.7**	**-**	**1.3**	**7.6**

(in € millions)	31 Dec. 2016	31 Dec. 2015
RECOVERABLE WITHIN 12 MONTHS, BEFORE NETTING, BY TAX JURISDICTION	4.4	6.5
RECOVERABLE AFTER 12 MONTHS, BEFORE NETTING, BY TAX JURISDICTION	3.2	(2.1)
NET DEFERRED TAX ASSETS (LIABILITIES)	**7.6**	**4.4**

Deferred tax assets on tax loss carryforwards

At 31 December 2016, Econocom's tax loss carryforwards can be analysed as follows by expiry date:

(in € millions)	2016	2015
2017	-	0.1
2018	-	2.2
2019	0.8	-
BEYOND	0.7	4.4
INDEFINITE	87.7	62.7
TOTAL	**89.2**	**69.6**

At 31 December 2016, unrecognised deferred tax assets amounted to €20.1 million versus €19.5 million at end-2015 (i.e., a tax base of €63.3 million and €59.9 million, respectively). Deferred tax assets arising on tax loss carryforwards were utilised notably in the context of the French tax consolidation group and in Belgium. Deferred tax assets arising on tax loss carryforwards were recognised in respect of the current and prior years, mainly in the Services business, based on the assumption that they will be able to be utilised.

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 €12.1 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	2016	2015
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	39.6	57.8
RECURRING PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT(1)	83.0	70.1
AVERAGE NUMBER OF SHARES OUTSTANDING	107,721,797	108,508,895
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT (IN €)	**0.37**	**0.53**
RECURRING EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT(1) (IN €)	**0.77**	**0.65**

(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 the ECS customer portfolio and the Osiatis brand, net of tax effects
- Other non-recurring operating income and expenses, net of tax effects
- Adjustment to the fair value of the ORNANE embedded derivative component
- Other non-recurring financial income and expense, net of tax effects
- Profit (loss) from discontinued operations, net of tax effects

Diluted earnings per share

in € millions, except for per share data and number of shares	2016	2015
DILUTED PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT	39.6	57.8
AVERAGE NUMBER OF SHARES OUTSTANDING	107,721,797	108,508,895
IMPACT OF STOCK OPTIONS	1,897,727	2,756,562
IMPACT OF FREE SHARES	133,571	-
IMPACT OF ORNANE(1) CONVERTIBLE BONDS	-	-
DILUTED AVERAGE NUMBER OF SHARES OUTSTANDING	**109,753,096**	**111,265,457**
DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT (IN €)	**0.36**	**0.52**

(1) The number of potential new shares arising on the conversion of ORNANE bonds was 16,509,433 in 2015. In 2016, the Group redeemed 3,740,745 out of the 16,509,433 ORNANE convertible bonds initially issued. At 31 December 2016, 12,768,688 bonds convertible into the same number of shares were still outstanding.

At end-2016, the impact of taking into account the shares that could be issued in connection with the conversion of the ORNANE bonds would be a restatement of (i) the interest expense recognised on the bonds, (ii) the expense relating to the adjustment to the fair value of the embedded derivative component and (iii) the net loss on the ORNANE redemption. If these three items were to be restated, they would have an accretive impact. Accordingly, they were not taken into account when calculating diluted earnings per share, in accordance with IAS 33. At 31 December 2015, the ORNANE bonds also had an accretive impact on diluted earnings per share.

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 € 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)

In 2016, goodwill arising on companies acquired by the Group was allocated to the TMF CGU (Cineolia), the Services CGU (MC Next, Asystel Italia and Gigigo) and the Products & Solutions CGU (Caverin).

(in € millions)	Technology Management & Financing	Services	Products & Solutions	Total
2015				
GOODWILL AT 1 JANUARY 2015	**108.7**	**261.2**	**14.9**	**384.8**
ADJUSTMENTS TO ACQUISITION COSTS	-	1.4	-	1.4
ACQUISITIONS	-	99.3	-	99.3
DISPOSALS	-	(0.2)	(0.3)	(0.5)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS	-	(1.5)	-	(1.5)
IMPAIRMENT	-	-	-	-
GOODWILL AT 31 DECEMBER 2015	**108.7**	**360.2**	**14.6**	**483.5**
OF WHICH GROSS AMOUNT	108.7	364.5	14.6	487.8
OF WHICH ACCUMULATED IMPAIRMENT	-	(4.3)	-	(4.3)

In 2015, the full amount of goodwill arising on acquisitions carried out was allocated to the Services CGU. However, disposals related to operations discontinued in the Products & Solutions and Services businesses, namely the Services business in Belgium and Germany and Asystel in France.

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 needed 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).

	2016		2015	
	Discount rate	Perpetuity growth rate	Discount rate	Perpetuity growth rate
TECHNOLOGY MANAGEMENT & FINANCING	7.70%	1.00%	7.40%	1.00%
SERVICES	7.70%	1.50%	7.40%	1.50%
PRODUCTS & SOLUTIONS	7.70%	1.00%	7.40%	1.00%

The growth rate and weighted average cost of capital (WAAC) assumptions were reviewed in light of comprehensive market data.

The post-tax discount rate used corresponds to the weighted average cost of capital. 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:

	Sensitivity to rates				Sensitivity to cash flows
	Discount rate		Perpetuity growth rate		
(in € millions)	+1.0%	-1.0%	+0.5%	-0.5%	-10%
TECHNOLOGY MANAGEMENT & FINANCING	(120.0)	202.4	56.7	(48.8)	(154.4)
SERVICES	(97.4)	135.3	47.7	(40.6)	(179.5)
PRODUCTS & SOLUTIONS	(23.0)	31.1	10.8	(9.3)	(36.2)

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 reliably measure 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.

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**

Customer portfolios and business assets are intangible assets which are recognised in connection with business combinations, and amortised over the useful lives as previously set out.

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.

2015 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. 2014	**52.7**	**28.2**	**33.3**	**1.7**	**115.9**
ACQUISITIONS	-	1.2	8.9	0.1	10.2
DISPOSALS	-	(2.6)	(2.8)	-	(5.4)
CHANGES IN SCOPE OF CONSOLIDATION	0.8	3.7	17.7	1.8	24.0
TRANSLATION ADJUSTMENTS	-	(0.1)	-	-	(0.1)
TRANSFERS AND OTHER MOVEMENTS	(0.1)	0.7	(0.8)	(0.2)	(0.4)
GROSS VALUE AT 31 DEC. 2015	**53.4**	**31.1**	**56.3**	**3.4**	**144.2**
AMORTISATION AND IMPAIRMENT					
ACCUMULATED AMORTISATION AT 31 DEC. 2014	**(11.8)**	**(24.6)**	**(20.6)**	**(1.3)**	**(58.3)**
ADDITIONS	(4.4)	(1.8)	(3.5)	(0.3)	(10.0)
DISPOSALS	-	2.6	2.8	-	5.4
CHANGES IN SCOPE OF CONSOLIDATION	-	(2.4)	(13.7)	(1.5)	(17.6)
TRANSLATION ADJUSTMENTS	-	-	-	-	-
TRANSFERS AND OTHER MOVEMENTS	-	-	-	0.4	0.4
ACCUMULATED AMORTISATION AT 31 DEC. 2015	**(16.2)**	**(26.2)**	**(35.0)**	**(2.7)**	**(80.1)**
CARRYING AMOUNT AT 31 DEC. 2014	40.9	3.6	12.7	0.4	57.6
CARRYING AMOUNT AT 31 DEC. 2015	**37.2**	**4.9**	**21.3**	**0.7**	**64.1**

10.2. PROPERTY, PLANT AND 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.

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**

Other property, plant and equipment relate to assets in progress.

The Group also holds the following assets under finance leases:

(in € millions)	Gross value at 31 Dec. 2016	Carrying amount at 31 Dec. 2016	Gross value at 31 Dec. 2015	Carrying amount at 31 Dec. 2015
BUILDINGS	5.1	1.3	5.1	1.4
FURNITURE AND VEHICLES	3.7	1.5	2.7(1)	1.4

(1) To provide a meaningful comparison, the gross and net carrying amounts of furniture and vehicles held under finance leases were adjusted at 31 December 2015.

Details of the liabilities and future payments relating to these leases are provided in Notes 14.2 and 19.2.4.

2015 PROPERTY, PLANT AND EQUIPMENT

Changes in the gross value of property, plant and equipment and the related depreciation expense are presented below for 2015:

(in € millions)	Land and buildings	Fixtures, fittingd 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. 2014	**26.6**	**38.7**	**9.7**	**1.2**	**3.4**	**79.6**
ACQUISITIONS	1.0	5.2	0.5	3.3	-	10.0
DISPOSALS	(1.5)	(4.9)	(0.8)	-	(2.0)	(9.2)
CHANGES IN SCOPE OF CONSOLIDATION	0.7	5.9	0.8	1.1	0.5	9.0
TRANSLATION ADJUSTMENTS	-	-	(0.1)	-	-	(0.1)
TRANSFERS AND OTHER MOVEMENTS	0.1	-	(0.2)	(0.7)	-	(0.8)
GROSS VALUE AT 31 DEC. 2015	**26.9**	**44.9**	**9.9**	**4.9**	**1.9**	**88.5**
DEPRECIATION AND IMPAIRMENT						
ACCUMULATED DEPRECIATION AT 31 DEC. 2014	**(12.2)**	**(32.7)**	**(6.5)**	**-**	**(2.0)**	**(53.4)**
ADDITIONS	(1.2)	(5.0)	(0.9)	(0.3)	(1.4)	(8.8)
DISPOSALS	1.4	4.9	0.8	-	2.0	9.1
CHANGES IN SCOPE OF CONSOLIDATION	(0.3)	(4.3)	(0.5)	(0.3)	(0.4)	(5.8)
TRANSLATION ADJUSTMENTS	-	(0.1)	-	-	-	(0.1)
TRANSFERS AND OTHER MOVEMENTS	-	0.2	0.1	0.3	-	0.6
ACCUMULATED DEPRECIATION AT 31 DEC. 2015	(12.3)	(37.0)	(7.0)	(0.3)	(1.8)	(58.4)
CARRYING AMOUNT AT 31 DEC. 2014	14.4	6.0	3.2	1.2	1.4	26.2
CARRYING AMOUNT AT 31 DEC. 2015	**14.6**	**7.9**	**2.9**	**4.6**	**0.1**	**30.1**

10.3. LONG-TERM FINANCIAL ASSETS

Investments in non-consolidated companies are recorded at fair value. Unrealised gains or losses are recognised directly in equity except prolonged impairment losses which are taken to 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 2014	**-**	**0.2**	**22.2**	**22.4**
INCREASES	0.8	-	3.1	3.9
REPAYMENTS/DISPOSALS(4)	-	-	(3.0)	(3.0)
CHANGES IN SCOPE OF CONSOLIDATION	-	0.4	0.6	1.0
TRANSLATION ADJUSTMENTS	-	-	-	-
SHARE OF PROFIT (LOSS) OF ASSOCIATES AND JOINT VENTURES	-	(0.1)	-	(0.1)
BALANCE AT 31 DECEMBER 2015	**0.8**	**0.5**	**22.9**	**24.2**
INCREASES	0.6	-	3.3	3.9
REPAYMENTS/DISPOSALS(4)	-	-	(1.7)	(1.7)
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**

(1) This relates to the Group's interest in non-controlled entities for €1.4 million, including Histovery (€0.7 million), Kartable (€0.5 million) and Magic Makers (€0.2 million).
(2) At 31 December 2016, Econocom had only one equity-accounted associate (Norcod Solutions Santé).
(3) Other long-term financial assets chiefly correspond to guarantees and deposits.
(4) Repayments and disposals relate to repayments of deposits on factoring transactions, classified in changes in working capital in the consolidated statement of cash flows.

Maturity of long-term financial assets

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**

2015 *in € millions*	1 to 5 years	Beyond 5 years	Indefinite	Total
INVESTMENTS IN NON-CONSOLIDATED COMPANIES	-	-	0.8	0.8
INVESTMENTS IN ASSOCIATES AND JOINT VENTURES	-	-	0.5	0.5
GUARANTEES GIVEN TO FACTORS	6.1	10.5	-	16.6
OTHER INVESTMENTS	-	-	1.4	1.4
OTHER GUARANTEES AND DEPOSITS	2.6	2.3	-	4.9
TOTAL	**8.7**	**12.8**	**2.7**	**24.2**

10.4. OTHER LONG-TERM RECEIVABLES

(in € millions)	2016	2015
GOVERNMENT GRANTS	5.8	2.7
OTHER LONG-TERM RECEIVABLES	4.3	1.9
OTHER RECEIVABLES	**10.1**	**4.6**

"Government grants" relate to amounts receivable under government grants (including at 31 December 2016: €4.5 million in respect of research tax credits and €0.5 million in respect of CICE tax credits). "Other long-term receivables" relate 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 the estimated recoverable amount, an impairment loss is recognised within operating profit.

By maturity

(in € millions)	2016	2015
1 TO 5 YEARS	8.3	2.8
BEYOND 5 YEARS	1.8	1.8
TOTAL	**10.1**	**4.6**

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)	2016	2015
RESIDUAL INTEREST IN LEASED ASSETS – NON-CURRENT PORTION (BETWEEN 1 AND 5 YEARS)	77.4	70.1
RESIDUAL INTEREST IN LEASED ASSETS – CURRENT PORTION (LESS THAN 1 YEAR)	29.7	28.1
TOTAL	**107.1**	**98.2**

The Group 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.

At 31 December 2016, the residual interest comprising the non-current portion and the current portion, represented €107.1 million, or 2% of the purchase price of assets in its portfolio, in line with 2015.

The impact of discounting on the total amount of the residual interest was €6.5 million at 31 December 2016 versus €7.8 million at 31 December 2015. The pre-discounted values were €113.6 million at end-2016 and €106.0 million at end-2015.

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 liability for purchases of leased assets". 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)	**2016**	**2015**
TOTAL GROSS LIABILITY FOR PURCHASES OF LEASED ASSETS – NON-CURRENT PORTION (BETWEEN 1 AND 5 YEARS)	52.5	45.9
TOTAL GROSS LIABILITY FOR PURCHASES OF LEASED ASSETS – CURRENT PORTION (LESS THAN 1 YEAR)	15.8	16.2
TOTAL	**68.3**	**62.1**

The present value of items recorded in "Gross liability for purchases of leased assets" (current and non-current portions) represented €68.3 million. The cumulative impact of discounting was €10.7 million in 2016 and €9.7 million in 2015. The pre-discounted values were €79 million at end-2016 and €71.8 million at end-2015.

At 31 December 2016, the ratio of the residual interest in leased assets to the gross liability for purchases of leased assets was 63.8% (63.2% at 31 December 2015).

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 for which they are intended.

	2016			2015		
(in € millions)	Gross	Impairment	Net	Gross	Impairment	Net
EQUIPMENT IN THE PROCESS OF BEING REFINANCED	**11.8**	**(0.6)**	**11.2**	**7.6**	**(2.4)**	**5.2**
OTHER INVENTORIES	**42.9**	**(14.9)**	**28.0**	**34.2**	**(17.3)**	**16.9**
ICT EQUIPMENT	*21.9*	*(1.3)*	*20.6*	*13.5*	*(1.9)*	*11.6*
SPARE PARTS	*21.0*	*(13.6)*	*7.4*	*20.7*	*(15.4)*	*5.3*
TOTAL	**54.7**	**(15.5)**	**39.2**	**41.8**	**(19.7)**	**22.1**

Gross value

(in € millions)	31 Dec. 2015	Changes in inventories	Changes in scope of consolidation	31 Dec. 2016
EQUIPMENT IN THE PROCESS OF BEING REFINANCED	**7.6**	**4.2**	**-**	**11.8**
OTHER INVENTORIES	**34.2**	**6.8**	**1.9**	**42.9**
ICT EQUIPMENT	*13.5*	*6.5*	*1.9*	*21.9*
SPARE PARTS	*20.7*	*0.3*	*-*	*21.0*
TOTAL	**41.8**	**11.0**	**1.9**	**54.7**

Impairment of inventories

(in € millions)	31 Dec. 2015	Additions	Reversals	Changes in scope of consolidation	Other changes	31 Dec. 2016
EQUIPMENT IN THE PROCESS OF BEING REFINANCED	**(2.4)**	**(0.1)**	**1.9**	**-**	**-**	**(0.6)**
OTHER INVENTORIES	**(17.3)**	**(2.0)**	**4.7**	**(0.5)**	**0.2**	**(14.9)**
ICT EQUIPMENT	(1.9)	(0.2)	1.1	(0.5)	0.2	(1.3)
SPARE PARTS	(15.4)	(1.8)	3.6	-	-	(13.6)
TOTAL	**(19.7)**	**(2.1)**	**6.6**	**(0.5)**	**0.2**	**(15.5)**

12.2. TRADE AND OTHER RECEIVABLES AND OTHER CURRENT ASSETS

	2016			2015		
(in € millions)	Gross	Impairment	Net	Gross	Impairment	Net
TRADE RECEIVABLES	849.5	(47.4)	802.1	747.3	(48.4)	698.9
OTHER RECEIVABLES	84.7	(4.6)	80.1	108.7	(2.9)	105.8
TRADE AND OTHER RECEIVABLES	**934.2**	**(52.0)**	**882.2**	**856.0**	**(51.3)**	**804.7**
OTHER CURRENT ASSETS	**52.9**	**-**	**52.9**	**55.4**	**-**	**55.4**

Trade receivables items are broken down below by business, net of impairment. For all businesses, the increase in this line results from the growth in business along with an acceleration in invoicing towards the end of the year.

	31 Dec. 2016				31 Dec. 2015			
(in € millions)	Receivables invoiced net of impairment	Outstanding rentals	Revenue accruals	Total	Receivables invoiced net of impairment	Outstanding rentals	Revenue accruals	Total
TECHNOLOGY MANAGEMENT & FINANCING	**243.4**	**344.0**	**8.3**	**595.7**	**260.7**	**263.5**	**8.7**	**532.9**
TRADE RECEIVABLES REFINANCED OR IN THE PROCESS OF BEING REFINANCED	*96.1*	*344.0*	*-*	*440.1*	*133.8*	*263.5*	*-*	*397.3*
USER TRADE RECEIVABLES (OUTSTANDING RENTALS REFINANCED BUT INVOICED BY ECONOCOM)	*147.3*	*-*	*8.3*	*155.6*	*126.9*	*-*	*8.7*	*135.6*
SERVICES	**106.7**	**-**	**58.1**	**164.8**	**88.4**	**-**	**44.3**	**132.7**
PRODUCTS & SOLUTIONS	**30.3**	**-**	**11.3**	**41.6**	**25.5**	**-**	**7.8**	**33.3**
TOTAL	**380.4**	**344.0**	**77.7**	**802.1**	**374.6**	**263.5**	**60.8**	**698.9**

Trade receivables are written down whenever there is a serious collection risk.

(in € millions)	31 Dec. 2015	Additions	Reversals	Changes in scope of consolidation	Reclassification	31 Dec. 2016
IMPAIRMENT OF DOUBTFUL RECEIVABLES	(48.4)	(6.2)	7.0	(1.0)	1.2	(47.4)

Other receivables

(in € millions)	2016	2015
TAX RECEIVABLES (EXCL. INCOME TAX)	30.1	45.9
FACTORING RECEIVABLES	18.4	24.8
FRENCH STATE, GOVERNMENT GRANTS RECEIVABLE	15.0	18.2
DUE FROM SUPPLIERS	10.0	9.7
OTHER	6.6	7.2
OTHER RECEIVABLES	**80.1**	**105.8**

"Other receivables" represent amounts receivable from the French State and miscellaneous amounts due from third parties (suppliers, factoring companies, etc.).

The €25.7 million decrease in this item reflects the collection of VAT receivables arising in 2014 and 2015 (€14 million) and a change in the factoring companies for Products & Solutions (€6 million), with the new service provider granting non-recourse financing for the receivables upon their sale.

Other current assets

Other current assets relate to prepaid expenses totalling €52.9 million at 31 December 2016 and €55.4 million at 31 December 2015.

12.3. TRADE AND OTHER PAYABLES

(in € millions)	2016	2015
TRADE PAYABLES	635.6	522.9
OTHER PAYABLES	272.4	228.6
TRADE AND OTHER PAYABLES	**908.0**	**751.5**

Other payables can be analysed as follows:

(in € millions)	2016	2015
ACCRUED TAXES AND PERSONNEL COSTS	220.2	207.1
DIVIDENDS PAYABLE	0.6	0.6
ORNANE EMBEDDED DERIVATIVE COMPONENT	45.4	11.9
CUSTOMER PREPAYMENTS AND OTHER PAYABLES	6.2	9.0
OTHER PAYABLES	**272.4**	**228.6**

12.4. OTHER CURRENT LIABILITIES

Other current liabilities can be analysed as follows:

(in € millions)	*Notes*	2016	2015
ACQUISITION-RELATED LIABILITIES – CURRENT PORTION	*2.4*	4.6	4.4
DEFERRED INCOME		136.4	140.9
OTHER LIABILITIES		6.4	12.3
OTHER CURRENT LIABILITIES		**147.4**	**157.6**

12.5. OTHER NON-CURRENT LIABILITIES

(in € millions)	*Notes*	2016	2015
ACQUISITION-RELATED LIABILITIES – NON-CURRENT PORTION	2.4	82.5	61.9
OTHER NON-CURRENT LIABILITIES(1)		8.7	7.3
OTHER NON-CURRENT LIABILITIES		**91.2**	**69.2**

(1) Including €8.3 million in miscellaneous cash deposits received at 31 December 2016 (€7.3 million at 31 December 2015).

13. FINANCIAL INSTRUMENTS

Financial instruments comprise:

- financial assets, which include long-term financial assets, other long-term receivables, trade and other receivables, other current assets, 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 valued 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 bond. 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 then transferred to the income statement.

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 is measured at fair value through profit or loss.

	Notes	31 Dec. 2015	Change through profit or loss(1)	Other comprehensive income and expense	Other changes	31 Dec. 2016
DERIVATIVE INSTRUMENTS (POSITIVE FAIR VALUE)	-	-	-	-	-	-
DERIVATIVE INSTRUMENTS (NEGATIVE FAIR VALUE)	*12.3*	11.9	33.5	0.3	-	45.7

(1) Changes in the ORNANE embedded derivative component, representing an expense of €37.9 million related to changes in the fair value of ORNANE bonds, and a reversal of €4.4 million further to the redemption of ORNANE bonds.

At end-December 2016, the fair value of the ORNANE embedded derivative component totalled €45.4 million. The fair value of the interest rate swap was €0.3 million.

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 2016 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	25.0	-	-	25.0	-
LONG-TERM FINANCIAL ASSETS	FVPL	10.3		1.7	-	1.7	-
LONG-TERM RECEIVABLES	L&R	10.4	10.1	-	-	10.1	-
TRADE RECEIVABLES	L&R	12.2	802.1	-	-	802.1	-
OTHER RECEIVABLES	L&R	12.2	80.1	-	-	80.1	-
CASH AND CASH EQUIVALENTS	FVPL	14.1	-	348.7	348.7	-	-
FINANCIAL ASSETS			**917.3**	**350.4**	**348.7**	**919.0**	**-**

(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

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) Statement of financial position headings	Notes	Carrying amount		Level in the fair value hierarchy		
		Amortised cost	Fair value through profit or loss	Level 1	Level 2	Level 3
GROSS DEBT	*14.2*	**533.6**	**0.2**	**0.2**	**533.6**	**-**
CONVERTIBLE BONDS	-	137.5	-	-	137.5	-
NON-CONVERTIBLE BONDS	-	251.7	-	-	251.7	-
BANK DEBT, COMMERCIAL PAPER AND OTHER	-	63.9	0.2	0.2	63.9	-
LIABILITIES RELATING TO CONTRACTS REFINANCED WITH RECOURSE	-	77.3	-	-	77.3	-
FINANCE LEASE LIABILITIES	-	3.3	-	-	3.3	-
NON-CURRENT NON INTEREST-BEARING LIABILITIES	*12.5*	**8.7**	**82.5**	**-**	**8.7**	**82.5**
GROSS LIABILITY FOR PURCHASES OF LEASED ASSETS	*11.2*	**68.3**	**-**	**-**	**68.3**	**-**
TRADE PAYABLES	*12.3*	**635.6**	**-**	**-**	**635.6**	**-**
OTHER PAYABLES (EXCLUDING DERIVATIVE INSTRUMENTS)	*12.3*	**226.7**	**-**	**-**	**226.7**	**-**
OTHER CURRENT (FINANCIAL) LIABILITIES	*12.4*	**9.2**	**1.8**	**-**	**9.2**	**1.8**
FINANCIAL LIABILITIES		**1,482.1**	**84.5**	**0.2**	**1,482.1**	**84.3**

Non-current non-interest-bearing liabilities and other current liabilities estimated at fair value through profit or loss (Level 3) correspond to acquisition-related debt.

Level 3 financial liabilities relate to liabilities in respect of put and call options on non-controlling interests (€80.6 million) and amounts due in respect of contingent consideration on corporate acquisitions (€3.7 million). They are measured based on estimations of future performances of the companies concerned (for example, a multiple of EBIT).

Based on the information held by the Group, the fair value of financial liabilities approximates their carrying amount, except for:

- convertible bonds (ORNANE), the market value of which was €14.06 per bond at 31 December 2016 (including accrued interest), i.e., a market value of €179.5 million for all of the ORNANE convertible bonds outstanding at that date;
- the euro private placement (Euro PP), the market value of which (including accrued interest) at 31 December 2016 was 100.63% per bond for tranche 1 (maturing in 2020) and 101.91% per bond for tranche 2 (maturing in 2022), i.e., a market value of €102.3 million for all convertible bonds at that date.

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-2015 and end-2016:

(in € millions)	2016	2015
CASH	**335.9**	**199.2**
CASH IN HAND	*0.3*	*0.2*
DEMAND ACCOUNTS	*335.6*	*199.0*
CASH EQUIVALENTS	**12.8**	**10.4**
TERM ACCOUNTS	*11.1*	*9.8*
MARKETABLE SECURITIES	*1.7*	*0.6*
CASH AND CASH EQUIVALENTS	**348.7**	**209.6**
BANK OVERDRAFTS	(0.2)	(0.2)
CASH AND CASH EQUIVALENTS NET OF BANK OVERDRAFTS	**348.5**	**209.4**

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 €36.1 million at 31 December 2016 (of which €7.6 million relating to acquisitions during the year) versus €23 million at 31 December 2015.

14.2. GROSS DEBT

(in € millions)	31 Dec. 2016	31 Dec. 2015
FINANCE LEASE LIABILITIES	2.4	2.7
CONVERTIBLE BOND DEBT (ORNANE)	135.5	171.0
NON-CONVERTIBLE BOND DEBT (EURO PP)	99.4	99.3
NON-CONVERTIBLE BOND DEBT (SCHULDSCHEIN BOND)	147.0	-
OTHER BORROWINGS	6.6	8.2
NON-CURRENT INTEREST-BEARING LIABILITIES	**390.9**	**281.2**
BANK BORROWINGS	57.3	57.8
CONVERTIBLE BOND DEBT (ORNANE) - CURRENT PORTION	2.0	2.6
NON-CONVERTIBLE BOND DEBT (EURO PP) - CURRENT PORTION	2.6	2.7
NON-CONVERTIBLE BOND DEBT (SCHULDSCHEIN BOND) – CURRENT PORTION	2.6	-
FINANCE LEASE LIABILITIES	66.8	37.9
O/W LEASE LIABILITIES RELATING TO CONTRACTS REFINANCED WITH RECOURSE(1)	*65.9*	*37.2*
O/W FINANCE LEASE LIABILITIES	*0.9*	*0.7*
BANK OVERDRAFTS	0.2	0.2
FACTORING LIABILITIES(2)	8.6	10.8
OTHER CURRENT BORROWINGS AND DEBT WITH RECOURSE	2.9	2.9
CURRENT INTEREST-BEARING LIABILITIES	**142.9**	**114.9**
GROSS DEBT	**533.8**	**396.1**

(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.
(2) Factoring liabilities consist of residual risks arising from factoring agreements.

Convertible bonds

In late January 2014, Econocom Group issued ORNANE convertible bonds for a total amount of €175 million. These convertible bonds are traded on the Frankfurt stock exchange (Freiverkehr) and their main characteristics are listed below:

- maturity: 5 years;
- annual coupon: 1.5%;
- issue price: €10.60.

If these bonds are not converted, they will be redeemed in cash on 15 January 2019 at a price of €11.16.

ORNANE is a convertible bond which associates investors with share price performance by awarding an outperformance premium representing the difference between the share price at the maturity date and the par value of the bond.

In the event that bondholders wish to convert any number of their bonds at any time, the number of shares to be issued by Econocom in order to redeem the corresponding bonds can vary depending on the share price and the payment method chosen by the Group (in cash and/or in shares).

This variable factor is reflected by recognising a liability remeasured to fair value at the end of each reporting period. In the statement of cash flows, changes in fair value were restated in order to calculate cash flow from operating activities.

Bond debt at end-December 2016 was €137.5 million (current and non-current portion) versus €173.6 million at end-December 2015. During 2016, Econocom Group redeemed 3.7 million of its bonds out of the 16.5 million bonds initially issued. At 31 December 2016, there were 12.8 million outstanding ORNANE bonds.

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 five years and 2.804% at seven years) and are redeemable upon maturity.

Schuldschein bond

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 seven years, and €22 million and €115 million at five 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

The €1.6 million decrease in other non-current borrowings in 2016 chiefly reflects payments of the amounts due on Osiatis and Nexica loans, offset by the contribution of loans from entities acquired in 2016.

Econocom also sought to diversify its financing and in October 2015 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

2016 *(in € millions)*	Total	1 to 5 years	Beyond 5 years
FINANCE LEASE LIABILITIES – REAL ESTATE	1.1	0.4	0.7
OTHER FINANCE LEASE LIABILITIES	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**

2015 *(in € millions)*	Total	1 to 5 years	Beyond 5 years
FINANCE LEASE LIABILITIES – REAL ESTATE	1.4	1.0	0.4
OTHER FINANCE LEASE LIABILITIES	1.3	1.3	-
BONDS	270.3	215.8	54.5
OTHER BORROWINGS	8.2	7.7	0.5
TOTAL	**281.2**	**225.8**	**55.4**

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 and the derivative hedging for the Schuldschein bond.

(in € millions)	31 Dec. 2015	Monetary flows	Non-monetary flows				31 Dec. 2016
			Newly consol-idated 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 flows (€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). Bond interest paid is presented in "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 line (€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 bond consist of issuance fees.

Weighted average borrowing rates were 1.20% in 2016 versus 1.53% in 2015.

15. EQUITY

15.1. SHARE CAPITAL

	Number of shares			Value *(in € millions)*		
	Total	Treasury shares	Outstanding	Share capital	Additional paid-in capital(1)	Treasury shares
AT 31 DECEMBER 2014	**112,519,287**	**1,460,186**	**111,059,101**	**21.6**	**205.3**	**(8.7)**
PURCHASES OF TREASURY SHARES	-	4,975,647	(4,975,647)	-	-	(38.6)
SALES OF TREASURY SHARES	-	(524,396)	524,396	-	-	3.4
REFUND OF SHARE ISSUE	-	-	-	-	(16.2)	-
OPTIONS EXERCISED	-	(120,000)	120,000	-	-	0.8
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	-	-	5.5
REFUND OF ISSUE PREMIUMS	-	-	-	-	(19.7)	0.9
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) The €16.7 million difference between additional paid-in capital shown in Econocom Group's statutory financial statements and additional paid-in capital shown in the consolidated financial statements prepared under IFRS is attributable to the different method used to value the Osiatis shares during the various phases completed to acquire this group in 2013.

The number of dematerialised shares stands at 80,125,783.

The number of registered shares is 32,393,504.

At 31 December 2016, authorised capital stood at €21,564,000.

Bearer shares

In the context of the Belgian Law of 14 December 2005 abolishing bearer shares, the Group sold former bearer shares on the Euronext Brussels market whose owners had failed to make themselves known to Econocom. The sale ended on 30 November 2015.

At the end of this process, 524,466 shares had been sold at prices ranging from €7.89 to €8.45 per share. The net proceeds from the sale were deposited with Caisse des Dépôts et Consignations, in accordance with applicable law, along with 548,958 shares.

Since 1 January 2016, anyone able to prove that they are the owners of these bearer shares may make the relevant claim with Caisse des Dépôts et Consignations, either for the proceeds of the sale of their shares, or for the unsold shares, following payment of the fine provided for by law.

15.2. CHANGES IN EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT

At 31 December 2016, equity attributable to owners of the parent amounted to €201.4 million (€228.1 million at 31 December 2015). The table below shows changes in this item:

(in € millions)	
AT 31 DECEMBER 2015	**228.1**
COMPREHENSIVE INCOME FOR THE YEAR	36.3
SHARE-BASED PAYMENTS, NET OF TAX	0.9
REFUND OF SHARE ISSUE	(18.8)
TREASURY SHARE TRANSACTIONS[1]	(17.2)
IMPACT OF PUT OPTIONS GRANTED TO NON-CONTROLLING SHAREHOLDERS	(29.4)
MISCELLANEOUS (TRANSACTIONS IMPACTING NON-CONTROLLING INTERESTS AND OTHER TRANSACTIONS)	1.5
AT 31 DECEMBER 2016	**201.4**

(1) Including €11.8 million in capital losses upon the exercise of options, net of tax effects, €1.9 million in capital gains on sales of treasury shares net of fees and taxes, and €7.3 million for net purchases of treasury shares in the period.

15.3. CHANGES IN EQUITY NOT RECOGNISED IN PROFIT OR LOSS

15.3.1. SHARE-BASED PAYMENTS

The Group regularly awards stock purchase and subscription options, as well as free shares, to Management, certain corporate officers and selected 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. The characteristics of these plans are detailed below:

STOCK OPTION PLANS	2011	2013	2014(1)	2015(1)	2016(1)	Total
OPTIONS OUTSTANDING AT 31 DEC. 2015	790,000	875,000	2,015,000	360,000	-	4,040,000
OPTIONS GRANTED DURING THE PERIOD	-	-	-	-	105,000	105,000
OPTIONS EXERCISED IN THE PERIOD	(790,000)	-	-	-	-	(790,000)
OPTIONS LAPSED OR FORFEITED	-	-	-	-	-	-
OPTIONS OUTSTANDING AT 31 DEC. 2016	-	875,000	2,015,000	360,000	105,000	3,355,000
RIGHTS GRANTED IN NUMBER OF SHARES (COMPARABLE) AT 31 DEC. 2015	3,160,000	875,000	2,015,000	360,000	-	6,410,000
RIGHTS GRANTED IN NUMBER OF SHARES (COMPARABLE) AT 31 DEC. 2016	-	875,000	2,015,000	360,000	105,000	3,355,000
AVERAGE EXERCISE PRICE (IN €)	3.06	5.96	5.52	7.70	11.30	-
AVERAGE SHARE PRICE AT THE EXERCISE DATE	9.19	-	-	-	-	-
EXPIRY DATE	Dec. 2016	Dec. 2018	Dec. 2019	Dec. 2020	Dec. 2021	-

(1) In December 2014, the Compensation Committee approved a plan to issue 2,500,000 stock subscription rights, 2,075,000 of which were issued in 2014, 360,000 in 2015 and 105,000 in 2016. The formula adopted will allow Econocom Group to issue new shares upon exercise of these options.

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	Term	Estimated future dividend (in €)	RFIR(1)
2013	875,000	1.21	24%	4 years	0.15	1.14%
2014	2,015,000	0.71	28%	4 years	0.13	0.32%
2015	360,000	0.98	28%	4 years	0.15	0.35%
2016	105,000	1.65	30%	4 years	0.20	0.02%

(1) RFIR: risk-free interest rate.

Options are measured at fair value at the grant date in accordance with IFRS 2. This fair value is amortised over the service period required for them to be exercised.

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 Shareholders' Meeting of 17 May 2016 authorised Econocom's Board of Directors to award 1,125,000 free shares out of existing shares, representing 1.0% of the Group's share capital. Vesting may be contingent on meeting a series of internal and/or external individual and/or collective objectives. Pursuant to this authorisation, Econcom's Board of Directors' meeting of 19 May 2016 awarded 220,000 free shares to an employee, in three tranches:

	Number of shares	Date of transfer of ownership	Fair value per share (in €)
TRANCHE 1	80,000	May 2017	9.68
TRANCHE 2	70,000	May 2018	9.28
TRANCHE 3	70,000	May 2019	7.97
TOTAL	**220,000**		

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. Share-based payment expense in the income statement

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.

The total expense taken to profit or loss in respect of share-based payments in 2015 amounted to €1.2 million, recorded in personnel costs within recurring operating profit for €1 million and within non-recurring items for €0.2 million. A tax effect was recognised for €0.4 million.

15.3.2. PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS

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 2016, the Group held 5,398,364 treasury shares (i.e., 4.80% of the total number of shares) through the parent company Econocom Group SE. The total number of shares held in treasury 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

The table below shows the dividend per share paid by the Group in respect of previous years. At the Shareholders' Meeting, the Board of Directors is inviting shareholders to vote to refund the issue premium considered as paid-in capital, in an amount of €0.20 per share.

	Payable in 2017	Issue premium refunded in 2016	Issue premium refunded in 2015
TOTAL DIVIDEND *(in € millions)*[1]	22.5	19.7	16.2
DIVIDEND PER SHARE *(in €)*	0.20	0.175	0.15

(1) Calculated based on the total number of shares outstanding at 31 December.

As this refund of the issue premium is subject to the approval of the Annual General Meeting, it was not recognised as a liability in the consolidated financial statements for the year ended 31 December 2016.

15.3.5. CURRENCY TRANSLATION RESERVES (ATTRIBUTABLE TO OWNERS OF THE PARENT)

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 represented a decrease of €4.8 million versus a decrease of €4.1 million at 31 December 2015. At 31 December 2016, 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 2016, non-controlling interests amounted to €77.6 million (€52.4 million at 31 December 2015). The table below shows changes in this item:

(in € millions)	
AT 31 DECEMBER 2015	**52.4**
SHARE OF COMPREHENSIVE INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	(0.8)
FAIR VALUE MEASUREMENT OF NON-CONTROLLING SHAREHOLDERS	32.8
IMPACT OF PUT OPTIONS GRANTED TO NON-CONTROLLING SHAREHOLDERS IN ENTITIES CONTROLLED BY DIGITAL DIMENSION	(3.4)
OTHER (INCLUDING RECLASSIFICATION BETWEEN OWNERS OF THE PARENT AND NON-CONTROLLING INTERESTS)	(3.4)
AT 31 DECEMBER 2016	**77.6**

At 31 December 2016, this item essentially includes:

- the share of non-controlling associate shareholders in Digital Dimension entities for €15.0 million (GCX.com controlled by George Croix, the non-controlling shareholders of Rayonnance, Aragon, ASP Serveur, Nexica, SynerTrade and Gigigo);
- the share of non-controlling associate shareholders in other Econocom Group investments for €62.6 million.

The share of profit (loss) recognised in the income statement attributable to non-controlling interests represents a loss of €1.4 million for 2016 (profit of €0.9 million in 2015).

15.5. INFORMATION REGARDING NON-CONTROLLING INTERESTS

At 31 December 2016, non-controlling interests primarily concerned:

- Services: Digital Dimension and subsidiaries (Digital Belgium, Digital Dimension Solutions SLU (Spain), Aragon, ASP Serveur, Rayonnance, Nexica, SynerTrade, Gigigo) as well as Exaprobe, Helis, Alter Way, Econocom Digital Security, Econocom Cyber Security, Bizmatica, Asystel Italia, MC Next group, Interadapt and Syrix;
- Products & Solutions: Caverin;
- Technology Management & Financing: Cineolia.

Together these companies accounted for 16.0% of total assets and 21.9% of consolidated equity at 31 December 2016. 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 €106.1 million at 31 December 2016.

Before eliminating items between these companies and other Econocom Group companies, these entities contributed €268.5 million to revenue in 2016(2) (€164.0 million in 2015(1)), and €10.9 million to recurring operating profit (€7.1 million in 2015).

(1) At 31 December 2015, cumulative data are shown for the following entities: Digital Dimension and its subsidiaries (Aragon, ASP Serveur, Rayonnance, Nexica, Norcod and SynerTrade), Interadapt, Syrix, Econocom Cyber Security, Econocom Digital Security, Helis, Alter Way, and Bizmatica.

(2) At 31 December 2016, this relates to cumulative data for the same entities plus the acquisitions carried out in the period by Digital Dimension (Gigigo), along with Caverin, Cineolia, Asystel Italia and MC Next.

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 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*
OF WHICH RECURRING OPERATING PROFIT(A)			*3.9*	*(4.3)*	*(10.0)*		
OF WHICH NON-RECURRING OPERATING PROFIT(B)			*5.0*	*(0.1)*	*(3.6)*		
OF WHICH TAXES(C)			*0.5*	*(0.9)*	*(0.1)*		

The net impact of movements in provisions was an expense of €4.1 million.

Movements in provisions between 31 December 2014 and 31 December 2015

(in € millions)	31 Dec. 2014	Changes in scope of consolidation	Additions	Reversals (surplus provisions)	Reversals (utilised provisions)	Other and exchange differences	31 Dec. 2015
RESTRUCTURING AND EMPLOYEE-RELATED RISKS	19.5	0.6	9.4	-	(12.8)	(1.1)	15.6
TAX, LEGAL AND COMMERCIAL RISKS	11.2	2.8	3.2	(1.6)	(5.4)	4.2	14.4
DEFERRED COMMISSIONS	2.1	-	0.1	-	(1.3)	-	0.9
OTHER RISKS	12.9	1.6	3.4	(2.4)	(4.4)	(4.0)	7.1
TOTAL	**45.7**	**5.0**	**16.1**	**(4.0)**	**(23.9)**	**(0.9)**	**38.0**
LONG-TERM	*5.0*	*0.8*	*0.4*	*(1.6)*	*(0.1)*	*0.4*	*4.8*
SHORT-TERM	*40.7*	*4.2*	*15.7*	*(2.4)*	*(23.8)*	*(1.3)*	*33.2*

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.

- Up to 31 December 2015, the guaranteed minimum return was 3.75% on employee contributions and 3.25% on employer contributions.
- As from 1 January 2016, the Group has been required to guarantee a minimum return for contributions paid in. The return will depend 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 2016.

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 2017 in respect of its employer contribution to the bodies in charge of collecting contributions, will represent around €1.3 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	
	2016	2015	**2016**	2015
RETIREMENT AGE	**63-65 years**	62-65 years	**60-65 years**	60-65 years
SALARY INCREASE RATE AND RIGHTS VESTED	**1.75%-2.25%**	1.75%-2.25%	**1%-2%**	1%-2%
INFLATION RATE	**1.75%**	1.75%	**1.75%**	1.75%
DISCOUNT RATE	**1.50%**	2%	**1.50%**	2%
MORTALITY TABLE	**INSEE 2012-2014**	INSEE 2011-2013	**-**	-

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 €1.4 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)	**2016**	**2015**
PRESENT VALUE OFOBLIGATION (A)	63.2	55.7
PRESENT VALUE OF PLAN ASSETS (B)	20.0	19.4
PROVISION IN THE STATEMENT OF FINANCIAL POSITION (A-B)	43.2	36.3

17.3. INCOME AND EXPENSES RECOGNISED IN PROFIT OR LOSS

Items of pension cost

(in € millions)	**2016**	**2015**
SERVICE COST	(4.2)	(4.0)
CURTAILMENT/TERMINATION	0.6	2.0
INTEREST EXPENSE	(1.1)	(1.0)
EXPECTED RETURN ON PLAN ASSETS	0.4	0.4
TOTAL COSTS RECOGNISED IN PROFIT OR LOSS	**(4.3)**	**(2.6)**
TOTAL COSTS RECOGNISED IN OTHER ITEMS OF COMPREHENSIVE INCOME	**(4.2)**	**2.2**

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 2016 provision

(in € millions)	Opening balance	Changes in scope of consolidation	Income statement	Benefits paid directly	Actuarial gains and losses(1)	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**

(1) Cumulative revaluation gains and losses carried in other comprehensive income represented a net negative amount of €7.2 million in 2016 and €3.0 million in 2016, i.e., an increase of €4.2 million between the two periods.

Changes in the 2015 provision

(in € millions)	Opening balance	Changes in scope of consol-idation	Income statement	Benefits paid directly	Actuarial gains and losses	Closing balance
FRANCE	31.6	0.9	1.4	(0.4)	(2.1)	31.4
OTHER COUNTRIES	4.5	0.9	1.2	(1.6)	(0.1)	4.9
TOTAL	**36.1**	**1.8**	**2.6**	**(2.0)**	**(2.2)**	**36.3**

17.5. CHANGES IN PLAN ASSETS

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**

Changes in 2015 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	5.2	-	0.1	-	(0.4)	-	-	4.9
OTHER COUNTRIES	14.7	-	0.3	1.6	(1.0)	(1.3)	0.2	14.5
TOTAL	**19.9**	**-**	**0.4**	**1.6**	**(1.4)**	**(1.3)**	**0.2**	**19.4**

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	1.0	0.9	1.3	2.7	25.8	31.5

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 2015 and 2016:

(in € millions)	**2016**	2015
NET CASH AND CASH EQUIVALENTS AT 1 JANUARY	209.4	204.5
CHANGE IN NET CASH AND CASH EQUIVALENTS	139.1	4.9
NET CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**348.5**	**209.4**

18.1. COMMENTS ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

Net cash from operating activities totalled €130.6 million in 2016 and €74.4 million in 2015, reflecting:

- cash flow from operating activities totalling €121.5 million in 2016 versus €100.4 million in 2015;
- a €67.3 million decrease in working capital requirements in 2016, versus a decrease of €49.7 million in 2015;
- the financing of innovative digital contracts in the Technology Management & Financing business (through the funding entity in Ireland and more generally through self-funded contracts) for €26.8 million in 2016 (€59.8 million in 2015); and
- income tax paid net of tax credits, which rose €15.5 million compared to 2015 in line with the growth in tax expense in the previous two periods (€30.7 million in 2015 versus €21.2 million in 2014).

18.1.1. OTHER NON-CASH EXPENSES (INCOME)

(in € millions)	*Notes*	2016	2015
ELIMINATION OF SHARE OF PROFIT (LOSS) OF ASSOCIATES AND JOINT VENTURES		**0.2**	**0.1**
DEPRECIATION/AMORTISATION OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS	*10.1/10.2*	21.6	18.8
NET ADDITIONS TO (REVERSALS OF) PROVISIONS		(9.1)	(11.8)
CHANGE IN PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS		1.1	0.6
IMPAIRMENT OF LONG-TERM FINANCIAL ASSETS		-	-
IMPAIRMENT OF TRADE RECEIVABLES, INVENTORIES AND OTHER CURRENT ASSETS		(5.4)	3.1
TOTAL PROVISIONS, DEPRECIATION, AMORTISATION AND IMPAIRMENT		**8.2**	**10.7**
IMPACT OF THE ADJUSTMENT OF THE FAIR VALUE OF THE ORNANE EMBEDDED DERIVATIVE COMPONENT	*6*	**37.9**	**6.3**
CHANGE IN RESIDUAL INTEREST IN LEASED ASSETS(1)		**(7.7)**	**(11.2)**
COST OF DISCOUNTING RESIDUAL INTEREST IN LEASED ASSETS AND GROSS LIABILITY FOR PURCHASES OF LEASED ASSETS		(0.4)	(3.9)
LOSSES (GAINS) ON DISPOSALS OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS		1.0	-
GAINS AND LOSSES ON FAIR VALUE REMEASUREMENT	*2.4*	(5.5)	-
EXPENSES CALCULATED FOR SHARE-BASED PAYMENTS		1.4	1.2
IMPACT OF SOLD OPERATIONS AND CHANGES IN CONSOLIDATION METHODS		-	(2.2)
OTHER NON-CASH EXPENSES (INCOME)		**(3.5)**	**(4.9)**
NON-CASH EXPENSES (INCOME)		**35.1**	**1.0**

(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)	2016 consolidated income statement	Discounting and change in fair value	Currency impact and other	Cost of net debt in 2016
FINANCIAL INCOME – OPERATING ACTIVITIES	3.9	(0.4)	0.8	4.3
OTHER FINANCIAL INCOME AND EXPENSES	(17.4)	0.7	(0.1)	(16.8)
CHANGE IN FAIR VALUE OF THE ORNANE EMBEDDED DERIVATIVE COMPONENT	(37.9)	37.9	-	-
TOTAL	**(51.4)**	**38.2**	**0.7**	**(12.5)**

18.1.3. CHANGE IN WORKING CAPITAL

Changes in working capital can be analysed as follows:

(in € millions)	*Notes*	31 Dec. 2015	Change in working capital in 2016	Total other changes(1)	31 Dec. 2016	Change in working capital in 2015(2)
OTHER LONG-TERM RECEIVABLES, GROSS	-	4.8	4.3	1.0	10.1	1.3
INVENTORIES, GROSS	*12.1*	41.8	11.0	1.9	54.7	(4.4)
TRADE RECEIVABLES, GROSS	*12.2*	747.3	77.9	24.3	849.5	14.9
OTHER RECEIVABLES, GROSS	*12.2*	108.7	(37.5)	13.5	84.7	26.5
RESIDUAL INTEREST IN LEASED ASSETS(5)	*11.1*	98.2	-	8.9	107.1	-
CURRENT TAX LIABILITIES	-	6.9	-	(1.3)(3)	5.6	-
OTHER CURRENT ASSETS	*12.2*	55.4	(2.9)	0.4	52.9	9.2
INVENTORIES AND OPERATING RECEIVABLES	-	**1,063.1**	**52.8**	**48.7**	**1,164.6**	**47.5**
OTHER NON-CURRENT LIABILITIES	*12.4*	(69.2)	2.1	(24.1)	(91.2)	(3.1)
TRADE PAYABLES	*12.3*	(522.9)	(103.9)	(8.8)	(635.6)	(32.9)
OTHER PAYABLES	*12.3*	(228.6)	(5.8)	(38.0)	(272.4)	(0.6)
CURRENT TAX LIABILITIES		(16.5)	-	(2.5)(3)	(19.0)	-
OTHER CURRENT LIABILITIES	*12.4*	(157.6)	17.7	(7.5)	(147.4)	7.5
GROSS LIABILITY FOR PURCHASES OF LEASED ASSETS(5)	*11.2*	(62.1)	(3.4)	(2.8)(4)	(68.3)	(8.3)
TRADE AND OTHER OPERATING PAYABLES	-	**(1,056.9)**	**(93.3)**	**(83.7)**	**(1,233.9)**	**(37.4)**
TOTAL CHANGE IN WORKING CAPITAL	-	**-**	**(40.5)**	**-**	**-**	**10.1**

(1) Mainly corresponding to changes in the scope of consolidation and in fair value, and translation adjustments.
(2) In 2016, interest accruing on operating activities is shown within working capital items compared to within cash flows used in financing activities in 2015 (as interest paid). In order to provide a meaningful comparison, the data shown for 2015 as set out in this note are shown in line with the new presentation.
(3) Monetary flows are shown on the "Tax paid net of tax credits" line in the statement of cash flows.
(4) Corresponding to changes in residual financial values of leased assets excluding the currency effect and discounting in the period.
(5) Changes in the residual interest in leased assets are shown in cash flows from operating activities.

18.2. BREAKDOWN OF NET CASH USED IN INVESTING ACTIVITIES

Net cash used in investing activities mainly reflects:

- cash outflows of €33.1 million, resulting mainly from investments in the Group's IT infrastructure and applications (see Note 10);
- cash outflows of €21.9 million following the acquisitions made during the period (see Note 2) and payments for earn-outs and deferred liabilities.

Net cash flows relating to acquisitions can be analysed as follows:

(in € millions)	*Notes*	
ACQUISITION PRICE PAID (2016 ACQUISITIONS)		(17.5)
NET CASH ACQUIRED		5.8
SETTLEMENT OF LIABILITIES RELATING TO PRIOR-PERIOD ACQUISITIONS	*2.4*	(10.7)
SETTLEMENT OF PURCHASE PRICE ON PRIOR-PERIOD ACQUISITIONS		0.5
NET CASH OUTFLOWS RELATING TO ACQUISITIONS		**(21.9)**

18.3. BREAKDOWN OF NET CASH USED IN FINANCING ACTIVITIES

Cash flows relating to financing activities in 2016 primarily reflect:

- cash inflows of €150 million following the issue of Schuldschein notes in late November 2016;
- cash outflows of €48.7 million following the redemption of a portion of the ORNANE convertible bonds;
- cash inflows of €28.7 million corresponding to changes in refinancing liabilities on lease contracts and liabilities on self-funded contracts;
- cash outflows of €20.1 million relating to net purchases of treasury shares, including €9.7 million in cash inflows following the exercise of stock options;
- cash outflows of €18.8 million relating to refunds of issue premiums to shareholders;
- cash outflows of €12.8 million relating to interest payments.

19. RISK MANAGEMENT

19.1. CAPITAL ADEQUACY FRAMEWORK

The gearing ratio (net debt/equity) came out at 66.4% at 31 December 2016, unchanged from 31 December 2015.

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

	Contribution to the consolidated financial statements							Sensitivity to a change of:	
(in € millions)	EUR	GBP	USD	MXN	PLN	Other	Total	+10%	-10%
REVENUE FROM CONTINUING OPERATIONS	2,352.6	92.9	23.6	21.1	16.2	29.8	2,536.2	(16.7)	20.4
RECURRING OPERATING PROFIT	134.3	1.1	1.3	(0.2)	0.1	(0.4)	136.1	(0.2)	0.2
PROFIT FOR THE YEAR	38.1	0.8	0.8	(0.2)	(0.3)	(1.0)	38.2	-	-

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. 2016		31 Dec. 2015	
	Outstanding	% total debt	Outstanding	% total debt
FIXED RATE[1]	455.1	85%	312.8	79%
FLOATING RATE	78.7	15%	83.3	21%
GROSS DEBT (SEE NOTE 14.2)	**533.8**	**100%**	**396.1**	**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.

At 31 December 2016, 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 €2.2 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 2016 are shown below:

2016 *in € millions*	**Total amount available**	**Total amount drawn down**
UNCONFIRMED CREDIT LINES[1]	75.0	-
CREDIT LINES MATURING IN LESS THAN TWO YEARS	140.0	-
CREDIT LINES MATURING IN MORE THAN TWO YEARS	80.0	-
SUB-TOTAL: CREDIT LINES	**295.0**	**-**
COMMERCIAL PAPER	300.0	50.0
SUB-TOTAL: COMMERCIAL PAPER	**300.0**	**50.0**
TOTAL CREDIT LINES AND COMMERCIAL PAPER	**595.0**	**50.0**

(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 2016, the amount outstanding under this programme (capped at €300 million) was €50 million.

Econocom has no material short-term repayments due besides those under the commercial paper programme.

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)

The following maturity analysis for financial liabilities (principal and interest) shows remaining contractual maturities on an undiscounted basis:

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**

2015 *in € millions*	Total commitment	Less than 1 year	1 to 5 years	Beyond 5 years
FINANCE LEASE LIABILITIES	3.6	0.7	2.9	-
GROSS LIABILITY FOR PURCHASES OF LEASED ASSETS	71.8	20.8	51.0	-
LIABILITIES RELATING TO CONTRACTS REFINANCED WITH RECOURSE	50.9	50.9		-
BANK BORROWINGS	65.3	57.7	7.3	0.3
CONVERTIBLE BONDS (ORNANE)	194.7	2.6	192.1	-
NON-CONVERTIBLE BONDS (EURO PP)	117.2	2.6	56.0	58.6
TRADE AND OTHER PAYABLES	751.5	751.5	-	-
OTHER FINANCIAL LIABILITIES	0.8	0.1	0.5	0.2
NON-CURRENT NON-INTEREST-BEARING LIABILITIES	69.2	0.4	68.8	-
TOTAL	**1,325.0**	**887.3**	**378.6**	**59.1**

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 does nevertheless have the option of retaining the credit risk on certain strategic transactions, provided that they do not have a material impact on the business's risk profile. 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

2016 *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	96.1	49.0	47.1	42.8	0.4	3.8
OTHER RECEIVABLES, GROSS	753.4	598.1	155.3	65.0	10.4	79.8
IMPAIRMENT OF DOUBTFUL RECEIVABLES	(47.4)	(11.8)	(35.6)	(0.2)	(0.1)	(35.3)
TRADE AND OTHER RECEIVABLES, NET	**802.1**	**635.3**	**166.8**	**107.7**	**10.7**	**48.4**

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 2016 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.

The Group's ORNANE bond issue has a derivative component which varies in line with changes in Econocom's share price and other criteria (volatility, dividends, interest rates). ORNANE is a convertible bond which associates investors with share price performance by awarding an outperformance premium representing the difference between the share price at the maturity date and the par value of the bond. In the event that bondholders wish to convert any number of their bonds, the number of shares to be issued by Econocom to redeem the corresponding bonds can vary depending on the share price and the payment method chosen by the Group (in cash and/or in shares). This variable factor is reflected by recognising a liability remeasured at fair value through profit or loss. This derivative instrument was carried in liabilities for an amount of €45.4 million at 31 December 2016 versus €10.9 million at 31 December 2015.

20. OFF-BALANCE SHEET COMMITMENTS

20.1. COMMITMENTS RECEIVED AS A RESULT OF ACQUISITIONS

Vendor warranties relating to acquisitions in 2016

Total warranties granted by vendors in connection with acquisitions carried out in 2016 are capped at €5.6 million. The warranties are valid through to 2018, 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 2016

Total unexpired vendor warranties granted in connection with acquisitions carried out prior to 2016 are capped at €18.4 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

Vendor warranties relating to disposals in 2015

Total vendor warranties given to acquirers in connection with disposals which took place in 2015 are capped at €2.1 million and expire between 2015 and 2017.

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 – 2016
Guarantees given by Econocom to banks for securing credit lines and borrowings(1)	293.0
Guarantees given by Econocom to refinancing institutions to cover certain operational risks, residual financial values, and invoice and payment agency granted to Econocom(2)	256.1
Guarantees given to clients and suppliers for the Group's sales activities	23.7
TOTAL GUARANTEES GIVEN	**572.8**

(1) Including €36.1 million recognised in financial liabilities. The guarantees relating to financing lines not yet drawn at 31 December 2016 totalled €256.9 million and €292.1 million at 31 December 2015.
(2) Including €193 million refinanced at 31 December 2016. The amount of guarantees given to refinancers and not refinanced at 31 December 2016 was €63.1 million compared to €93.8 million at 31 December 2015.

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 2016	At 31 December 2015
COMMITMENTS GIVEN	**50.6**	**307.0**	**215.2**	**572.8**	**611.2**
COMMITMENTS GIVEN TO BANKS	41.7	250.6	0.7	293.0	329.6
COMMITMENTS GIVEN TO REFINANCERS	5.1	37.5	213.5	256.1	265.5
COMMITMENTS GIVEN TO CUSTOMERS AND SUPPLIERS	3.8	18.9	1.0	23.7	16.1
COMMITMENTS RECEIVED	**14.4**	**60.2**	**0.0**	**74.6**	**60.6**
GUARANTEES AND PLEDGES	14.4	60.2	0.0	74.6	60.6

20.5. OPERATING LEASES AND FUTURE MINIMUM LEASE PAYMENT OBLIGATIONS

Operating lease expense for the period

(in € millions)	2016	2015
OPERATING LEASE – REAL ESTATE	(16.0)	(15.5)
OPERATING LEASE – VEHICLES	(8.4)	(11.4)
TOTAL	**(24.4)**	**(26.9)**

Operating lease expenses (including rental charges) amounted to €24.4 million for the year, including €16 million in respect of real estate leases and €8.4 million in respect of 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 2016	At 31 December 2015
OPERATING LEASE LIABILITIES – REAL ESTATE	10.9	36.2	13.2	60.3	34.0
OPERATING LEASE LIABILITIES – VEHICLES	7.6	10.3	-	17.9	18.3
FUTURE MINIMUM LEASE PAYMENTS	**18.5**	**46.5**	**13.2**	**78.2**	**52.3**

21. INFORMATION ON THE TRANSFER 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 2016, the Company had an amount of €230.6 million with factoring companies, resulting in non-recourse financing of €186.6 million. The unfinanced amount of €35.4 million is recognised in long-term financial assets and other receivables, and corresponds to unassignable receivables (security guarantees).

(in € millions)	2016	2015*
RECEIVABLES ASSIGNED TO FACTORING COMPANIES	**230.6**	**182.6**
LIABILITIES	8.6	10.8
NON-FACTORED RECEIVABLES	35.4	41.4
RECEIVABLES SOLD WITH NO RECOURSE*	186.6	130.5

* Receivables sold do not include the portion of receivables financed with recourse, classified in liabilities.

The overall factoring cost amounted to €2.4 million in 2016 compared with €1.6 million in 2015 and €1.4 million in 2014.

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 €65.9 million at 31 December 2016 (€37.2 million at 31 December 2015 and €43.6 million at 31 December 2014).

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 members of the Chairman's Council, the Chief Executive Officers and the Executive Directors.

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)	**2016**	2015(1)
SHORT-TERM BENEFITS (INCLUDING PAYROLL COSTS)	(2.3)	(3.4)
RETIREMENT BENEFITS AND OTHER POST-EMPLOYMENT BENEFITS	-	-
OTHER LONG-TERM BENEFITS	-	-
TERMINATION BENEFITS	(1.4)	(0.9)
SHARE-BASED PAYMENTS	(1.0)	(0.8)
TOTAL	**(4.7)**	**(5.1)**

(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 (former Executive Committee) and the Executive Directors. Compensation is shown for a 12-month period.

The number of members of the Chairman's Council (which has the same powers as the previous Executive Committee) fell from five at end-2014 to four at end-2015 and three at end-2016.

The compensation policy for Directors and members of the Chairman's Council 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	
	2016	2015	2016	2015	2016	2015	2016	2015
SCI DION-BOUTON	-	-	(2.4)	(2.4)	2.1	2.1	-	-
ECONOCOM INTERNATIONAL BV (EIBV)	0.4	0.2	(2.4)	(2.5)	-	-	-	-
SCI MAILLOT PERGOLÈSE	-	-	(0.5)	(0.3)	0.2	0.1	-	-
SCI JMB	-	-	(0.7)	-	0.2	0.4		0.4
APL	-	-	(0.2)	(0.4)	-	-	0.1	0.1
GMPC	-	-	(0.1)	-	-	-	-	-
TOTAL	**0.4**	**0.2**	**(6.3)**	**(5.6)**	**2.5**	**2.6**	**0.1**	**0.5**

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 2016 and 2015.

Econocom International BV (EIBV) – of which Jean-Louis Bouchard is a Partner – is a non-listed company that holds 41.03% of the capital of Econocom Group SE at 31 December 2016. Econocom International BV billed fees to Econocom Group SE and its subsidiaries for managing and coordinating the Group. These fees amounted to €2.4 million in 2015, compared with €2.5 million in 2015.

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 2016 amounting to €0.5 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 €0.7 million in 2016. 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 €0.2 million for maintenance services and €0.7 million for Datacenter security services in 2016. These amounts were included within non-current assets.

Gestion Management de la Petite Ceinture (GMPC) invoiced Digital Dimension €0.1 million for consulting services.

Other relations with related parties

The Group also recognised liabilities for commitments to one of the Executive Directors to purchase non-controlling interests in Alter Way for €0.5 million.

23. SUBSEQUENT EVENTS

Change in governance

Ahead of the launch of its new strategic plan, "E for Excellence", and having added four experienced new profiles to its Board of Directors in 2016, Econocom Group made changes to its operational organisation and its executive team in early 2017.

Bruno Lemaistre, Executive Director in charge of operations for the historic core businesses, stepped down. Jean-Louis Bouchard, Chairman and Chief Executive officer, and Bruno Grossi, Executive Director, will lead the Group's new Executive Committee.

In a press release issued on 13 January 2017, Jean-Louis Bouchard paid tribute to Bruno Lemaistre's contribution to building the solid foundations on which the Group can now continue its adventure.

Redemption of ORNANE bonds

Since 1 January 2017, Econocom has redeemed ORNANE bonds backed by sales of treasury shares, and bearers have requested the conversion of 400,000 ORNANE bonds into shares. At 17 February 2017, the Group therefore held 6.44 million ORNANE bonds, representing 40% of the total issue. All other things being equal, these transactions enabled the Group to increase its equity by €45 million and to pay down €31 million of its debt.

24. ASSESSMENTS MADE BY MANAGEMENT AND SOURCES OF UNCERTAINTY

The main areas in which judgment was exercised by Management were as follows:

- Impairment of goodwill (Note 9.3): each year, Econocom 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 Econocom 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.
- The accounting methods used in the event of acquisitions are described in the note on business combinations.

06

STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING ON THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2016

STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING ON THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2016

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STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING OF ECONOCOM GROUP SE ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

In accordance with legal requirements, we report to you on the performance of our mandate of statutory Auditor. This report includes our report on the Consolidated Financial Statements for the year ended 31 December 2016 as defined below, as well as our report on other legal and regulatory requirements. These Consolidated Financial Statements comprise the consolidated statement of financial position as at 31 December 2016, 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.

Report on the Consolidated Financial Statements – Unqualified opinion

We have audited the Consolidated Financial Statements of Econocom Group SE ("the Company") and its subsidiaries ("the Group") for the year ended 31 December 2016, prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. The total of the consolidated statement of financial position amounts to EUR 2.134,5 millions and the consolidated income statement shows a profit for the year attributable to owners of the parent of EUR 39,6 millions.

Board of directors' responsibility for the preparation of the Consolidated Financial Statements

The board of directors is responsible for the preparation and fair presentation of Consolidated Financial Statements in accordance with International Financial Reporting Standards, as adopted by the European Union, and with legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of Consolidated Financial Statements which are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility

Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA) as endorsed in Belgium. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Consolidated Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements. The procedures selected depend on the statutory auditor's judgment, including his assessment of the risks of material misstatement in the Consolidated Financial Statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the group's preparation and fair presentation of the Consolidated Financial Statements, 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the Consolidated Financial Statements.

We have obtained from the board of directors and the Company's 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 unqualified opinion.

Unqualified Opinion

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 2016 and of its consolidated financial performance and its consolidated statement of cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the board of directors' report on the Consolidated Financial Statements.

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we provide the following additional statement which does not impact our opinion on the Consolidated Financial Statements:

- The board of directors' report on the Consolidated Financial Statements, prepared in accordance with article 119 of the Companies' Code and to be deposited in accordance with article 100 of the Companies' Code, includes, both in terms of form and content, the information required by law, is consistent with the Consolidated Financial Statements and does not present any material inconsistencies with the information that we became aware of during the performance of our mandate.

Sint-Stevens-Woluwe, 15 March 2017

The Statutory Auditor

PwC Reviseurs d'Entreprises sccrl/ Bedrijfsrevisoren bcvba

Represented by

Damien Walgrave
Reviseur d'Entreprises / Bedrijfsrevisor

07

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 2016, 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.

10 March 2017

On behalf of the Board of Directors

Jean-Louis Bouchard,
Chairman of Econocom

08

CONDENSED PARENT COMPANY FINANCIAL STATEMENTS*

for the year ended 31 December 2016

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

for the year ended 31 December 2016

Assets

in € thousands	31 Dec. 2016	31 Dec. 2015
START-UP COSTS	**1,808**	**1,939**
FIXED ASSETS	**640,610**	**664,432**
INTANGIBLE ASSETS	**-**	**107**
PROPERTY, PLANT AND EQUIPMENT	**35**	**42**
PLANT AND EQUIPMENT, FIXTURES AND FITTINGS	12	19
FURNITURE AND VEHICLES	23	23
LONG-TERM FINANCIAL ASSETS	**640,575**	**664,283**
RELATED PARTIES	636,404	662,433
EQUITY INTERESTS	535,404	507,042
RECEIVABLES	101,000	155,391
ENTITIES WITH WHICH THERE ARE CAPITAL LINKS	-	752
EQUITY INTERESTS	-	752
RECEIVABLES	-	-
OTHER LONG-TERM FINANCIAL ASSETS	4,171	1,098
SHARES	3,288	1,092
RECEIVABLES AND CASH GUARANTEES	883	6
CURRENT ASSETS	**138,053**	**56,112**
NON-CURRENT RECEIVABLES	**-**	**-**
INVENTORIES AND WORK-IN-PROGRESS	**-**	**9**
INVENTORIES	-	9
CURRENT RECEIVABLES	**84,231**	**10,806**
TRADE RECEIVABLES	7,727	9,697
OTHER RECEIVABLES	76,504	1,108
CASH INVESTMENTS	**52,190**	**43,715**
TREASURY SHARES	50,465	43,136
OTHER INVESTMENTS	1,725	579
CASH AND CASH EQUIVALENTS	**1,492**	**1,570**
ACCRUAL ACCOUNTS	**140**	**14**
TOTAL ASSETS	**780,471**	**722,483**

Equity and liabilities

in € thousands	31 Dec. 2016	31 Dec. 2015
EQUITY	**317,371**	**288,415**
SHARE CAPITAL	**21,564**	**21,564**
PAID-IN CAPITAL	21,564	21,564
UNCALLED CAPITAL	-	-
ADDITIONAL PAID-IN CAPITAL	**152,629**	**172,320**
REVALUATION GAIN	**2,520**	**2,520**
RESERVES	**53,039**	**45,710**
STATUTORY RESERVE	2,156	2,156
UNAVAILABLE RESERVES	50,465	43,136
FOR TREASURY SHARES	50,465	43,136
AVAILABLE RESERVES	418	418
RETAINED EARNINGS	**39,833**	**46,302**
PROFIT FOR THE YEAR	**47,786**	**-**
PROVISIONS AND DEFERRED TAXES	**9,500**	**13,700**
PROVISIONS FOR CONTINGENCIES AND LOSSES	**9,500**	**13,700**
OTHER CONTINGENCIES AND LOSSES	9,500	13,700
DEFERRED TAXES	**-**	-
LIABILITIES	**453,599**	**420,282**
NON-CURRENT LIABILITIES	**390,565**	**279,498**
FINANCIAL LIABILITIES	390,565	279,498
UNSUBORDINATED DEBT	390,565	279,498
TRADE PAYABLES	-	-
PREPAYMENTS RECEIVED ON ORDERS	-	-
OTHER NON-CURRENT LIABILITIES	-	-
CURRENT LIABILITIES	**63,034**	**140,784**
CURRENT PORTION OF NON-CURRENT LIABILITIES	4,274	4,102
FINANCIAL LIABILITIES	50,000	129,665
BANK LOANS AND BORROWINGS	50,000	52,500
OTHER BORROWINGS	-	77,165
TRADE PAYABLES	5,583	3,189
SUPPLIERS	5,583	3,189
ACCRUED TAXES AND PERSONNEL COSTS	2,943	2,914
INCOME TAX	1,949	2,098
PERSONNEL COSTS INCLUDING SOCIAL SECURITY CHARGES	994	816
OTHER CURRENT LIABILITIES	234	914
ACCRUAL ACCOUNTS	**-**	**86**
TOTAL EQUITY AND LIABILITIES	**780,471**	**722,483**

2. PARENT COMPANY INCOME STATEMENT

for the year ended 31 December 2016

in € thousands	31 Dec. 2016	31 Dec. 2015
SALES AND SERVICES	**32,513**	**19,256**
REVENUE	28,939	14,228
OTHER OPERATING INCOME	3,574	5,028
NON-RECURRING OPERATING INCOME	-	-
COST OF SALES AND SERVICES	**29,945**	**17,642**
MATERIALS AND GOODS FOR RESALE	-	-
SERVICES AND MISCELLANEOUS GOODS	25,076	13,930
PERSONNEL COSTS (INCLUDING SOCIAL SECURITY CHARGES) AND PENSIONS	8,943	2,724
AMORTISATION/DEPRECIATION AND IMPAIRMENT OF START-UP COSTS, PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS	118	153
ADDITIONS TO (REVERSALS OF) IMPAIRMENT OF INVENTORIES, WORK-IN-PROGRESS AND TRADE RECEIVABLES	(11)	2
ADDITIONS TO (REVERSALS OF) PROVISIONS FOR CONTINGENCIES AND LOSSES	(4,200)	411
OTHER OPERATING EXPENSES	19	422
NON-RECURRING OPERATING EXPENSES	-	-
OPERATING INCOME	**2,568**	**1,614**
FINANCIAL INCOME	**63,255**	**14,170**
RECURRING FINANCIAL INCOME	63,145	14,170
INCOME FROM LONG-TERM FINANCIAL ASSETS	56,637	10,815
INCOME FROM CURRENT ASSETS	815	74
OTHER FINANCIAL INCOME	5,693	3,281
NON-RECURRING FINANCIAL INCOME	110	-
FINANCIAL EXPENSES	**17,350**	**9,283**
RECURRING FINANCIAL EXPENSES	17,350	9,250
COST OF DEBT	17,171	8,587
ADDITIONS TO (REVERSALS OF) IMPAIRMENT OF CURRENT ASSETS OTHER THAN INVENTORIES, WORK-IN-PROGRESS AND TRADE RECEIVABLES	29	15
OTHER FINANCIAL EXPENSES	150	648

in € thousands	31 Dec. 2016	31 Dec. 2015
NON-RECURRING FINANCIAL EXPENSES	-	33
PRE-TAX PROFIT FOR THE YEAR	**48,473**	**6,502**
DEDUCTIONS FROM DEFERRED TAXES	**-**	**-**
TRANSFERS TO DEFERRED TAXES	**-**	**-**
INCOME TAX	**687**	**1,869**
INCOME TAX	687	1,869
TAX ADJUSTMENTS AND REVERSALS OF TAX-RELATED PROVISIONS	-	-
PROFIT FOR THE YEAR	**47,786**	**4,632**
DEDUCTIONS FROM TAX-FREE RESERVES	**-**	**-**
TRANSFERS TO TAX-FREE RESERVES	**-**	**-**
PROFIT FOR THE YEAR AVAILABLE FOR DISTRIBUTION	**47,786**	**4,632**

in € thousands	31 Dec. 2016	31 Dec. 2015
PROFIT AVAILABLE FOR DISTRIBUTION	**94,088**	**80,690**
PROFIT FOR THE YEAR AVAILABLE FOR DISTRIBUTION	47,786	4,632
RETAINED EARNINGS	46,302	76,058
DEDUCTIONS FROM EQUITY	**-**	**-**
FROM EQUITY AND PAID-IN CAPITAL	-	-
FROM RESERVES	-	-
APPROPRIATIONS TO EQUITY	**(6,469)**	**(34,390)**
TO EQUITY AND PAID-IN CAPITAL	-	-
TO THE STATUTORY RESERVE	-	-
TO OTHER RESERVES	(6,469)	(34,390)
APPROPRIATION TO RETAINED EARNINGS	**87,619**	**46,300**
SHARE OF ASSOCIATES IN LOSSES	**-**	**-**
PROFIT AVAILABLE FOR DISTRIBUTION	**-**	**-**
DIVIDENDS	-	-
DIRECTORS OR MANAGERS	-	-
EMPLOYEES	-	-
OTHER BENEFICIARIES	-	-

3. PARENT COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 December 2016

in € thousands	31 Dec. 2016	31 Dec. 2015
PROFIT FOR THE YEAR	47,786	4,634
INCOME TAX EXPENSE	-	-
DEPRECIATION, AMORTISATION AND IMPAIRMENT	107	188
IMPACT OF CHANGES IN PROVISIONS FOR OTHER CONTINGENCIES AND LOSSES	(4,200)	411
GAINS/LOSSES ON DISPOSAL OF LONG-TERM FINANCIAL ASSETS	-	-
DIVIDENDS RECEIVED FROM EQUITY INTERESTS	(49,062)	(4,284)
INTEREST RECEIVED ON NON-CURRENT FINANCIAL RECEIVABLES	(7,575)	(6,531)
GAINS/LOSSES ON DISPOSAL OF TREASURY SHARES	3,740	10
OPERATING CASH FLOW (A)	**(9,204)**	**(5,572)**
CHANGE IN CURRENT RECEIVABLES	(32,830)	19,059
CHANGE IN OTHER CURRENT ASSETS	(106)	3
CHANGE IN TRADE PAYABLES	2,391	(8,272)
CHANGE IN ACCRUED TAXES AND PERSONNEL COSTS (CURRENT PORTION)	(658)	215
CHANGE IN OTHER CURRENT LIABILITIES	(86)	63
CHANGE IN WORKING CAPITAL (B)	**(31,289)**	**11,068**
INCOME TAX EXPENSE (C)	687	1,869
NET CASH FROM (USED IN) OPERATING ACTIVITIES (A+B+C)	**(39,806)**	**7,365**
START-UP COSTS	-	-
ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS FOR INTERNAL USE	(4)	(6)
DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS FOR INTERNAL USE	-	-
ACQUISITION OF EQUITY INTERESTS	(28,378)	(14,219)
DISPOSAL OF EQUITY INTERESTS	16	-
ACQUISITION OF NON-CURRENT FINANCIAL RECEIVABLES	(101,000)	-
REPAYMENT OF NON-CURRENT FINANCIAL RECEIVABLES	155,391	1,000
ACQUISITION OF OTHER LONG-TERM FINANCIAL ASSETS	(2,322)	(391)

in € thousands	**31 Dec. 2016**	**31 Dec. 2015**
DISPOSAL OF OTHER LONG-TERM FINANCIAL ASSETS	2	-
DIVIDENDS RECEIVED FROM EQUITY INTERESTS	9,062	4,284
INTEREST RECEIVED ON NON-CURRENT FINANCIAL RECEIVABLES	7,575	6,531
NET CASH FROM (USED IN) INVESTING ACTIVITIES (D)	**40,342**	**(2,801)**
ORNANE CONVERTIBLE BONDS – REDEMPTION	(48,746)	-
ORNANE CONVERTIBLE BONDS – FINANCIAL EXPENSE FURTHER TO REDEMPTION	9,093	-
ORNANE CONVERTIBLE BONDS – ISSUE COSTS	659	450
ORNANE CONVERTIBLE BONDS – FINANCIAL EXPENSE	2,672	4,467
ORNANE CONVERTIBLE BONDS – INTEREST	(2,625)	(2,625)
EURO PRIVATE PLACEMENT	-	101,000
EURO PRIVATE PLACEMENT – ISSUE COSTS	106	(571)
EURO PRIVATE PLACEMENT – FINANCIAL EXPENSE	2,632	1,477
EURO PRIVATE PLACEMENT – INTEREST	(2,632)	-
SCHULDSCHEIN LOANS – PRIVATE PLACEMENT (GERMAN MARKET)	150,000	-
SCHULDSCHEIN LOANS – ISSUE COSTS	(634)	-
SCHULDSCHEIN LOANS – FINANCIAL EXPENSE	250	-
SCHULDSCHEIN LOANS – INTEREST	-	-
COMMERCIAL PAPER	(2,500)	52,500
CHANGE IN CURRENT BORROWINGS AND DEBT	(77,165)	(3,239)
CHANGE IN NON-CURRENT BORROWINGS AND DEBT	-	(104,500)
ACQUISITION OF TREASURY SHARES	(38,410)	(38,725)
DISPOSAL OF TREASURY SHARES	27,340	4,280
DIVIDENDS PAID DURING THE YEAR/REFUND OF ADDITIONAL PAID-IN CAPITAL	(18,790)	(16,143)
CHANGE IN OTHER LIABILITIES	(718)	(1,107)
NET CASH FROM (USED IN) FINANCING ACTIVITIES (E)	**532**	**(2,736)**
CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C+D+E)	**1,068**	**1,828**

09

KEY CONSOLIDATED FIGURES

KEY CONSOLIDATED FIGURES

	2011 reported in AR 2012	2012 reported in AR 2013	2013 reported in AR 2014	2014 Restated	2015	2016
NUMBER OF SHARES (AT 31 DECEMBER)						
ORDINARY SHARES	104,691,588	96,691,588	106,517,314	112,519,287	112,519,287	**112,519,287**
AFV (PREFERRED SHARES)	-	-	-	-	-	
TOTAL	104,691,588	96,691,588	106,517,314	112,519,287	112,519,287	**112,519,287**
FREE FLOAT	20.79%	48.08%	48.44%	57.67%	53.82%	**54.20%**
AVERAGE NUMBER OF SHARES OUTSTANDING	100,281,668	96,241,520	95,940,400	109,938,391	108,508,895	**107,721,797**
PER SHARE DATA (IN €)						
NET DIVIDEND (ON ORDINARY SHARES)*	0.08	0.08	0.09	0.15	0.175	**0.200**
GROSS DIVIDEND (ON ORDINARY SHARES)*	0.10	0.10	0.12	0.15	0.175	**0.200**
PAYOUT RATE (A)	0.42	0.21	0.29	0.52	0.34	**0.57**
RECURRING OPERATING PROFIT**	0.64	0.78	0.95	0.84	1.05	**1.26**
OPERATING PROFIT**	0.46	0.74	0.81	0.62	1.00	**1.20**
PROFIT BEFORE TAX**	0.34	0.69	0.71	0.51	0.83	**0.69**
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS**	0.21	0.48	0.46	0.28	0.53	**0.37**
CONSOLIDATED OPERATING CASH FLOW**	0.57	0.86	0.82	0.77	0.92	**1.13**
EQUITY ATTRIBUTABLE TO OWNERS***	1.30	1.60	2.44	2.31	2.03	**1.79**
PRICE/EARNINGS (B)	18	12	18	23	16	**38**
PRICE/OPERATING CASH FLOW (C)	7	7	10	8	9	**12**
NET YIELD (D)	1.93%	1.26%	1.08%	2.29%	2.05%	**1.43%**
GROSS YIELD (D)	2.57%	1.68%	1.44%	2.29%	2.05%	**1.43%**
STOCK MARKET DATA (IN €)						
AVERAGE SHARE PRICE (H)	3.59	4.55	6.20	7.10	7.70	**11.37**
AT 31 DECEMBER	3.89	5.95	8.32	6.56	8.55	**13.94**
HIGH	4.29	5.95	8.35	9.15	8.98	**14.34**
LOW	2.51	3.56	4.98	4.83	6.02	**7.39**
ANNUAL YIELD AT 31 DECEMBER (E)	59%	55%	41%	-19%	33%	**65%**
ANNUAL TRADING VOLUME (IN UNITS)	15,374,444	19,746,496	21,489,188	29,095,420	24,880,553	**27,099,351**
AVERAGE DAILY TRADING VOLUME	59,836	77,437	84,938	114,100	97,190	**105,445**
ANNUAL TRADING VOLUME (IN €M)	52.9	89.0	140.4	201.1	191.5	**308.2**
MARKET CAPITALISATION AT 31 DECEMBER (€M) (F)	407	575	886	738	962	**1,569**
LISTING MARKET (G)	TC	TC	TC	TC	TC	
NUMBER OF EMPLOYEES 31 DECEMBER	3,610	3,700	8,195	8,587	9,134	**10,008**

*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.
(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) return/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 Econocom Group share has been listed on the Marché à terme continu (TC) since 16 March 2000.

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