

2013 annual report

econocom

ECONOCOM: A MAJOR NEW PLAYER IN DIGITAL SERVICES

Econocom is a European provider of business-to-business digital services. In 2013, it posted consolidated revenue of €1.77 billion.

The services provided by the group include consulting, sourcing, technology management & financing, and a complete range of IT and telecom services.

On 22 November 2013, Econocom finalised the acquisition of the entire share capital of Osiatis, a major service provider and infrastructure-related applications specialist.

This transaction has resulted in the creation of a major new digital service company, with over 8,000 employees in 20 countries and consolidated pro forma revenue of around €2 billion.

The Econocom Group share has been listed on the Euronext NYSE in Brussels since 1986 and joined the BEL Mid index on 20 June 2011.

MESSAGE FROM THE CHAIRMAN



Econocom Group's performance in 2013 is confirmation of both the judicious strategic choices we have made and the success of our mixed growth policy.

The Mutation 2013-2017 strategic plan, which was presented in April 2013, aims to double our revenue and recurring operating profit in five years.

In order to achieve these ambitious targets, we have stepped up our investments in the digital sector, which is a new continent we mean to conquer and a powerful source of growth, and in September 2013 acquired Osiatis, a listed company with 4,600 employees, which has established us as a leading player in the European business-to-business digital service market.

We reached our growth targets and achieved record financial performances: consolidated revenue reached €1.77 billion, up 15% from the previous year, 3.5% of which was from organic growth, whilst recurring operating profit⁽¹⁾ rose 16% to €89 million.

These strong results, our original approach which combines technological integration and financial innovation, and a healthy financial position mean we can motivate our 8,300 employees, attract new talents and win over more clients and partners.

This appeal is both a great responsibility and a wonderful advantage for the group.

Maintaining this virtuous trend whilst ensuring that Econocom is both respectful and respected is our ambition for 2014, a year we can look ahead to with confidence.

Jean-Louis Bouchard
Chairman of Econocom

A stylized, handwritten signature in black ink, consisting of a large vertical stroke and a small mark at the top right.

(1) Before amortisation of the brands and the ECS customer portfolio.

ORGANISATION OF ECONOCOM GROUP

as of 31 December 2013

BOARD OF DIRECTORS

Chairman and Chief Executive Officer

Jean-Louis Bouchard

Chief Executive Officers

Jean-Philippe Roesch

Bruno Lemaistre

Executive directors

Chantal De Vrieze

Véronique di Benedetto

Non-executive directors

Robert Bouchard

Walter Butler

Charles de Water

Gaspard Dürreleman

Rafi Kouyoumdjian

Independent directors

Christian Bret

Jean Mounet

EXECUTIVE COMMITTEE

Jean-Louis Bouchard

Chairman

Bruno Lemaistre

Managing Director, Chief Executive Officer

Jean-Philippe Roesch

Managing Director, Chief Executive Officer

Véronique di Benedetto

Deputy Managing Director and Managing Director France

Charles De Stoop

Deputy Managing Director in charge of Transformation

Jean-Maurice Fritsch

Managing Director Services

Bruno Grossi

Strategy – Acquisitions – Communications

Galliane Touze

Company Secretary

Christophe Vanmalleghem

Deputy Managing Director Services



Jean-Louis Bouchard



Robert Bouchard



Christian Bret



Walter Butler



Charles De Stoop



Chantal De Vrieze



Charles de Water



Véronique di Benedetto



Gaspard Dürrelema



Jean Maurice Fritsch



Bruno Grossi



Rafi Kouyoumdjian



Bruno Lemaistre



Jean Mounet



Jean-Philippe Roesch



Galliane Touze



Christophe
Vanmalleghe

STATUTORY AUDITORS

PricewaterhouseCoopers

Réviseurs d'Entreprises SCCRL represented by Emmanuèle Attout.

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2013 KEY FIGURES

2013 KEY FIGURES

Consolidated condensed income statement (in € millions)

	2011 (reported)	2012 (reported)	2012 (restated) ⁽²⁾	2013
Consolidated revenue	1,584.3	1,538.3	1,538.3	1,772.6
Recurring operating profit ⁽¹⁾	66.6	74.1	76.8	88.8
Profit for the year excluding non-controlling interests	21.5	47.4	46.6	44.1

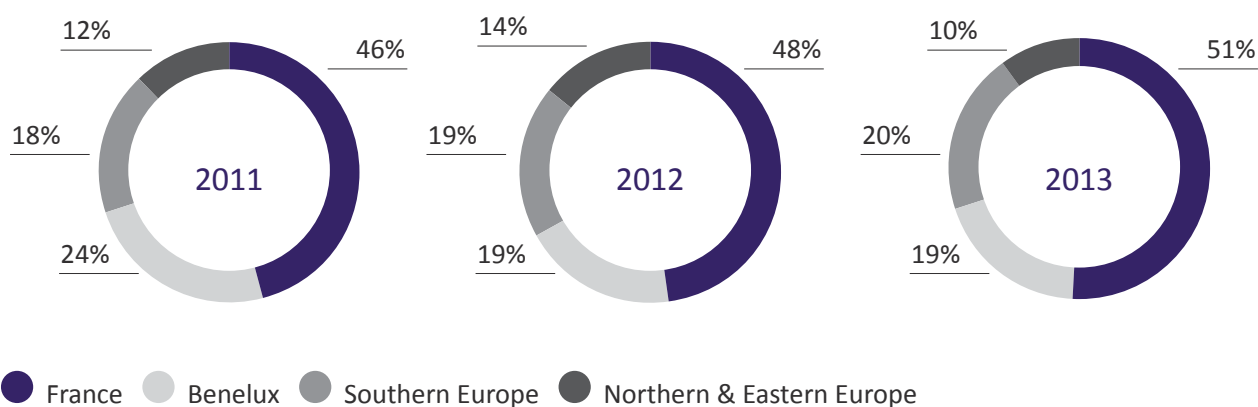
(1) Before amortisation of the brands and the ECS customer portfolio

(2) The restated 2012 financial statements include an expense of €0.8 million in recurring operating profit, in accordance with IAS 19R. In addition, the CVAE (business tax on added value) has been reclassified as income tax, in line with the standards for presenting financial statements applied by French digital service companies.

Consolidated revenue (in € millions)



Revenue by geographical area

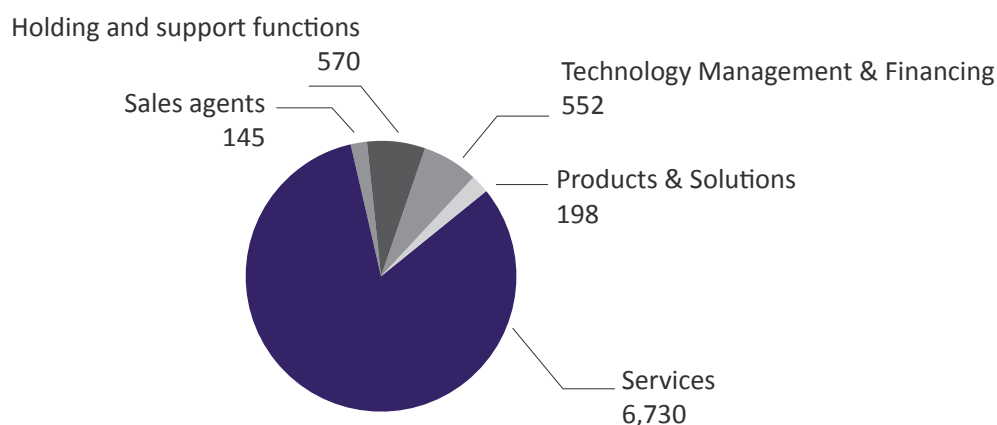


€1,772.6 million
revenue

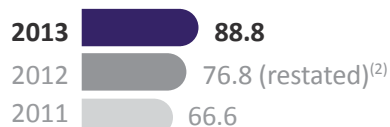
8,195
employees

20
countries

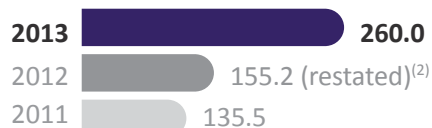
Breakdown of staff as of 31 December 2013



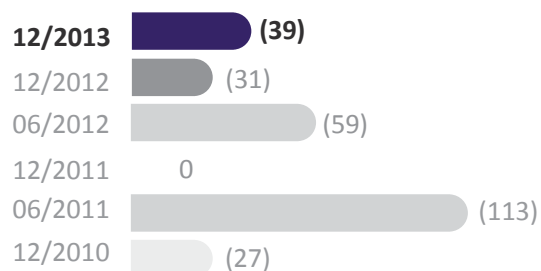
Recurring operating profit⁽¹⁾ (in € millions)



Shareholders' equity as of 31 December (in € millions)



Net debt as of 31 December (in € millions)



⁽¹⁾ Before amortisation of the brands and the ECS customer portfolio

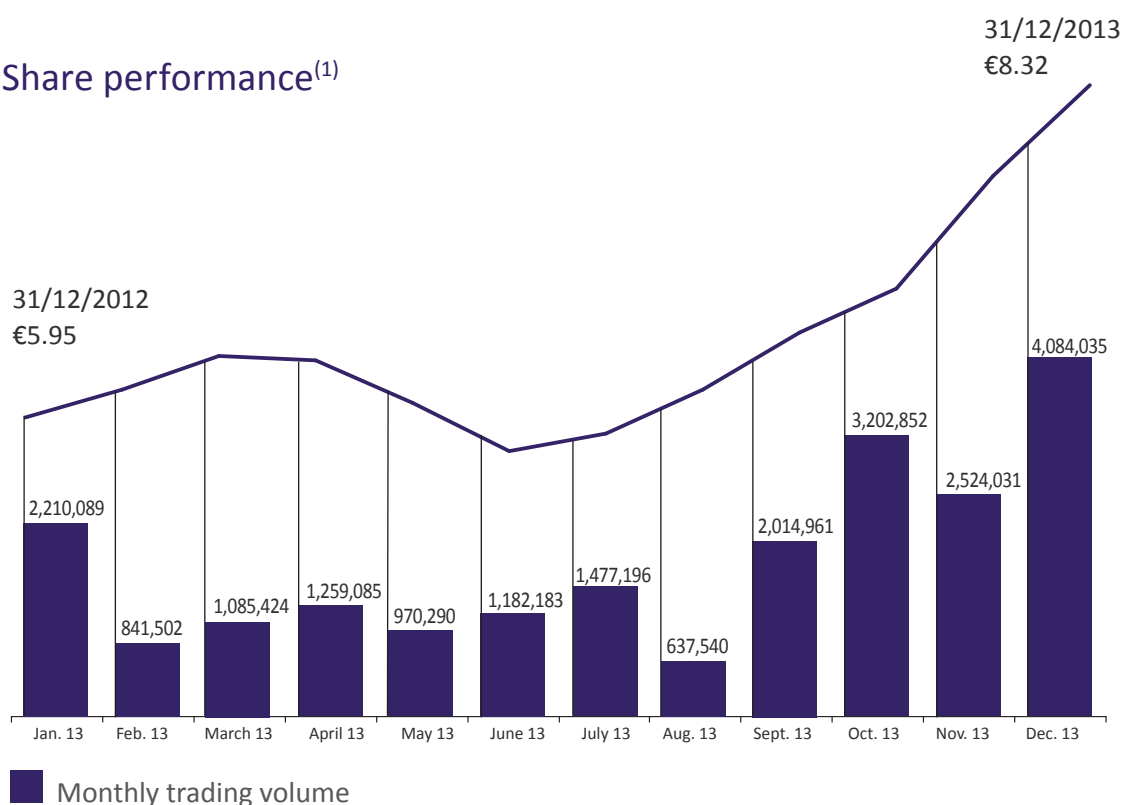
⁽²⁾ The restated 2012 financial statements include an expense of €0.8 million in recurring operating profit, in accordance with IAS 19R. In addition, the CVAE (business tax on added value) has been reclassified as income tax, in line with the standards for presenting financial statements applied by French digital service companies.

ECONOCOM GROUP SA/NV

SHARE PERFORMANCE

- The Econocom Group share is listed on the Eurolist (Compartment B) of Euronext Brussels and is listed on the BEL Mid index.
- ISIN code: BE0974266950
- Average daily trading volume in Brussels in 2013: 84,938
- Market capitalisation as of 31 December 2013: €886.2 million

Share performance⁽¹⁾



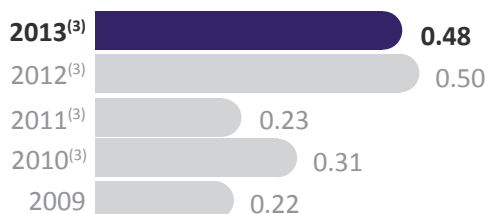
	2008	2009	2010	2011	2012	2013
High (in €)	2.18	2.66	3.06	4.29	5.95	8.35
Low (in €)	1.26	1.15	2.25	2.51	3.56	5.08
Closing price as of 31 December (in €)	1.61	2.59	2.50	3.89	5.95	8.32
Market capitalisation as of 31 December (in € millions)	160	257	262	440	575	886.2
Average daily trading volume	47,400	64,120	48,984	56,616	77,437	84,938
Number of shares as of 31 December (in millions)	99.2	99.2	104.8	104.8	96.7	106.5

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

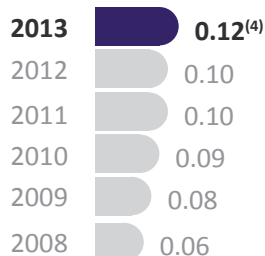
Dividend

At the Annual General Meeting to be held on 20 May 2014 the Board of Directors will recommend a gross payment of €0.12. This dividend will be paid in early June 2014.

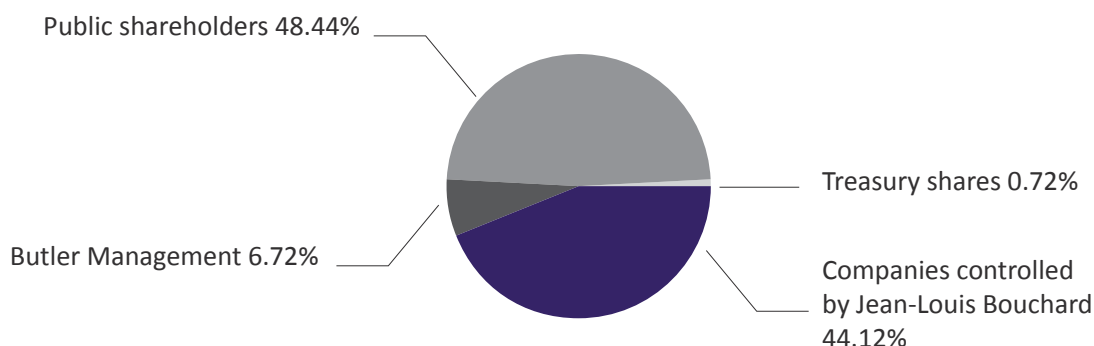
Basic earnings per share^{(1) (2)} (in €)



Gross dividend per share⁽¹⁾ (in €)



Ownership structure as of 31 December 2013



Real-time financial information: www.econocom.com

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

(2) In 2012, basic earnings per share (restated).

(3) Before amortisation of the brands and the ECS customer portfolio.

(4) Subject to approval at the Annual General Meeting on 20 May 2014.

SHAREHOLDERS' AGENDA

22 April 2014

First-quarter trading statement
(Royal Decree of 14 November 2007)

20 May 2014

Annual General Meeting

5 June 2014

Dividend payment date

24 July 2014

Preliminary half-year revenue release

29 August 2014

Half-year results release

2 September 2014

Twice-yearly information meeting

17 October 2014

Third-quarter trading statement
(Royal Decree of 14 November 2007)

28 January 2015

Preliminary full-year revenue release

5 March 2015

Audited full-year results release

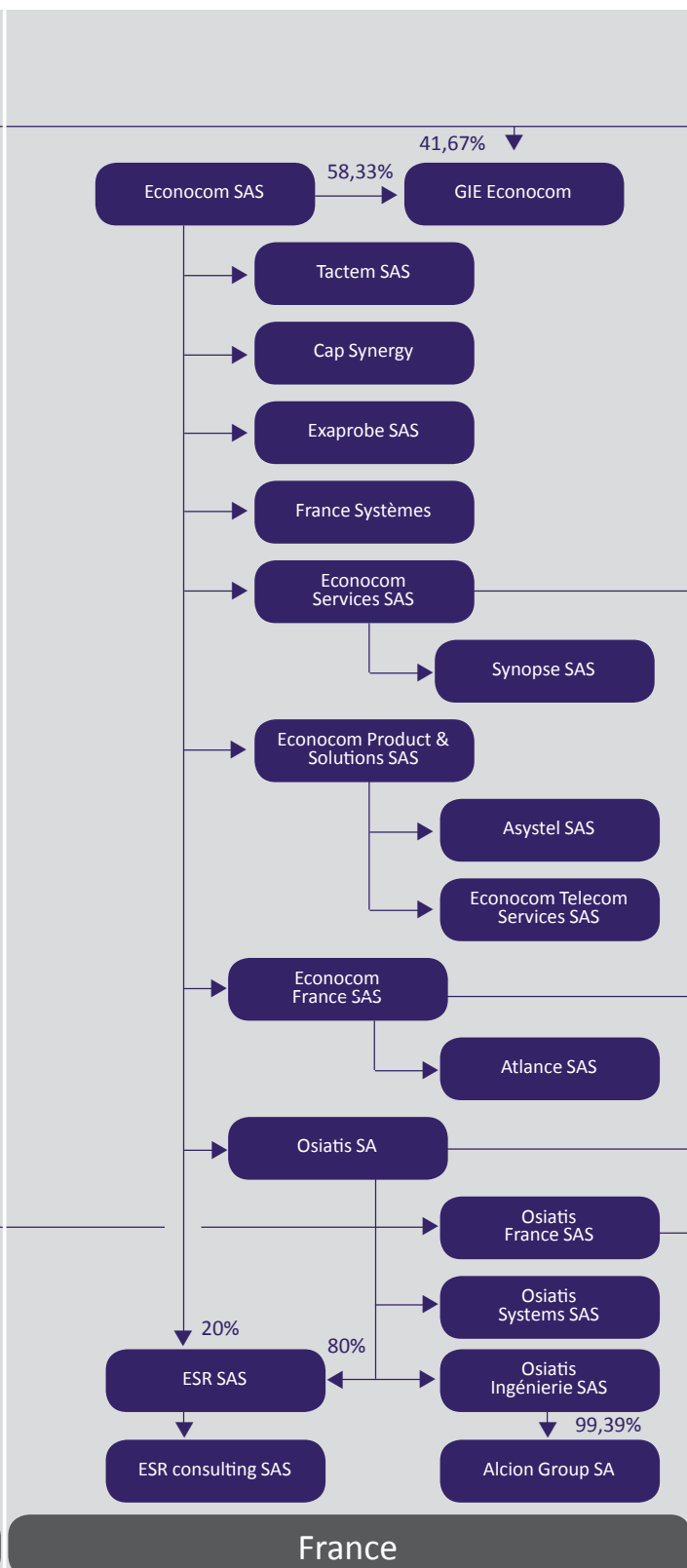
6 March 2015

Information meeting

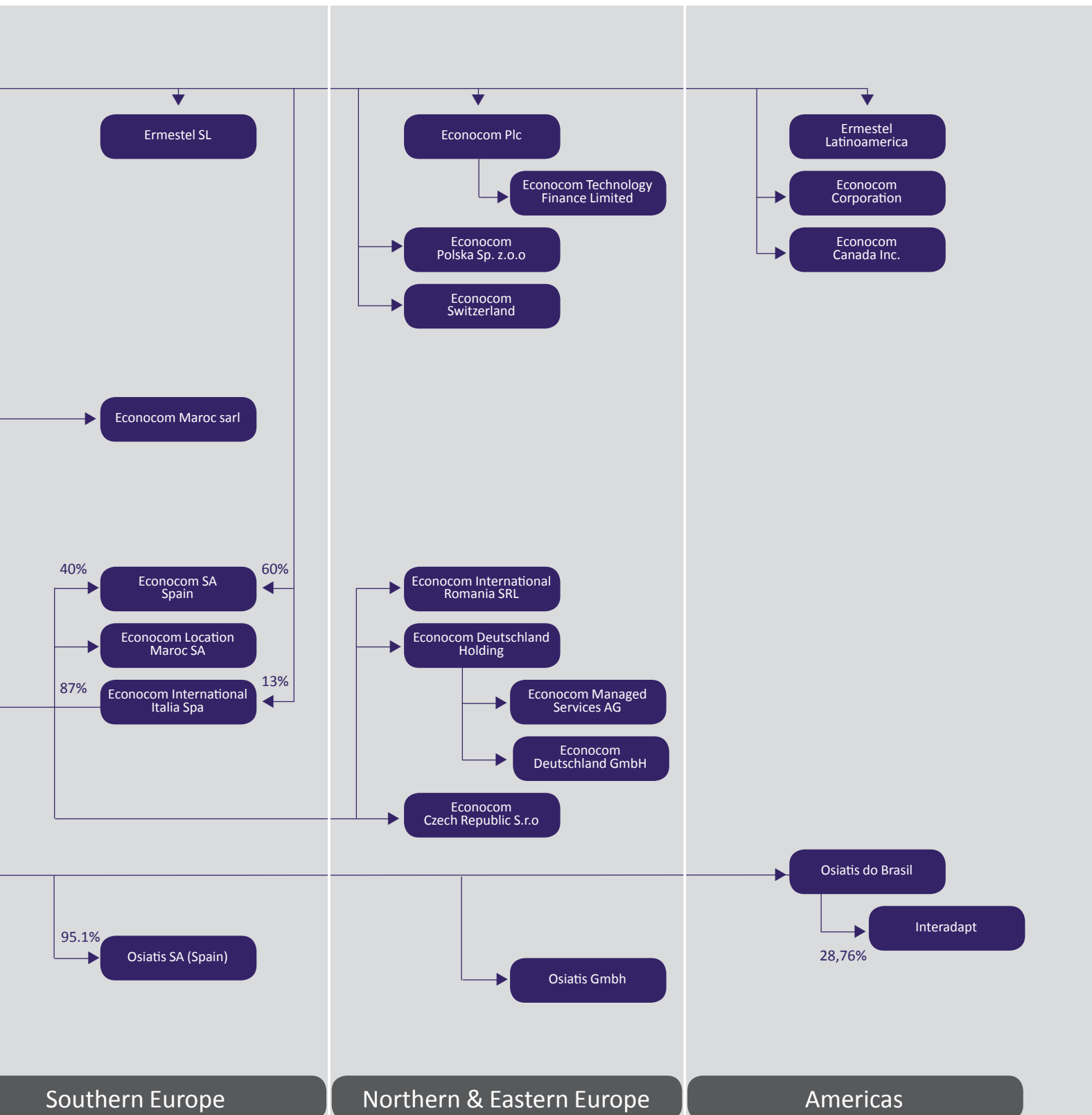
PRESENTATION OF ECONOCOM GROUP

GROUP STRUCTURE

as of 31 December 2013



Does not include wholly-owned subsidiaries or subsidiaries with no activity or negligible activity.



PRESENTATION OF THE GROUP'S ACTIVITIES

2.1. Econocom Group's three areas of expertise

TECHNOLOGY MANAGEMENT & FINANCING: Innovative, tailored financing solutions to ensure more effective administrative and financial management of a business' digital assets.

PRODUCTS & SOLUTIONS: Services for IT, mobile telecom and multimedia hardware and software: advice, sourcing, integration, customisation, roll-out and recycling.

IT & TELECOM SERVICES: Infrastructure services (consulting, engineering, cloud services, IT outsourcing, critical maintenance) for data centre, user and network environments and infrastructure-related application services, (portals, collaboration, mobile solutions, business intelligence, etc.).

With these areas of expertise and its innovative range of enterprise solutions, Econocom assists businesses in transforming their IT systems and managing their digital projects.

2.2. Econocom's main markets and services

2.2.1. Econocom's markets

2.2.1.1. Technology Management & Financing

After shrinking for the past two years, the European ICT hardware leasing market has picked up since mid-2013.

Southern Europe is showing signs of recovery, whilst Northern Europe continues to perform well.

France is declining but there were signs of a recovery during the final quarter of 2013.

After three years of budget restrictions and investment limits, companies are now having to invest in order to adapt their organisation and improve productivity. The availability of new digital solutions is causing them to update their business model and digitise processes.

The question of how they will invest will inevitably arise in the very short term, given the change in technologies and the way these technologies are used.

The expected transformation of the market reflects Econocom's own mutation and the line between services and leasing is becoming increasingly tenuous.

Whilst operating leases remain a sustainable financing solution for dedicated IT infrastructures, shared solutions are leading to the emergence of new ways of accessing these infrastructures, particularly for businesses seeking flexibility and adaptability for their tools.

Consequently, the competitive environment is changing, making the market more difficult to analyse. It is composed of:

- General providers: mostly subsidiaries of banks who fund the bank's clients via hire purchase and finance lease solutions.
- Captive finance divisions of IT manufacturers: these offer operating lease solutions to the manufacturers' customers and fund IT outsourcing contracts signed by their service subsidiaries.
- Service companies or software vendors offering shared cloud-based solutions which are transforming traditional ways of using technology. Whilst these solutions are hardly new – as-a-service solutions are becoming increasingly widespread – they still require substantial financing, and this funding is no longer provided by the end clients but by the service providers themselves.

Econocom remains a major player in this market and the changing model and strategy are consistent with market changes.

2.2.1.2. IT and Telecom product sourcing in Europe

In 2013, IT and telecom distribution service companies were affected by budget cuts and an overall unfavourable macroeconomic climate.

The main trends in the market are as follows:

- The market is shrinking due to the decreasing number of players in the entry-level sector.
- A decline in investments of almost 10% compared with 2012.
- A shift from desktop PCs to mobile equipment and devices (laptops, tablets, hybrid devices, etc.), standard printers to multifunction printers, larger monitors, telephones to smartphones.
- A marked change in the demand for dynamic display solutions, which has evolved into a need for fully integrated solutions.

(Sources: GfK)

2.2.1.3. IT services in Europe

The IT service market in Europe was fairly buoyant, posting 1.9%⁽¹⁾ growth, but with performance varying considerably from country to country. Germany and the UK are in the lead with 3.4% and 2.8%⁽¹⁾ growth respectively, whilst France reported slow growth (0.1%). Spain and Italy, meanwhile, reported negative growth of 1.6% and 1.7%⁽¹⁾ respectively.

Due to its economic importance and dynamic, the IT Service market in France is continuing to grow. With revenue of €49.2 billion⁽¹⁾, it is worth 1.6 times as much as the pharmaceutical industry and 1.3 times as much as the aeronautical and aerospace sectors⁽²⁾. With 365,000⁽³⁾ employees and 574,000 IT engineers⁽⁴⁾, it generates 2.5 times as many jobs as the telecommunications sector and 1.3 as many as the pharmaceutical industry. However, the results posted by the digital service companies in this market vary according to their size, positioning and the areas in which they operate. For example, SMACS (Social, Mobile, Analytics, Cloud and Security) services continue to grow, with the market rising 20% to €4.0 billion in 2013, whilst the other segments of the market (€36.6 billion) fell slightly by 1.8%⁽¹⁾. Similarly, infrastructure and application outsourcing services, due to transformation/streamlining and cost-cutting measures, are performing better than areas such as technology consulting, which is more susceptible to the economic climate and affected by longer investment decision-making process.

Finally, there were signs of an upturn in the market in France during the second half of 2013, which showed improvement on the first. There was also a positive shift in the balance of opinions of market players (clients, digital service companies, software vendors) in the middle of 2013, in terms of both the opportunities identified and new deals won, and the prospects for orders over the next twelve months. All these indications bode well for 2014, with growth of 1.1%⁽¹⁾ expected.

2.2.2. Econocom Group's businesses

2.2.2.1. General information

The Group operates mainly in three areas which enable it to offer businesses a comprehensive ICT resource management offering.

The three areas of business are:

- Technology management and financing of digital equipment;
- Products & Solutions;
- IT and telecom services.

2.2.2.2. Technology Management & Financing of digital equipment

Mobile computing and digital projects are proliferating and forcing companies to invest in order to remain competitive in an ever-changing market.

To address these new challenges, the group has developed its leasing offering to offer companies tailored financing solutions enabling them to refresh their digital equipment whilst controlling budgets.

These services are offered as part of modular leasing contracts, whereby the group, with the longstanding relationship it has built with its clients, offers the following services:

- financing for assets in line with their useful life;
- administrative management of the leased assets: spend tracking, technical and administrative tracking of assets, cross-charging of the equipment to internal entities, recycling in compliance with the WEEE directive and e-procurement.

(1) Source: IDC January and March 2014. (2) Source: INSEE, ESANE 2011.

(3) Source: BIPE exploitation INSEE employment survey, average over three years: 2010-2011-2012.

(4) Source: BIPE covering all industry sectors, private-sector employees via an employment survey, public-sector employees via survey by CNFPT, freelance workers via DREES.

All these services, which have been deployed all over Europe for over fifteen years for thousands of clients, have been extended to companies' digital projects (digitalised points of sales, goods tracking, multimedia, mobile solutions, smart objects, etc.).

2.2.2.3. Products & Solutions

The Group sources IT and telecom products and solutions for its clients. These distribution services include advice, procurement, customisation, delivery and collection of the equipment.

The products distributed include:

- IT and telecom hardware and software. To manage these volumes of equipment, the group provides clients with automated tools (customised online catalogue, order management and approval applications, etc.);
- IT solutions such as printing, mobility, server consolidation and virtualisation, etc.

For this business the Group has signed partnership agreements with some of the leading hardware and software manufacturers on the market such as HP, Lenovo, Apple, Dell, Samsung, Epson, Toshiba, Microsoft, VMware, Nokia, etc.

In addition, the Group was one of the first players to establish itself in new high-growth markets such as tablets, multimedia equipment and connected objects. This new expertise and these partnerships have driven growth in the Group's distribution services.

2.2.2.4. IT and Telecom services

The merger with Osiatis, which was finalised on 22 November 2013, considerably strengthened Econocom Group's Services IT & Telecom business, establishing it as one of the leading digital service companies, particularly in France and Belgium, with major potential in Spain. In order to consolidate its position in this market, the Group has decided to create the Econocom-Osiatis brand to represent this activity.

The digital market in its broadest sense is undergoing a rapid transformation. The rules of the competition game are changing, and successful digital service companies are the ones that can master and combine the different areas of expertise at the heart of this radical change in the IT landscape, i.e.:

- Transforming and optimising infrastructures
- Cloud computing and new architectures
- Mobility and multi-device management
- Social networking and collaborative tools

Econocom-Osiatis is ideally positioned to address these challenges and achieve its ambition of becoming the first company that clients turn to and to be their preferred partner. This means being able to design and implement innovative, high-performance, cost-effective solutions. The aim of Econocom-Osiatis' strategy is to consolidate its leadership in infrastructure services (consulting, engineering, cloud services, IT outsourcing, critical maintenance) and infrastructure-related application services (portals, collaboration, mobile solutions, business intelligence, etc.).

Econocom-Osiatis assists companies throughout the entire lifecycle of their infrastructures and applications (design, build, run, transform). Its range of expertise covers data centres, end-user environments, including new devices such as tablets, smartphones, etc., networks, and infrastructure-related applications.

In 2013, Econocom-Osiatis substantially developed its expertise in the fields of cloud computing, IT security, unified communications and social networking and won a number of successful contracts in these areas.

With Osiatis integrated into Econocom Group, Econocom-Osiatis can now devise, build and implement comprehensive solutions which address our clients' business, technology and financing requirements.

2.3. History of Econocom Group

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 secondary market of the Brussels stock exchange.

1993: Acquires Asystel Belgium, making Econocom Distribution the leading IT distributor in Benelux.

1996: Econocom is listed on the primary market of the Brussels stock exchange.

2000: Following the Public Exchange Offer on Infopoint Group, Econocom is listed on the secondary market of the Paris stock exchange. The group diversifies by setting up Econocom Telecom.

2001: The group employs 2,000 people.

2002: Acquires Comdisco-Promodata in France (technology management and financing for IT assets).

2004: Acquires Signal Service France.

2005: The Group concentrates its business in five European countries: Belgium, France, the Netherlands, Spain and Italy. Econocom sells off its Swiss subsidiary and closes its financing operations in the USA.

2006: Rolls out its telecoms offering by acquiring Avenir Telecom’s business division.

2007: The Group expands its telecoms division and acquires the Carphone Warehouse France’s “Business” division. The group doubles its sales force in Italy by acquiring Tecnolease, an Italian IT leasing company.

2008: Acquires Databail, a French IT infrastructure financing company.

2009: Opens a nearshore remote service facility in Rabat, Morocco.

2010: Société Générale sells ECS: Econocom buys back the company Jean-Louis Bouchard set up over thirty-five years before.

2012: Econocom continues its expansion in the virtualisation sector by acquiring Ermestel, a pioneer in the Spanish market, and acquiring a stake in Centix, a Belgian company specialising in cloud computing solutions.

2012: Acquires Tactem, a provider of telecom expense management solutions.

2012: Acquires France Systèmes, France's leading Apple reseller in the education and research sector, and enhances its IT security offering by buying Cap Synergy, a French systems integrator specialising in network and IT system security.

2013: Econocom buys out French systems integrator Exaprobe, thus expanding its security, network and communications division.

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 pro forma revenue, including €650 million in the field of business-to-business digital services. The group now employs a workforce of more than 8,000 people in 20 countries.

2014: In early January Econocom and Georges Croix jointly set up Digital Dimension, a new subsidiary which aims to establish itself rapidly as a major player specialising in designing and managing innovative cloud-based digital solutions.

2014: Econocom places €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 will be used to strengthen Econocom's financial resources, particularly in the context of its Mutation 2013-2017 strategic plan.

3. FINANCIAL POSITION AND RESULTS

3.1. Highlights of the past three years

2013 was notable for:

- the integration of Osiatis Group, which establishes Econocom Group as a major player in the digital service market;
- the consolidation of the group's presence and expertise in the digital service market;
- solid organic growth driven by some major business successes across all the Company's business lines.

2012 was notable for:

- sustained investments to improve the Group's commercial appeal by launching innovative new cloud solutions (viCUBE, viSPACE, etc.);
- the integration of targeted acquisitions in order to strengthen both its expertise (virtualisation, cloud, mobile computing and security) and international scope (Spain and Mexico);
- a dynamic shareholder return policy (buying back and cancelling shares, dividends).

2011 was notable for:

- the successful operational integration of ECS Group;
- continuing investments in growth areas (the healthcare sector and multimedia solutions) and the launch of innovative new offerings (Everpad for tablets, Neverstop for data centres, MyBaas for cloud, etc.);
- recurring operating profit that exceeded guidance, driven mainly by major synergies with ECS;
- the early repayment of the bank loan secured in 2010 for the acquisition of ECS Group (€182 million) thanks to strong generation of cash flow, a considerable reduction in working capital requirements as of the fourth quarter of 2010 and the issue of €84 million worth of convertible bonds (OCEANE) in May 2011.

3.2. Consolidated data for the year: comparison between 2013, 2012 and 2011

3.2.1. Key figures

(in € millions)	2013	2012 restated	2011 reported
Revenue from continuing operations	1,772.6	1,538.3	1,584.3
Recurring operating profit (before amortisation of the ECS customer portfolio and the Osiatis brand) ⁽¹⁾	88.8	76.8	66.6
Recurring operating profit	86.5	74.8	64.6
Operating profit	73.0	71.3	46.0
Equity	260.0	155.2	135.5
(Net debt)/ net cash	(39.3)	(30.8)	0.5

⁽¹⁾ The amortisation of the ECS customer portfolio is the result of the allocation of ECS goodwill for the amount of €40 million to the value represented by the portfolio of clients acquired. This intangible asset will be amortised over 20 years. The Osiatis brand was valued at €10 million, (and amortised over ten years as from 1 September 2013).

3.2.2. Revenue

In 2013, convergences between Telecoms and IT Services led the group to separate the income from its Telecoms division into two separate businesses - Services and Products & Solutions. The results for 2012 and 2011 were consequently restated.

(in € millions)	2013	2012 restated	2011 reported
Services	442	286	275
Products & Solutions	303	249	229
Technology Management & Financing	1,028	1,003	1,080
Total	1,773	1,538	1,584

Econocom Group posted total revenue of €1.77 billion in 2013, versus €1.54 billion in 2012 (a 15% increase). This performance is a result of external growth (mainly the four months' contribution from Osiatis, i.e., €121 million), the successful integration of the companies acquired over the past 18 months, and strong organic growth (3.5 %).

In 2012, the Group's revenue of €1.54 billion dropped slightly by 2.9% compared with 2011, due to a decline in strategic investments.

Services

In 2013, the Services business benefited from the successful integration of the companies acquired over the past 18 months.

In 2012, Services posted a 4% rise (2% on a like-for-like basis). The reorganisation and business investments which began in 2011 and continued in 2012 confirmed the positive profitability trend for the Services business.

Products & Solutions

Products & Solutions had an excellent year, due partly to the integration of France Systèmes, which the Group acquired in December 2012, enabling it to step up its business-to-business Apple expertise and offering considerably, and partly to organic growth. This strong organic growth is a direct result of the first results of the strategic plan and in particular the success of the offerings for tablets and other digital products.

In 2012, the Products & Solutions business increased compared with 2011. This result is a testament to the business' ability to withstand conditions in the global IT equipment market, thanks to its diversification into business-to-business distribution of Apple and multimedia products.

Technology Management & Financing

Technology Management & Financing saw a return to organic growth in 2013, despite the downturn in the traditional IT equipment market. This performance is due to the success of our new digital solutions offerings (+53%) and the cross-disciplinary offerings combining the Group's three areas of expertise (+26%).

The decline in revenue recorded by the Technology Management & Financing business between 2011 and 2012 was due to a particularly unfavourable base effect in Belgium and the Netherlands (following a particularly successful year in 2011 during which a number of substantial deals were signed) and a reorganisation of the sales force in France. These factors were offset on the one hand by significant growth in Northern Europe, and in particular thanks to some major deals signed in the United Kingdom, and on the other hand by the success of the multi-business enterprise solutions, which posted growth of over 80% in 2012.

3.2.3. Recurring operating profit

(in € millions)	2013	2012 restated	2011 reported
Services	18.5	6.7	(0.5)
Products & Solutions	7.7	6.6	8.1
Technology Management & Financing	62.5	63.5	59.0
Total before amortisation of the ECS customer portfolio and the Osiatis brand⁽¹⁾	88.8	76.8	66.6

(1) The amortisation of the ECS customer portfolio is the result of the allocation of ECS goodwill for the amount of €40 million to the value represented by the portfolio of clients acquired. This intangible asset will be amortised over 20 years. The Osiatis brand was valued at €10 million (and amortised over ten years as from 1 September 2013).

The Group's recurring operating profit (before amortisation of the ECS customer portfolio and the Osiatis brand) rose 15.5% from €76.8 million on 31 December 2012 to €88.8 million (restated). Osiatis contributed €9.8 million to this result.

In 2012, thanks to the improved performance of IT and Telecoms Services, good cost control and the continuing effect of synergies resulting from the successful integration of ECS, the Group posted recurring operating profit of €76.8 million⁽¹⁾.

3.2.4. Operating profit

In 2013, operating profit increased by 2% to stand at €73.0 million. This includes €13.4 million of non-recurring costs, around half of which was incurred by the acquisition of Osiatis.

In 2012, operating profit rose sharply to €71.3 million, versus €46.0 million in 2011, thanks to improved recurring operating profit, controlling of the costs incurred by the integration of ECS Group, and the positive impact of the research tax credit (*crédit d'impôt recherche*).

3.2.5. Financial position

Thanks to good cash generation (€78.8 million cash flow) and the successful integration of Osiatis, Econocom benefited from a healthy financial structure as of 31 December 2013. The gross bank cash position is positive, standing at €81 million. Net financial debt stands at just €39.3 million after the acquisition of Osiatis and Exaprobe, and the buying back of treasury shares and convertible bonds for €33 million.

In 2012, the Group strove to maintain a healthy financial structure and generated €82.7 million in cash flow.

At the end of December 2012, the Group's gross bank cash position was positive, standing at €80 million. Net debt amounted to €31 million and included €81 million of bond debt convertible to shares at a price of €5.25 per share, due to mature in June 2016, and €14 million of lease contracts refinanced with recourse and regarded as debt under IFRS.

In 2011, the combined effect of very good cash generated by the business and a substantial reduction in working capital requirements during the year brought this financial debt down to zero on 31 December 2011. Financial debt amounted to €145 million and included €80 million of bond debt and €34 million of lease contracts refinanced with recourse and regarded as debt under IFRS.

Furthermore, the implementation in 2011 of a cash pooling system at Econocom Finance led to a better control of cash flow, optimised expenses and investments and faster deleveraging for the Group.

3.3. Equity restrictions

The convertible bonds (OCEANE) issued in 2011 are not subject to any financial covenant that could enforce early redemption for the Group. It is subject to the standard clauses with respect to anti-dilution provision and maintaining the share price. These clauses are defined in the convertible bond issue prospectus published on 31 May 2011 and available on the Group's website.

The bonds convertible into cash and/or new shares and/or exchangeable for existing shares (ORNANE) issued in January 2014 are not subject to any financial covenant that could enforce early redemption for the Group. Like the OCEANE, these bonds are subject to the standard clauses with respect to anti-dilution provision and maintaining the share price. These clauses are defined in the terms & conditions available on the Group's website.

Credit lines do not include any restrictive clauses with respect to maximum debt, financial ratios or credit ratings whereby the credit lines would have to be repaid immediately in the event that this limit were exceeded.

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

4. COMPANY, SHARES AND SHAREHOLDERS

4.1. Econocom Group SA/NV share performance

Month	Price (€)				Volume	
	High (€)	Low (€)	Closing (€)	Average (€)	Number of shares traded	Value (€K)
January	2.77	2.51	2.91	2.62	1,711,916	4,474.83
February	3.66	3.12	3.50	3.45	2,182,340	7,515.98
March	4.00	3.51	3.88	3.70	2,403,536	8,882.89
April	4.22	3.80	3.98	4.06	1,465,504	5,944.16
May	4.29	3.94	4.19	4.13	1,054,728	4,359.74
June	4.15	3.63	3.80	3.82	601,940	2,298.11
July	4.03	3.65	3.83	3.79	540,392	2,044.87
August	3.75	3.24	3.65	3.39	794,804	2,689.81
September	3.65	3.19	3.28	3.33	576,828	1,919.72
October	3.48	3.18	3.20	3.30	651,800	2,153.19
November	3.23	2.85	2.95	3.05	2,636,344	8,036.06
December	3.89	3.00	3.89	3.42	754,312	2,578.94
Total 2011	4.29	2.51	3.89	3.59	15,374,444	52,898.30

January	3.96	3.56	3.85	3.75	952,144	3,567.73
February	3.89	3.58	3.81	3.77	470,940	1,774.43
March	4.43	3.78	4.20	4.17	2,458,796	10,241.16
April	4.43	4.20	4.31	4.30	1,446,124	6,224.42
May	4.42	4.06	4.31	4.25	1,053,416	4,475.46
June	4.41	3.75	4.17	4.10	754,640	3,093.22
July	4.38	4.11	4.24	4.30	5,737,776	24,648.31
August	4.63	4.23	4.53	4.35	498,512	2,167.00
September	4.95	4.38	4.69	4.68	1,461,230	6,836.55
October	5.73	4.75	5.36	5.25	3,293,078	17,282.93
November	5.40	5.02	5.14	5.24	595,539	3,119.81
December	5.95	4.95	5.95	5.4	1,024,301	5,526.37
Total 2012	5.95	3.56	5.95	4.55	19,746,496	88,957.40

Month	Price (€)				Volume	
	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
Total 2013	8.35	4.98	8.32	6.20	21,489,188	140,352.62

4.2. Name, registered office and legal form

- Company name: Econocom Group SA/NV
- Registered office: 5 Place du Champ de Mars, 1050 Brussels (Tel. +32 2 790 81 11).
- Legal form, constitution, published documents.

Econocom Group SA/NV is a *société anonyme* (joint-stock company) governed by the laws of Belgium. It was incorporated under a deed filed by Jacques Possoz, notary, on 2 April 1982, which was published in the appendices to the *Moniteur Belge* of 22 April 1982 (n° 820-11).

Econocom Group SA/NV is governed by the laws of Belgium and is a company that publicly raises, or has publicly raised, capital under the terms of company laws.

The company 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, in Belgium and abroad, is:

- the purchase, sale, lease and supply of computers and IT products generally, and all related financial operations;
- the negotiation of any and all business process engineering contracts with companies and the provision of any and all technical assistance in the field of information technologies;
- the design and implementation of electronic services and any and all related programming systems.

To this end, the company may acquire, manage, operate and sell patents, trademarks, and technical and industrial know-how.

The company may establish branch offices or subsidiaries in Belgium or abroad.

The company may deal with any and all Belgian or foreign companies with similar or complementary activities by means of asset transfers, partial or total mergers, subscription to initial capital or capital increases, financial investments, disposals, loans or any other means.

4.4. Share capital

4.4.1. Share capital (article 5 of the bylaws)

As of 31 December 2013, the company's share capital stood at €19,874,285.37 and was composed of 106,517,314 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 Annual General Meeting (article 7 of the bylaws)

The share capital may be increased or reduced by a decision of the Annual General Meeting pursuant to the requirements for changing the bylaws.

In the case of a capital increase decided at the Annual General Meeting, the price and conditions for issuing new shares must be decided at the Annual General Meeting, upon recommendation of the Board of Directors.

The new shares to be subscribed for in cash are offered in priority to the owners of capital shares, in proportion to the number of shares they hold on the day of issue, and within a time limit set at the Annual General Meeting and under the conditions determined by the Board of Directors.

Shares with no stated par value below the accountable par of the old shares may only be issued in compliance with the legal requirements.

However, preference share subscription rights may, in the company's best interests, be limited or revoked by decision of the Annual General Meeting ruling on amendments to the bylaws or by the Board of Directors, within the authorised capital, in favour of one or more designated people who are not employees of the company or its subsidiaries, provided the legal requirements are observed.

In any event, the Board of Directors may conclude agreements with any third party, and with the clauses and conditions it deems appropriate, in order to ensure the subscription of all or some of the shares to be issued.

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

4.4.3. Changes in capital

As of 31 December 2013, the company's share capital stood at €19,874,285.37 and was composed of 106,517,314 ordinary shares with no stated par value, held in registered, bearer or dematerialised form. The capital is fully paid-up.

As of 31 December 2013, authorised unissued capital stood at €9,877,558.79 (excluding paid-in capital). The Board of Directors decided, subject to the condition precedent that the convertible bonds be converted on 1 June 2016, to increase within the authorised capital, the subscribed and paid-up share capital for a maximum amount of the equivalent of the conversion of all the convertible bonds into new shares, i.e., €2,825,756. The Board of Directors reserves the right, when it receives a conversion request from a bondholder, to issue the existing ordinary shares.

Changes in the company's capital between 2002 and 2009 correspond to capital increases carried out for the purpose of allocating shares on the exercise of employee stock options.

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

In 2011, Econocom Group SA/NV issued 4,000,000 bonds, worth €84 million, which can either be converted or exchanged for new or existing shares until 1 June 2016, with a 4% coupon rate, 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 rate of €5.25 (€21 before the share split).

As decided on 14 September 2012, Econocom cancelled 2,000,000 Econocom Group shares and split the Econocom Group share into four.

The following changes to the share capital occurred in 2013:

- Following the capital increase on 12 September 2013 for the acquisition of the controlling interest and equity warrants of Osiatis from Osiatis' main shareholders and managers, Econocom Group's share capital was increased to €18,759,320.08 by creating 9,527,460 new shares and was made up of 106,219,048 shares.
- Following the capital increase on 18 November 2013 to pay for Osiatis shares as part of the public exchange offer to acquire Osiatis, Econocom Group's share capital was increased to €19,874,285.37 by creating 6,313,158 new shares and was made up of 112,532,206 shares.
- Following the cancellation of 6,014,892 treasury shares as decided at the Extraordinary General Meeting of 31 December 2013, Econocom Group's share capital of €19,874,285.37 was made up of 106,517,314 shares.

Share capital stood at €19,874,285.37 on 31 December 2013.

The number of Econocom shares and voting rights (denominator) both stand at 106,517,314 as of 31 December 2013.

Changes in the company's share capital and number of shares since 1 January 2002 are summarised in the table below:

Date of transaction	Type of issue	Change in the number of shares	Change in capital (€)	Paid-in capital (€)	Total amount of the transaction (€)	Number of shares
01/01/02						8,149,105
30/04/02	Exercise of stock options	9,900	19,503.00	96,087.36	115,590.36	8,159,005
27/06/02	Four-for-one share split					36,636,020
18/12/02	Cancellation of treasury shares	(1,136,020)				31,500,000
22/12/04	Cancellation of treasury shares	(1,500,000)				30,000,000
20/07/05	Exercise of stock options	265,000	143,100.00	966,650.00	1,109,750.00	30,265,000
22/12/05	Cancellation of treasury shares	(1,265,000)				29,000,000
15/05/07	Cancellation of treasury shares	(2,200,000)				26,800,000
20/12/07	Cancellation of treasury shares	(1,000,000)				25,800,000
22/12/08	Cancellation of treasury shares	(1,000,000)				24,800,000
28/10/10	Capital increase as payment for an acquisition	1,372,897	895,755.62	14,206,111.38	15,101,867.00	26,172,897
14/09/12	Cancellation of treasury shares	(2,000,000)				24,172,897
14/09/12	Four-for-one share split	72,518,691				96,691,588
12/09/13	Capital increase as payment for an acquisition	9,527,460	1,682,642.38	50,734,212.37	52,416,854.75	106,219,048
18/11/13	Capital increase as payment for a public acquisition offer	6,313,158	1,114,965.29	36,763,982.71	37,878,948.00	112,532,206
31/12/13	Cancellation of treasury shares	(6,014,892)				106,517,314

The Extraordinary General Meeting of 18 May 2010 renewed for a five-year period authorisation given to the Board of Directors for a capital increase, in accordance with article 603 of the Belgian Companies Code, either once or several times, for a maximum amount of €16,180,922.08. After the Board of Directors exercised this authorisation (i) on 28 October 2010 for the acquisition of ECS Group (ii) for the final issue of convertible bonds (OCEANE) on 17 May 2011 for the maximum amount of €2,601,000, (iii) the capital increase via contributions in kind in the form of Osiatis securities on 12 September 2013 for the equivalent of €1,682,64.38 and (iv) the capital increase for the mixed public offer for Osiatis on 18 November 2013 for the equivalent of €1,114,965.29, authorised capital stood at €9,877,558.79.

The Extraordinary General Meeting of 18 May 2010 also authorised the Board of Directors to increase the share capital, in accordance with article 607 of the Belgian Companies Code, in the event of a takeover bid on the Company's shares, and for a three-year period. This authorisation was renewed at the Annual General Meeting on 21 May 2013 for a three-year period from the publication in the appendices to the *Moniteur Belge* of the decision made at the Annual General Meeting.

The Extraordinary General Meeting of 28 September 2011 renewed for a five-year period authorisation given to the Board of Directors to buy back treasury stock. The minimum purchase price was set at €1.5 and the maximum price was €9, after the four-for-one share split which occurred in September 2012. The maximum number of shares to be purchased throughout the five-year period was 20,938,316 (after the share split).

The Extraordinary General Meeting of 15 May 2012 renewed for a three-year period authorisation given to the Board of Directors to purchase Econocom Group SA/NV shares without the prior approval of shareholders, if the company faces a serious and imminent threat to its operations.

As of 31 December 2013, Econocom Group SA/NV held 675,829 Econocom Group SA/NV shares as part of the share buyback scheme and 89,675 Econocom Group shares acquired as part of the liquidity contract with Exane BNP Paribas, i.e., 765,504 Econocom Group own shares, representing 0.72% of the total number of shares in issue.

4.5. Rights attached to shares

4.5.1. Participation in Annual General Meetings and voting rights

4.5.1.1. Participation in Annual General Meetings

4.5.1.1.1. Right to participate in Annual General Meetings

All shareholders are entitled to participate in Econocom's Annual General Meetings regardless of the number of shares they hold, provided that they meet the requirements for participating in such Meetings, as specified in the "Annual General Meetings" section of this chapter.

4.5.1.1.2. Right to call Annual General Meetings

Shareholders who, alone or jointly, hold at least 20% of Econocom's share capital are entitled to ask the Board of Directors or Statutory Auditor to call an Annual 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 Annual General Meeting and file resolution proposals in relation to items placed on or to be added to the agenda.

This right does not apply to Meetings convened following a first Annual General Meeting which could not validly deliberate because the required attendance quorum was not met.

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 their request is made and (ii) see to it 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 statement drawn up by a financial intermediary, authorised account holder or clearing institution, certifying that the corresponding number of shares are registered in the account held by such account-holder or clearing agent.

Shareholders' requests are sent to the Company by post or e-mail. Where appropriate, these requests must also include the items to be added to the agenda together with the related resolution proposals and/or the text of the newly proposed resolutions concerning items already on the agenda. Requests must also indicate the postal or e-mail address to which Econocom should send confirmation of receipt. Requests must reach the Company at the latest on the 22nd day preceding the date of the Annual General Meeting concerned.

Econocom will confirm receipt of any requests within 48 hours and will publish a revised agenda at the latest 15 days before the Annual General Meeting. Proxy forms and postal voting forms will also be published on the Company's website (www.econocom.com). However, all proxies and postal voting forms previously submitted to Econocom shall 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 carrying out these instructions could be detrimental to the shareholder. The proxy holder must in any event inform the shareholder thereof. 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 Annual 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 Annual General Meeting (by post or by electronic means, to the address shown in the Notice of Meeting) or may be formulated (verbally) during the Meeting. Questions submitted by post or by electronic means must reach Econocom at the latest on the sixth calendar day before the Meeting, and will only be answered if the shareholder has complied with the admission formalities for the Annual General Meeting concerned.

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 Annual 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 Annual General Meeting (annual financial statements and reports), (iv) a resolution proposal or, where the item on the agenda 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/data may be consulted on Econocom's website (www.econocom.com) and, on working days and during normal office hours, at Econocom's registered office located at 5 Place du Champ de Mars, 1050 Brussels, as 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 Annual General Meetings

4.5.1.2.1. Principle

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

Meetings cannot deliberate on items which are not on the agenda.

4.5.1.2.2. Attendance quorum and voting requirements

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

Annual 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, and resolutions must be adopted by a three-quarter voting majority.

If the amendments to the bylaws concern the Company's corporate purpose, the Annual 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 and the amendments are only accepted if approved by a majority of at least four fifths.

An attendance list indicating the name 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 Annual General Meetings by a proxy, who may or may not be a shareholder of the Company.

The Board of Directors may adopt the proxy voting form. Proxy voting forms must reach the Company at the latest on 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 533ter of the Belgian Companies Code remain valid for the agenda items covered.

4.5.1.2.4. Distance voting

Shareholders having completed the attendance formalities specified below may vote at all Annual 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 made available by the Company has been duly completed and reaches Econocom at the latest on the sixth day before the date of the Annual General Meeting. If the Notice of Meeting allows shareholders to opt for distance voting, it shall 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 have 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. Such allocation is no longer required when the legal reserve equals 10% of the subscribed capital.

Acting on a recommendation of the Board of Directors, the Annual General Meeting determines how the residual profit balance will be used, and freely determines the profit allocation by a simple majority of votes by 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, the net assets as shown in the annual financial statements are less than paid-up capital, or would be less than paid-up capital if such distribution were to take place, or if the net assets exceed the 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 out of profit for the year. It 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 Annual 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 shall have the broadest powers conferred by articles 186 *et seq.* of the Belgian Companies Code. The Annual General Meeting determines the fees payable to the liquidators. The liquidators can only assume their duties after their appointment by the Annual General Meeting has been approved by the Commercial Court pursuant to article 184 of the Companies Code.

Once all liabilities, expenses and liquidation fees have been settled, the net assets balance shall first be used 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 any allocations are made 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 will be 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 Annual General Meeting can, however, limit or cancel said pre-emptive subscription rights under specific conditions, once the Board of Directors has presented its report. Any such decision is subject to the same attendance and voting quorum requirements as a capital increase decided by the Company. Shareholders may also allow the Board of Directors to limit or cancel said pre-emptive subscription rights in the event of a capital increase decided within the limits of the authorised capital.

4.5.5. Changes in rights attached to shares

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

4.6. Annual General Meetings

4.6.1. Ordinary General Meetings

An Ordinary General Meeting is held every year on the third Tuesday of May, at 11.00 a.m. or on the first working day following this date if the Tuesday is a bank holiday. At Ordinary General Meetings, the Board of Directors submits to shareholders the annual statutory financial statements prepared in accordance with Belgian 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 to grant to 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 Shareholder 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 Managing Director (*Directeur Général*), or one or more shareholders representing at least one fifth of the Company's share capital (article 27 of the bylaws).

4.6.3. Content of Annual General Meeting convening notices

Notices of Annual General Meetings must contain at least the following information:

- the date, time and place of the Annual General Meeting;
- the agenda, indicating the items to be deliberated as well as resolution proposals;
- a clear and accurate description of the formalities to be completed by shareholders in order to attend the Annual General Meeting and exercise their voting rights, particularly the deadline by which shareholders should indicate their intention to attend the Meeting, along with information concerning:
 - 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 must be exercised; and
- where applicable, the procedure and timeframe set by or pursuant to the bylaws, allowing shareholders to participate in the Annual General Meeting remotely and opt for distance voting prior to the Meeting (article 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 Annual General Meeting;
- the address where shareholders can obtain the full text of the documents and resolution proposals described in points 3), 4) and 5) of the section below, 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

As from the date of publication of the Annual General Meeting convening notice and up to the date of the Meeting, the following information for shareholders is posted 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 Annual General Meeting;
- for each item placed on the agenda for the Meeting, a resolution proposal or, when the matter to be deliberated 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 in point 5 above cannot be posted online due to technical reasons, the Company shall explain on its website how to obtain a hard copy of the forms. In this case, Econocom is required to promptly send the forms free of charge to any shareholder that so requests them, to the postal or e-mail address indicated by said shareholder.

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

4.6.5. Formalities and notification deadlines

All Annual General Meetings must be notified by advertisements 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 at the place, time and date indicated in the bylaws, and the agenda of which is only concerned with 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;
- such media as may reasonably be relied upon for the effective dissemination of information to the public throughout the European Community and which is readily accessible in a non-discriminatory manner.

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

If another Meeting has to be called after a first meeting failed to meet the attendance quorum, and provided that the date of any second Meeting was indicated in this paragraph in the first Notice of Meeting and no items have since been added to the agenda, the 30-day period specified above is reduced to at least 17 days before the Meeting.

4.6.6. Formalities to be completed in order to attend Annual General Meetings

Shareholders may only attend and vote at Annual General Meetings if their shares are registered in their name at the record date, i.e., by midnight (CET) on the 14th 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, without consideration for the number of shares held by the shareholder at the date of the Annual General Meeting.

The shareholders shall inform the Company (or its elected representative) of their intention to participate in the Annual General Meeting, at the latest on the sixth day preceding the date of said Meeting, in accordance with the formalities provided for in the Notice of Meeting and provided that shareholders present the share certificate delivered by the financial intermediary, authorised account holder or clearing institution.

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

4.7. Provisions that could postpone, defer or prevent a change of 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 containing various provisions (such as the requirement to publish major shareholdings – see section 8 of this chapter – and merger control), that may be applicable to the Company and which introduce certain restrictions with regard to a hostile takeover bid or other change 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 7bis of the bylaws)

Pursuant to a decision of Econocom's Extraordinary General Meeting of 18 May 2010, the Board of Directors was granted authorisation to increase the share capital, on one or several occasions, under conditions of its choice, by an amount of up to €16,180,922.08. As of 31 December 2013, authorised unissued capital stood at €9,877,588.79 (excluding additional paid-in capital).

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

The share increase or increases decided pursuant to this authorisation may be carried out:

- either by means of contributions in cash or in kind, including any restricted issue premium, whose amount shall be 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 as from the date the decision of the 18 May 2010 Extraordinary General Meeting is published in the Belgian Official Gazette. It may be renewed, on one or several occasions, in line with applicable provisions.

The Extraordinary General Meeting of 18 May 2010 also granted the Board of Directors authorisation to increase the share capital in accordance with article 607 of the Belgian Companies Code, in the event of a takeover bid for the Company's shares, over a three-year period. This authorisation was renewed by the Annual General Meeting of 21 May 2013 for a further period of three years from the date the decision of the Annual General Meeting is published in the Belgian Official Gazette.

In the event that a capital increase is carried out within the limit of the authorised capital, the Board of Directors shall allocate any issue premium to a restricted account which shall form part of shareholders' equity in the same way as the share capital, and, subject to being converted into capital by the Board of Directors, may only be reduced or cancelled by the Annual General Meeting deliberating in 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 this is in the Company's interests, even if this is carried out for the benefit of one or more specific parties other than employees of the Company or of its subsidiaries, except in the cases provided for in article 606, paragraph 3 of said Companies Code.

The Board of Directors is expressly authorised to increase the share capital in the event of a takeover bid for the Company's shares, in the conditions provided for by article 607 of the Belgian Companies Code. This authorisation is granted for a period of three years as from the date the decision of the 18 May 2010 Extraordinary General Meeting is published in the appendices to the Belgian Official Gazette. Any share capital increases carried out pursuant to this authorisation will be charged against the residual outstanding authorised capital provided for in the first paragraph.

The Board of Directors may decide, with the option 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 own shares (article 12 of the bylaws)

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

Such an authorisation was given to the Board of Directors by the Special Shareholder Meeting of 28 September 2011 for a period of five years. The authorisation set the minimum purchase price at €1.50 and the maximum purchase price at €9.00, taking into account the share split of September 2012. The maximum number of shares able to be purchased during the five-year period is 20,938,316 (taking into account the share split).

The Annual 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 a purchase or exchange, to protect the Company from incurring a serious and imminent loss.

The Extraordinary General Meeting of 15 May 2012 renewed for a three-year period the authorisation given to the Board of Directors to purchase Econocom shares if the Company faces a serious and imminent threat to its operations.

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

The Board of Directors may also dispose of Company shares listed on a primary securities market or admitted to trading on a stock market of an EU Member State, either on the stock market or by any other means. When the aim is to prevent the Company from suffering a serious and imminent loss, the Board of Directors may dispose of all shares or profit shares on the stock market or following a sale offer made under the same conditions for 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 and 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.

In accordance with these provisions, all individuals or legal entities that directly or indirectly acquire securities of the Company carrying voting rights shall notify the Company and the Belgian Financial Services and Markets Authority (FSMA) of the number and percentage of existing voting rights held following their acquisition, when the voting rights attached to the securities represent at least 5% of all existing voting rights. Shareholders shall also notify the Company in the event 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 tranche thereafter, of total existing voting rights. Notification is also required in the event that shareholders directly or indirectly sell the 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 signature, amendment 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 the notification within three days of having received it at the latest. The Company must also disclose its ownership structure in the notes to its annual financial statements, based on the notifications received.

It 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 of control of Econocom

On completion of the merger with Osiatis, Jean-Louis Bouchard, Chairman of Econocom Group, remains Econocom's largest shareholder with around 44.12% of the share capital at 31 December 2013. Walter Butler became a major shareholder through BML Belgium, the company which controls Osiatis, with a stake of over 6%, and now sits on Econocom's Board of Directors. Consequently, no change of control occurred following the Osiatis acquisition.

5. CORPORATE GOVERNANCE

5.1. Board of Directors and Executive Committees

The composition and *modus operandi* of the Board of Directors and the Board's committees are governed by:

- articles 517 *et seq.* of the Belgian Companies Code;
- articles 13 *et seq.* of the bylaws; and
- the internal rules of procedure of the respective committees, available on Econocom's website (www.econocom.com), including (i) the rules of procedure of the Board of Directors of 22 November 2012; (ii) the rules of procedure of the Management Committee of 22 November 2012; (iii) the rules of procedure of the Audit Committee of 22 November 2012; and (iv) the rules of procedure of the Compensation Committee of 31 August 2011.

For more details on corporate governance, please refer to sections 5 and 7, Chapter V of this report, which contains the report of the Board of Directors on the financial statements at 31 December 2013.

5.1.1. Board of Directors

5.1.1.1. Composition of the Board of Directors

5.1.1.1.1. Appointment (article 13 of the bylaws and article 3 of the Board of Directors' rules of procedure)

The Company is governed by a Board comprising at least three members, who may or may not be shareholders. Members are appointed to the Board for a maximum term of six years by the Annual General Meeting and can be removed by the Board at any time. Board members may be re-elected. The term of office of outgoing Directors ends immediately after the Annual General Meeting that decides on re-election.

The composition of the Board ensures an even balance between executive Directors, independent non-executive Directors, and other 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 for at least half of Board members to be non-executive Directors.

Directors are appointed by the Annual 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 shall continue to build on their knowledge and expand their expertise.

The Board regularly reviews its composition, *modus operandi* and interaction with the Chief Executive Officer(s) and with the Management Committee.

5.1.1.1.2. Vacancies (article 14 of the bylaws and article 3.2 of the Board of Directors' rules of procedure)

If a seat on the Board becomes vacant, the remaining Directors and the Statutory Auditor(s) are entitled to fill this vacancy temporarily. In this case, the first Annual 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. Chairman and Secretary (article 15 of the bylaws and articles 3.6 and 4 of the Board of Directors' rules of procedure)

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 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 discharges its duties and obligations in a due and proper manner. This involves:

- a) 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;
- b) drawing up the agenda for meetings of the Board of Directors, in liaison with the Chief Executive Officer(s);
- c) ensuring that the Board receives the appropriate information, and that the documents supporting proposals for decisions are relevant and readily available.

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

- a) assessing the scale, composition and performance of the Board and the Board's committees in order to ensure that the decision-making process is effective;
- b) appointing or re-electing members of the Board and the Board's committees.

3) Liaising between the Board and the Management Committee. This involves:

- a) meeting regularly with the Chief Executive Officer(s);
- b) ensuring that relations between the Board of Directors and the Management Committee are professional and constructive, and that the Management Committee provides the Board with the information it needs to perform its duties of assessment, supervision and oversight.

Should the Chairman be prevented from attending a Board meeting, the Directors present elect a Chairman for the meeting concerned.

5.1.1.1.4. Compensation (article 13 of the bylaws and article 8 of the Board of Directors' rules of procedure)

Directors may or may not collect compensation for the performance of their duties. Any fixed or variable compensation may be set by the Annual General Meeting acting on a recommendation of 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 the compensation allocation according to criteria it defines.

Compensation due to non-executive Directors is determined taking realistic account of their responsibilities, the associated risks and market practices.

5.1.1.2. Powers of the Board of Directors (article 19 of the bylaws)

The Board of Directors is vested with the power to undertake all actions necessary for the Company to fulfil its corporate purpose, except for those actions set aside for the Annual General Meeting pursuant to applicable laws and regulations.

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

5.1.1.3. *Modus operandi* of the Board of Directors

5.1.1.3.1. Meetings (article 16 of the bylaws and article 5.1 of the Board of Directors' rules of procedure)

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, a Chairman elected by the Directors, whenever it is deemed to be in the Company's interests 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). Board meetings are held at the location indicated in the Notice of Meeting.

Members of the Board are convened at least five working days before the date on which the meeting will be held, unless a shorter timeframe is in Econocom's interests.

Important information that Directors will need to understand the matters to be discussed during the meeting, as well as the minutes of the previous Board meeting, are sent to each Director at least two working days 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 provided 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 17 of the bylaws and article 5.3 of the Board of Directors' rules of procedure)

The Board of Directors may only validly deliberate if at least half of its members are present or represented.

Decisions of the Board are adopted by a majority of votes cast. When there is no majority, the Chairman, or the Director replacing the Chairman if the latter is unable to attend, holds the casting vote.

If, at a meeting of the Board of Directors meeting the quorum requirements, one or more Directors abstain from voting for the reasons set out below, resolutions shall be adopted by a majority of the votes cast by the other members present at the meeting.

In exceptional circumstances, duly justified by urgency and the need to act in the best interests of the Company, decisions may be adopted based on the unanimous agreement of the Directors, expressed in writing. However, this procedure cannot be used for the approval of the annual financial statements and/or the utilisation of the authorised capital.

5.1.1.3.3. Proxies (article 17 of the bylaws)

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 telegram, telex, fax, or any other means used to grant unequivocal special representative powers. In this case, the Director (proxy giver) represented is deemed to be present.

Directors may represent more than one member of the Board.

Directors may also express opinions and vote in writing, by telegram or by telex, but only when half of the members of the Board attend the meeting in person.

5.1.1.3.4. Minutes (article 18 of the bylaws and article 5.5 of the Board of Directors' rules of procedure)

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 7 of the Board of Directors' rules of procedure)

The Directors shall 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 Management Committee, 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.

5.1.1.4. Day-to-day management – Delegation of powers (article 20 of the bylaws)

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 chosen 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 purposes of day-to-day management shall not be binding on third parties, even if they are published.

However, in the event of a special delegation of powers, the Board of Directors sets those powers and the related compensation.

5.1.1.5. Liability of the Board of Directors (article 22 of the bylaws)

The Directors, members of the Management Committee (as referred to in section 6.2.2 below) and the Statutory Auditor(s) are not personally liable for undertakings made by the Company.

Pursuant to common law and to the provisions of company law, they may be held liable for the performance of their duties and any errors made in their management.

5.1.1.6. Representation (articles 24 and 25 of the bylaws)

The Board of Directors and Management Committee (as referred to in section 6.2.2 below) each represent the Company as a collegial body in its dealings with third parties and in legal proceedings.

Notwithstanding their 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 or the Chief Executive Officer;
- or by two Directors, acting in concert;
- or by a Chief Executive Officer and a member of the Management Committee, acting in concert;
- or by a Managing Director.

The aforementioned persons are not required to provide any justification of a previous decision of the Board of Directors or Management Committee.

The Company is also legitimately represented by special proxies acting within the scope of their mandate. Outside Belgium, the Company may be represented by any person so duly empowered by the Board of Directors.

Legal proceedings in which the Company is plaintiff or defendant, are supported and/or monitored on the Company's behalf by two Directors or two members of the Management Committee.

5.1.2. Board committees (article 20 of the bylaws and article 6 of the Board of Directors' rules of procedure)

The Board of Directors may set up any committee in an advisory or technical capacity it deems useful.

Each committee is governed by its own rules of procedure which define its composition, role, function and responsibilities, as well as its *modus operandi*. These rules of procedure are adopted by the Board.

When the Company has appointed one or more Statutory Auditors, the Board of Directors can set up an Audit Committee to monitor the work performed by the Statutory Auditor(s) on an ongoing basis.

The Board of Directors may set up 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. Management Committee (article 20bis of the bylaws and the Management Committee's rules of procedure)

5.1.2.1.1. General information

In accordance with article 524bis of the Belgian Companies Code and article 20bis of Econocom's bylaws, the Board may set up a Management Committee with several members who may or may not be Directors, to which it can delegate its management powers in order to undertake all actions necessary or useful to achieve the Company's corporate purpose, including actions relating to day-to-day management, without prejudice to the day-to-day management powers granted to the Chief Executive Officers, who maintain in this respect concurrent powers with the Management Committee.

However, as provided for by article 524bis of the Belgian Companies Code, the Board of Directors alone shall be responsible for undertaking acts set aside for the Board pursuant to the law, the bylaws or the Board's internal rules of procedure.

5.1.2.1.2. Composition of the Management Committee

The Board of Directors determines the composition and *modus operandi* of the Management Committee, as well as the conditions in which its members are appointed or removed, any compensation and their term of office. Unless otherwise decided by the Board of Directors, the Management Committee shall act as a collegial body.

It shall have at least three members, who may or may not be Directors and who may or may not be Econocom employees. Management Committee members are appointed for a maximum six-year term and may be re-elected. In their capacity as members of the Management Committee, they can be removed by the Board at any time.

When Management Committee members are also Directors, their term of office as members of the Management Committee shall end at the same time as their term of office as Directors, unless they are re-elected as Directors upon expiry of said term.

The Management Committee is chaired by a Chief Executive Officer appointed by the Board.

5.1.2.1.3. Role of the Management Committee

The Management Committee's responsibilities include, but are not limited to:

- taking all steps necessary to implement the decisions or recommendations of the Board;
- adopting budgets and offering strategic guidance to the Board;
- governing the Group's operating entities and supervising their financial and operating performance;
- hiring and removing members of Econocom subsidiaries' executive management, defining their responsibilities, compensation, and working conditions, and deciding on any promotions or dismissals, signing and terminating any representation, agency and distribution agreements, in compliance with local laws and regulations;
- entering into all agreements, making and approving all pricing proposals, placing and accepting all orders to buy and sell any equipment and other capital goods and any supply services;
- leasing and renting out, even over the long term, any properties, equipment or other immovable assets and entering into any lease and rental agreements concerning said assets;
- contracting loans secured or unsecured by collateral, and paying and investing Econocom funds;
- taking stakes in other companies or disposing of companies in line with the strategy approved by the Board. The Board's prior opinion is consulted for strategic or large-scale transactions;
- acting in the name of Econocom in its dealings with the State, with government, EU, regional, provisional 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;
- representing Econocom in 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 employee representative bodies;
- delegating one or more of its powers to one or more Econocom employees or other parties;
- drafting and signing all documents necessary for implementing the powers referred to above. Without prejudice to the powers set aside for the Board or the Board's committees, the Management Committee, like the Audit Committee, is also responsible for:
 - putting in place internal controls;
 - preparing full, one-off, 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 Board of Directors may also limit the powers it grants to the Management Committee. Such limits are not binding on third parties.

5.1.2.1.4 *Modus operandi* of the Management Committee

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 Management Committee.

The Management Committee meets at the initiative of its Chairman, or when requested by two Management Committee members. The Management Committee meets at least ten times a year at the location indicated in the Notice of Meeting.

The agenda for the meetings is decided by the Chairman. However, members are entitled to ask for items to be added to the agenda that they deem appropriate.

The Management Committee acts as a collegial body and decision-making is based on a consensus-building process. Where appropriate, the Chairman of the Management Committee may put matters discussed to the vote, at his or her 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 Management Committee reports to the Board of Directors on its management and on any significant issues falling within the scope of its responsibility.

The Management Committee takes all steps it deems necessary for the Board to be able to fulfil its duty of oversight as required by law.

5.1.2.2. Audit Committee (article 20 of the bylaws and the Audit Committee's rules of procedure)

5.1.2.2.1. General information

The Board of Directors has set up an Audit Committee in accordance with article 20 of Econocom's bylaws and with article 526*bis* of the Belgian Companies Code.

The role of the Audit Committee is to assist the Board of Directors in performing its duties of oversight of Econocom's business within the broadest sense of the term. In particular, the Audit Committee assesses financial information, and monitors internal control and risk management procedures as well as internal and external audit processes.

5.1.2.2.2. Composition of the Audit Committee

The Audit Committee comprises at least two non-executive Directors. In the event that more Directors are invited to sit on the Audit Committee, the Committee shall 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/her term of office as Director.

5.1.2.2.3. Role of the Audit Committee

In exercising its duties, 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 with Executive Management and with the Statutory Auditor any material financial reporting issues. Executive Management takes care to inform 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

- identifying the system put in place by Econocom management to manage and control risks, assessing whether the system is appropriate and, where applicable, making recommendations aimed at mitigating any material risks identified;
- analysing the results of any corporate survey conducted within Econocom following incidents of fraud or errors or for any other reason, as well as decisions taken by Executive Management at such times and, where applicable, making recommendations;
- determining the systems put in place by Econocom to ensure that it complies with the main legal and regulatory provisions applicable to the Company.

3. Internal audit

- reviewing and making recommendations on proposals made by Executive Management on the appointment and replacement of the head of internal audit, and on the annual internal audit budget allocated;
- identifying the internal auditor's work programme and reports;
- reviewing the effectiveness of internal audit, chiefly by analysing the extent to which management takes on board the findings and recommendations of internal audit.

4. External audit

- making recommendations to the Board of Directors regarding the appointment or re-election of Econocom'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 analysing the effectiveness of the external audit process and verifying to what extent Executive Management follow-up on any recommendations made by the Statutory Auditor;
- defining, together with Econocom's Statutory Auditor, the nature, scope and cost of the Statutory Auditor's engagement and any work performed that was 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 to it by the Board of Directors.

5.1.2.2.4 *Modus operandi* 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 member of Executive Management or of the Audit Committee may ask the Chairman of the Audit Committee to place any item on the agenda it considers appropriate.

The Audit Committee may invite the Statutory Auditor, internal auditor and any other member of the Management Committee or Econocom staff to all or part of its meetings. The internal auditor and Statutory Auditor shall each take part in at least two Audit Committee meetings per year.

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 quorum for voting is met if at least two Audit Committee members are in attendance or legitimately represented. Decisions of the Audit Committee are adopted by a majority of the votes cast.

5.1.2.3. Compensation Committee (article 20 of the bylaws and the Compensation Committee's rules of procedure)

5.1.2.3.1. General information

The Board of Directors has set up a Compensation Committee in accordance with article 526^{quater} of the Belgian Companies Code and article 20 of Econocom's bylaws.

The Compensation Committee advises and assists the Board of Directors. It conducts its work under the aegis and responsibility of the Board of Directors.

5.1.2.3.2. Composition of the Compensation Committee

Three non-executive Directors sit on the Compensation Committee. The majority of members are independent within the meaning of 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. Their 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 the work of said Committee 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 Econocom's Board of Directors, under the responsibility of the Board, in all matters relating to the compensation due to the Chairman and Chief Executive Officer, the Directors, and the members of the Company's Management Committee (see section 6.2.2 above).

More specifically, the Compensation Committee is in charge of:

- Upon recommendations of the Chairman:
 - making suggestions and recommendations to the Board of Directors with respect to the executive compensation policy and, if required by law, with respect to any resulting recommendations which the Board of Directors must submit to the shareholders for approval;
 - making suggestions and recommendations to the Board of Directors with respect to the individual compensation of Directors and members of the Management Committee, including variable compensation and long-term awards (long-term profit sharing) - which may or may not be share-based - granted as stock options or other financial instruments, termination benefits and, if required by law, with respect to any resulting recommendations which the Board of Directors must submit to the shareholders for approval;
 - making suggestions and recommendations to the Board of Directors with respect to setting and assessing performance targets linked to the individual compensation of Directors and Management Committee members;
- drafting the compensation report, in accordance with article 96, section 3 of the Belgian Companies Code, which is subsequently added to the corporate governance statement;
- commenting on the compensation report during the Ordinary General Shareholders' Meeting;
- submitting to the Board of Directors recommendations with respect to the terms and conditions of employment contracts of Directors and Executive Committee members;
- generally carrying out all of the tasks assigned by the Board of Directors with respect to compensation.

In accordance with article 20 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. *Modus operandi* of the Compensation Committee

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

Meetings of the Compensation Committee are convened by the Chairman, who also determines the agenda. A Director or a member of the Management Committee may ask the Chairman of the Compensation Committee to place any item it 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) will be sent by any means ordinarily used by the Company within a reasonable period before the meeting is due to take place.

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 the performance of its duties, at Econocom's expense.

No Director may attend Compensation Committee meetings that deliberate on his/her compensation and Directors may not therefore 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 executive Directors and other members of the Management Committee.

The Compensation Committee can validly deliberate if at least two of its members are in attendance or legitimately represented. Decisions are by majority vote of the members present or legitimately represented.

5.2. Conflicts of interest

Econocom's corporate officers shall comply with the recommendations of articles 523 (conflicts of interest between Econocom and a Director), 524 (intragroup conflicts of interest) and 524^{ter} (conflicts of interest between Econocom and a Management Committee member) of the Belgian Companies Code.

In order to comply with the Corporate Governance Code, Econocom has issued a number of recommendations for its Directors and Executive Management concerning transactions and other contractual relations between Econocom (and any companies related to it), its Directors and the members of its Executive Management team, when these transactions and other contractual relations are not dealt with in legal provisions discussing conflicts of interest. These recommendations are available on Econocom's website (www.econocom.com).

In short, Directors and members of Econocom's Executive Management shall act in the interests of Econocom and of its subsidiaries at all times. Any transactions entered into between (i) the Company and its subsidiaries and (ii) any Directors or members of Executive Management, regardless of whether or not they are referred to in articles 523, 524 and 524^{ter} of the Belgian Companies Code, must be previously approved by the Board of Directors or Management Committee, respectively, which should be kept fully informed of the terms and conditions of the transaction as well as the interests of the Company at stake.

All material agreements between Econocom Group and its related parties are disclosed in Note 36, "Related party information" to the consolidated financial statements in the 2013 annual report. In 2013, the Company (including companies related to it) did not enter into any agreements with its Directors or with members of its Executive Management team causing a conflict of interests.

5.3. Directors' curricula vitae

Jean-Louis Bouchard began his career in 1966 as an Account Manager at IBM and spent two years at IBM World Trade in New York. From 1971 to 1981 he founded and served as CEO 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 voted Entrepreneur of the Year by *Challenges* magazine.

Robert Bouchard began his career as a 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, Robert became Chairman of APL (a company that specialises in designing, building and maintenance for data centres) and is currently the main shareholder. Robert Bouchard is Jean-Louis Bouchard's son.

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

Gaspard Dürrleman began his career with Basaltes Group in 1982. He went on to head up 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. Since 2009, he has been Chairman of Cambour Group (a jewellery manufacturer).

Chantal De Vrieze began her career as a Marketing Manager for Agfa. In 2001, she joined Econocom as a Sales Manager. After occupying a number of positions within the group, Chantal was appointed Country Manager of Belgium and Luxembourg in 2008. In 2011, the Group also placed her in charge of the Netherlands.

Charles de Water began his career with IBM in the Netherlands and then joined Econocom Group where he was in charge of the leasing subsidiaries in the Netherlands and Germany before taking over the Leasing business for the whole group until 2006.

Veronique 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. Véronique was then in charge of ECS Group's international operations before going on to become Managing Director in 2009. After the merger between Econocom and ECS, Veronique was appointed Deputy Managing Director of the new group and is in charge of operations in France

Rafi Kouyoumdjian began his career as an Account Manager for IBM in 1983. In 1987 he joined Econocom Group where he was in charge of the Africa-Middle East region. He was then in charge of operations in the United Kingdom and then the Leasing division before being appointed Managing Director of the group in 1995. In 2001, he became Chairman of Liberty Surf Group (which became Tiscali in 2001), and then managing Director of NextiraOne Group in 2006.

Bruno Lemaistre began his career in 1981 with BRGM (*Bureau de Recherches Géologiques & Minières*) in South America. In 1983, he became an Account Manager with IBM, then in 1986 joined Promodata, where he was Sales Director, before serving as Managing Director for France of Comdisco Group in 1994 and then Managing Director for Europe. When Promodata was bought out by Econocom, Bruno took over the Technology Management & Financing division in France, the UK and Germany, before being appointed Group Managing Director in 2006. He is in charge of all the Group's operational activities, excluding Services.

Jean Mounet has occupied a number of positions with IT manufacturers (IBM and Bull). In 1988 he joined Sopra Group as Managing Director, and was appointed Vice-President in 2005. He was also Chairman of the 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 major reports which are widely regarded as crucial for the ICT industry:

- "PME-TIC", which was designed to promote the use of digital technologies within French small and medium-size companies;
- "Faire de la France un leader de l'Economie Numérique".

Jean is currently 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 Arthur Andersen, as an Auditor then Manager. He joined Econocom Group at the end of 1989 as Chief Financial Officer for Econocom France. After heading up various subsidiaries within the group, he held a number of roles (Company Secretary of Econocom Group in 2001, Deputy Managing Director in 2003), culminating in his appointment as Group Managing Director in 2006. He is in charge of all the Group's central and support functions.

Walter Butler, who is of Brazilian, French and American origin, 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 in 1991 (BCP). 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 AFIC (*Association Française des Investisseurs en Capital*), a member of the French Strategie Investment Fund Committee (*Comité du Fonds Stratégique d'Investissement – FSI*) Strategic Investment Fund Committee) and France's National Economic Analysis Council (*Conseil d'Analyse Économique de la République Française*).

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 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 to serve 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 2013

Not applicable.

7. COMPETITION AND HR POLICY

7.1. Competition

Econocom Group stands out from its competitors thanks to:

- nearly 40 years' experience in business-to-business infrastructure management;
- combined experience in Technology Management & Financing solutions and technological know-how;
- dual IT and telecommunications expertise;
- independence from IT hardware manufacturers, telecom providers, software vendors and financial companies.

Econocom Group has three independent and complementary businesses which include Technology Management & Financing, sourcing of IT Products & Solutions and IT and Telecom management services (Services). The Group has no competitor capable of presenting such a range of offers in the areas of IT and telecoms. The Group's ability to propose these three offerings and package them in cross-disciplinary enterprise solutions that draw on all four of its skill sets reinforces its unparalleled ability to meet market expectations.

A diverse offering

Econocom is currently the only independent provider in Europe that can supply, manage, administrate and finance corporate IT and telecommunications infrastructures.

The Group launched a telecommunications offering as early as 2000, well before its main competitors, and intends to 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 company resources, including their:

- distributed and centralised IT assets;
- telecom fleet;
- printer estate;
- procurement lead times and costs;
- licence agreement portfolio;
- tablet and smartphone integration;
- virtual workspace;
- tailored data centre in virtual, private cloud mode.

At the same time, through A2Z the Group boasts an innovative offering of IT and telecom services for SMEs, combining procurement with operational, administrative and financial services. This comprehensive management solution is billed on the basis of a monthly subscription cost per user.

As part of its Mutation strategic plan, Econocom will be extending its offerings and solutions to cover new types of digital assets. These assets are currently revolutionising companies and existing business models and creating new uses. Econocom has implemented a vertical market approach in order to establish itself in these key growth areas.

Geographical presence

Econocom Group has been firmly established in Europe for over 30 years.

The Group now operates directly in 20 countries, mainly in Europe, but also in Morocco and, more recently, the Americas (the United States, Canada, Mexico and Brazil). This extended geographical scope, combined with international partnerships, enables the Group to meet the requirements of its key account customers.

Main competitors

None of Econocom's competitors has as broad a product and service offering. The main competitors in each of its businesses are as follows:

- Services: Capgemini, Atos, Steria, CGI, GFI and Devoteam, which have an international presence but do not offer distribution or flexible technology management & financing services. Similarly, Econocom Group has few competitors in Telecom service. However, many service companies develop application software (accounting, inventory management, sales management, etc.), which is not currently part of Econocom's current offering, despite the expertise in infrastructure-related applications brought by Osiatis.
- Sourcing: Computacenter (France, Belgium, Germany and the United Kingdom), SCC (France and the United Kingdom), and RealDolmen (Belgium and Luxembourg).
- Technology Management & Financing: the financial subsidiaries of manufacturers such as IBM, HP and Dell, and banks' leasing subsidiaries (Arius, BNP Paribas Rental Solutions, Etica – Crédit Agricole Leasing) do not offer the same degree of independence or IT specialisation as Econocom Group. Neither CHG nor Grenke Leasing (Germany) carry out distribution or services activities.

7.2. HR policy

Econocom's HR policy is consistent with the values which underpin the Group's projects.

As a Group specialising in digital services, Econocom's ability to attract and retain talented new employees is paramount to its success.

The group's European presence, reputation, broad business base and stock market listing, combined with its dynamism, all serve to attract young graduates and experienced staff alike.

On 31 December 2013, the group had 8,200 employees and sales agents. This substantial rise in the workforce is a result of internal dynamism and the implementation of its external growth projects, the most significant of which was the acquisition of Osiatis. For 2014, Econocom has a major recruitment plan, particularly for engineers. In February, the Group announced its intention to recruit over 600 people in order to support its growth in the digital service market.

Retaining talent is the Group's ongoing objective. Econocom's ambition is to offer employees an exciting career by assigning them to ambitious projects and offering them promotion prospects within its various business lines. Career development is one of the Group's primary objectives. Employees are individually monitored, especially through their annual appraisals, which touch on achievements, objectives and training. The success of the group's in-house management training facility, the Econocom Management Academy, which provides managers with first-rate training, illustrates the Group's commitment to creating a consistent framework in which its employees can share and adhere to the same values.

It is these shared values that drive its ambition to play an active role as a responsible company that shows its solidarity with people and the community. The company, which, by nature has an open, global outlook, focuses on solidarity through a series of long-term initiatives: Econocom is thus committed to diversity, promoting social dialogue and offering support to employees in need.

In keeping with this spirit, Econocom has developed an innovative new relationship between the company and its staff whereby concepts of time and space are changing and quality of life in the workplace are one of the keys to the organisation's performance, which in turn benefits its clients. Econocom believes in an original employment model in which each individual is encouraged to fulfil their potential in a constant quest for innovation and excellence, and where initiative, teamwork, accountability and respect are key success factors.

To that end, the company launched the SHARE programme in 2011 which includes a series of measures designed to improve well-being in the workplace. The scheme, which was set up with active contributions from both employees and staff representatives, aims to promote an innovative approach to organising working hours in order to achieve a better work-life balance. Working from home and working remotely in general is common practice, with around one out of two employees from the support functions currently working wherever best suits his or her schedule and commitments. Econocom has also implemented a number of initiatives designed to make employees' daily life easier, with over 20,000 services ranging from house cleaning and administrative tasks to tutoring for children and childcare.

Econocom Group's new five-year strategic plan, which was launched in 2013, reflects a major ambition which also focuses on developing its human capital.

8. LEGAL PROCEEDINGS AND DISPUTES

Since the beginning of 2013, there has been a legal dispute between Asystel, a wholly-owned subsidiary of the Group, and SFR Group over the latter's intention to take over direct management of the key accounts of the SFR Business Team offering, which constitutes a breach of the contract which binds the two parties until 2015.

Asystel therefore instigated legal action against SFR to enforce its rights. The outcome of these proceedings is expected in the second half of 2014.

There are currently no other pending or potential government, legal or arbitration proceedings against the Group, which may have or have had over the past twelve months a significant impact on the group's financial position or profitability.

The total consolidated amount of provisions for all the group's disputes (see Note 16 of the consolidated financial statements) includes all the outflow or resources, (excluding any possible reimbursements) that are deemed likely for all types of claims and litigation in which the Group is involved as a result of conducting its business.

9. MAJOR CONTRACTS

In the course of its businesses, 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 its normal course of business, the Group has not entered into any contracts implying a major commitment.

10. RESEARCH & DEVELOPMENT

Employing over 6,400 engineers and technicians at the end of 2013, the Group devotes considerable efforts to innovating businesses' ICT systems.

The purpose of its Research & Development policy is to design and implement:

- innovative solutions to address the various issues associated with ICT architecture, interoperability, mobility and security;
- innovative, unified solutions for managing all the company's resources;
- communication systems that facilitate collaboration and digital data security.

For some of its business, the Group is entitled to a research tax credit (*Crédit d'Impôt Recherche*). Research & Development costs for IT and Telecom Services in 2013 amounted to over €12 million.

Furthermore, because it believes that innovation is a key source of competitiveness, Econocom continues its research and development in the field of Smart Solutions (the Internet of Things) by building partnerships with recognised experts in this field.

Econocom has thus set up a dedicated European smart solutions R&D programme to design new services for industry in partnership with the ISMB (*Istituto Superiore Mario Boella*) a research centre based in Turin that specialises in the ICT industry and employs 150 researchers and scientists.

Similarly, Econocom is a member of a number of networks of companies which devise future possible uses of connected objects in specific environments (e.g., hospitals, cities, etc.).

11. RECENT DEVELOPMENT AND OUTLOOK

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

11.1. Main investments

In addition to developing new products, software tools and recruiting new sales staff and engineers, Econocom Group SA/NV carries out external growth transactions in order to acquire specific skills or step up its expansion.

The Group's main investments over the last three years include:

11.1.1. 2011

In 2011, Econocom expanded its Products & Solutions business by focusing on the medical sector. On 31 March 2011, Econocom acquired the entire share capital of Systèmes & Supplies, a company specialising in selling products and solutions to the medical industry.

This company was merged with EPS Belux, which opened its own dedicated Medical Business Unit.

During the last quarter, Econocom acquired two sales agencies in France, DB2A Pays de Loire and DB2A Bretagne Normandie. These companies sell Econocom Location's asset financing and asset management services in France and were dissolved without going into liquidation, resulting in the transfer of all their assets to Econocom Location.

These transactions, financed with the Group's equity, amount to an investment of under €1 million.

11.1.2. 2012

In 2012, the Group continued its targeted acquisition strategy with the aim of strengthening its expertise in the areas of IT security, virtualisation, telecoms and Apple distribution.

In January 2012, Econocom acquired a 40% stake in Centix, the Belgian specialist in desktop and server virtualisation solutions, with a three-year option (27 February 2015) to purchase the company's remaining stake for €1.35 million.

In France, Econocom acquired three new companies: in May, Tactem, which specialises in telecom management for international companies; in October, Cap Synergy, a French systems integrator specialising in IT systems and network security; and in December, France Systèmes, France's leading Apple reseller in the enterprise and government market.

In addition to these acquisitions in France, in September Econocom Group also acquired Ermestel, a pioneer and leader in the Spanish virtualisation solutions market, and Ermestel Latinoamerica, headquartered in Mexico.

These acquisitions represented an investment of €16.2 million in 2012, paid in cash, as well as an additional earn-out, estimated at a total of €4.4 million.

11.1.3. 2013

On 22 February 2013, Econocom Group acquired the entire share capital of Exaprobe, a French company specialising in security, unified communications, IP infrastructure, virtualisation and data centre solutions for IT infrastructures. The transaction represented an investment of €1.2 million (including a variable portion of €0.5 million), and was financed with the Group's equity.

On 21 March 2013, Econocom exercised the option to acquire the remaining 60% of Centix's share capital. The strike price was €1.3 million, €0.9 million of which was already paid and the balance falls due in February 2015.

On 12 September 2013, Econocom Group acquired 51.9% of Osiatis Group, one of France's leading digital service companies specialising in infrastructure services and related applications (€309 million in revenue in 2012 and 4,600 employees) as well as 875,000 equity warrants. Acquisition of the controlling stake was financed by issuing 9,142,680 new Econocom shares and a €36.6 million vendor loan, the majority of which falls due in February 2014, as well as lines of credit specifically provided for the transaction. On 12 September 2013, the Group also acquired 660,000 equity warrants granted by Osiatis, primarily through the issue of 384,780 new Econocom shares.

In accordance with article 234-2 of the General Regulation of the French financial markets authority AMF (*Autorité des Marchés Financiers*), the Group launched a friendly "mix and match" public exchange offer for all the remaining Osiatis shares whereby each seller received in the aggregate 1 Econocom Group share and €4.00 for each Osiatis share. The transaction was financed by the issue of new Econocom shares, equity and external funding.

In order to pay for the transaction, on 18 and 19 November 2013, Econocom Group issued 6,313,158 new shares and paid €25.2 million.

The success of the friendly public offer to acquire Osiatis allowed Econocom Group to file a squeeze-out procedure in November 2013 and received the remaining Osiatis shares for €10 per share, i.e., a total amount of €4.3 million.

In early December 2013, Econocom Group acquired the remaining equity warrants for €6.4 million.

This major investment will allow Econocom to achieve a more balanced business mix and establish its leadership in the European digital service market.

11.2. Trends and outlook

On 24 April 2013, Econocom announced its new strategic plan called “Mutation 2013-2017” which is intended to enable Econocom to double in size within five years.

The Group therefore aims to achieve revenue of €3 billion by 2017. This strong growth, driven by all the Group’s business lines, must be achieved whilst maintaining strong operating margin accounting for 5% of revenue. The aim of the plan is to benefit from the digital boom by:

- increasing its innovation capabilities, particularly in the field of smart objects;
- designing vertical solutions tailored to the Group’s clients’ specific business issues, in particular in healthcare, retail, education and industry;
- offering enterprise solutions combining sourcing, IT and telecom services and Technology Management & Financing, charged as a service for an all-inclusive fee;
- adapting its approach and offering to the size of its client companies, from SMBs to large corporations, targeting in particular medium-size organisations headquartered in Europe with international operations;
- implementing an international expansion strategy, which will vary according to the degree of market maturity of each geographical area: France and Benelux, the group’s main contributors, will drive change; the rollout of a multi-activity business model in Southern Europe; a targeted business-oriented approach in Northern & Eastern Europe, and opening new markets in the American continent.

To achieve this objective, Econocom announced that it will be developing its expertise in digital services, particularly in the field of networks, security and cloud and application integration. The key acquisition of Osiatis Group in September 2013 is perfectly in line with this aim.

By integrating Osiatis for the whole of 2013, the new Econocom achieved pro forma revenue of around €2.0 billion and recurring operating profit of approximately €100 million. On this sound basis, Econocom expects 2014 to be yet another year of growth in both revenue and recurring operating profit.

2014 will focus on continuing the integration of Osiatis Group and will benefit from the first synergies resulting from the alliance. The Group also plans to continue investments to ensure the transformation of its service business and the development of its digital offerings.

From the very beginning of 2014, the Group took steps to accomplish these ambitions: on 6 January it announced it had set up a joint venture with Georges Croix, the former Managing Director of Prosodie, called Digital Dimension. This company, in which Econocom has a 50.1% stake, will offer pay-per-use, front-office solutions from shared cloud platforms and available via any mobile device.

On 8 January 2014, Econocom successfully placed €175 million of net share settled bonds convertible into new shares and/or exchangeable for existing shares (ORNANE).

Thanks to this transaction, substantial cash-flow generation and its credit lines, the Group has the necessary resources to finance its growth plans.

RISK FACTORS

1. OPERATIONAL RISKS

1.1. Risks associated with service contracts

The Group offers three types of service 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 typically includes financial penalties 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, service quality and lead-time indicators, etc.). This monitoring enables the Group to measure the achievement of contractual obligations and anticipate, in accounting terms, any provisions for losses upon contract completion. Contracts with guaranteed results account for over a third 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 used. Contracts with service level agreements account for almost a third of the Services business in terms of value.
- Time-and-materials contracts, whereby Econocom 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, a lesser risk associated with Service contracts concerns the termination notice period. This period is traditionally fairly long so as to allow Econocom time to adjust the workforce, particularly for large contracts. In certain cases, as this period may be reduced to one month, the Group must be prepared for a breach of contract so that it may redeploy its staff. To ensure increased flexibility, Econocom uses sub-contractors to cover part of its revenue.

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 thus be exposed to the risk of sub-contractor default, but none of its sub-contractors are substantial enough to account for a material proportion of Econocom's business.

1.3. Risks associated with price fluctuations and hardware obsolescence

The Group is exposed to the risk of fluctuations in the future values 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 2.9.3 to the consolidated financial statements.

The method is regularly compared with actual transactions, and annual statistics are compiled to validate the suitable and conservative 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. Competition risks

The ICT services market has always been highly competitive. There are a limited number of competitors at an international level for all of the Group's businesses. However, in each country where it has operations and in each of its businesses, the Group faces strong competition from international, national or local players.

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 and Italian subsidiaries.

1.6. Environmental risks

Econocom Group does not destroy the machines purchased from refinancing institutions at the term of the related contracts. 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 34 to the consolidated financial statements.

1.9. Risks associated with integrations

As part of its strategy, the Group continues to develop its business by seeking acquisition opportunities in all its areas of activity. By acquiring companies, the Group is exposed to the risk associated with integrating the companies. These risks include, but are not limited to, covering financial and operating costs that are higher than anticipated, failure to successfully integrate the acquired company's operations, 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 abovementioned factors may also have a negative impact on the goodwill recognised in the consolidated financial statements with respect to acquisitions (see Note 7 to the consolidated financial statements). Historically, Econocom has successfully implemented its mixed growth strategy and 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, is a testament to the Group's experience in this area.

2. REGULATORY RISKS

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 fully aware of the applicable local laws and regulations.

Through its headquarters in Brussels, Econocom keeps abreast of new European legislation and regulations.

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 or arbitration likely to have a substantial impact on Econocom Group's financial position, assets, business or the results of its operations at 31 December 2013 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 final outcome of these inspections is uncertain, the Group has estimated as accurately as possible the provisions for risks associated with tax inspections, and has consequently recognised them in its financial statements. The final outcome of these inspections could have a negative impact on the Group's consolidated financial statements, but this impact is limited as a corresponding provision is recognised in the consolidated financial statements.

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

Under the proposed amendments to IAS 17 with respect to leases, companies' lease payables would be recognised in liabilities. 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 our 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 the company's sustainable development commitments;
- smart object 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 2013 and 2012, the proportion of the Group's five biggest funders dropped from 65% to 62% of the total value of refinanced rents and in 2013, no single institution accounted for more than 25% of the total amount of refinanced rents.

3.2. Dependence on clients

The Group continually strives to broaden its client portfolio as part of its development strategy to gain market share. As of 31 December 2013, no single client represented over 5% of the Group's consolidated revenue.

3.3. Dependence on suppliers

Given the large 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.

As of 31 December 2013, no supplier accounts for more than 25% of the Group's total purchases.

3.4. Dependence on technologies

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

4. FINANCIAL RISKS

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

The Group's overall risk management programme 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 for a number of subsidiaries.

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

4.1. Market risks

At the end of the year, Group Management fixes all the exchange rates to be applied in the following year's budgeting process.

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

Derivative financial instruments are used purely for hedging and never for speculation purposes.

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 in North America, the Group may be exposed to foreign exchange risk on other currencies, namely the pound sterling, US and Canadian dollar, Moroccan dirham, Czech koruna, Swiss franc, Romanian leu, Polish zloty, Brazilian real and Mexican peso. This exposure is limited by denominating the subsidiaries' purchases and sales in the same currency. Econocom Group does not deem this risk to be material, but has nevertheless signed a number of foreign exchange hedging agreements to hedge internal flows.

4.1.2. Interest rate risk

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

As of 31 December 2013, the Group's variable-rate debt comprised short-term borrowings (credit lines and bridges), and short-term factoring. There was no contract to cover open-rates as of 31 December 2013 for these variable-rate debts. Following the acquisition of Osiatis, Econocom assumed fixed-rate borrowings with a maximum term of four years.

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 consolidated cash flow requirements on a monthly basis for our fifteen main companies;
- by negotiating and maintaining sufficient outstanding lines of financing;
- by optimising the centralised management of the Group's cash in order to offset the excesses and internal cash requirements.

Thus, as of 31 December 2013, the Group secured bilateral lines of credit from various banks in the amount of €288 million, of which €60 million was confirmed within one year and €177 million within two to five years, in order to guarantee that the necessary cash was available to fund the Group's assets, short-term cash requirements and expansion, at minimal cost.

Furthermore, Econocom does not have any major borrowings maturing in 2014 and 2015. The two loans negotiated for the acquisition of Osiatis fall due in 2015 and can be extended at Econocom's discretion until 2017. The bond issued in 2011 does not mature until 2016. In January 2014, Econocom Group issued €175 million worth of bonds convertible into cash and/or new shares and/or exchangeable for existing shares (ORNANE). These bonds mature in five years and pay nominal annual interest of 1.5%.

Based on its current financial forecasts, the Group's Management believes it has sufficient resources to ensure the continuity of its activities, both in the short and medium term.

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 in the Technology Management & Financing business. For its Technology Management & Financing business, the Group does nevertheless have the option of retaining the credit risk for certain strategic transactions, provided that they do not have a material impact on the business' risk profile.

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 2013 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.

MANAGEMENT REPORT OF THE BOARD OF DIRECTORS ON THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

MANAGEMENT REPORT OF THE BOARD OF DIRECTORS ON THE FINANCIAL STATEMENTS

for the year ended 31 December 2013 presented to the Annual General Meeting
of 20 May 2014

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 2013, as well as the compensation report.

1. THE GROUP'S POSITION AND KEY EVENTS

In 2013, Econocom Group consolidated its position and expertise in the digital service market by carrying out two acquisitions, including one major friendly public offer for Osiatis Group. This alliance has established Econocom Group as a leading player in the digital service sector, with over 8,000 employees, operations in 20 countries and consolidated pro forma revenue of around €2 billion in 2013.

Whilst the European market as a whole reported slow growth, the Group achieved strong organic growth and a healthy business trend, with some major contract wins across all the company's business lines. One notable success was a deal with EDF, for which Econocom-Osiatis, in partnership with another player, provided deployment and operational services for the world's largest private messaging cloud based on Microsoft technology. The project involved updating and unifying all the client's collaborative and messaging solutions for its users – some 160,000 workstations in France.

1.1. Acquisition of Osiatis

In 2013, Econocom Group acquired Osiatis Group, one of France's leading digital service companies and a recognised leader in infrastructure services (architecture consulting, tools and cloud transformation engineering, production and workspace outsourcing, critical system and network maintenance), and in the applications services market, specialising in infrastructure-related solutions (portals, collaboration, mobile solutions, business intelligence, etc.). Osiatis Group employs over 4,600 people and operates mainly in France, Austria, Belgium, Spain and Brazil.

The acquisition was carried out in several stages:

- acquisition on 12 September 2013 of all the securities held by BML, a company controlled by Walter Butler, and by the main shareholders and directors, i.e., 8,632,555 shares (representing 51.90% of the share capital), for €90 million, and the acquisition of 894,905 equity warrants for a total of €9.4 million.
- acquisition of 6,313,158 shares as part of the mix and match public offer, which took place from 4 to 31 October 2013, for €65.8 million
- squeeze-out procedure of 434,034 shares for €4.3 million. Osiatis' financial statements were incorporated into Econocom's consolidated financial statements on 1 September 2013.

The total acquisition price amounted to €169.7 million, €102 million of which was paid for via a share swap, resulting in a capital increase which in turn strengthened the Group's equity.

As a result of this acquisition, amortisable intangible assets in the amount of €10 million were recognised for the Osiatis brand (amortised over ten years, resulting in an impact of €0.3 million in 2013). These assets were valued on the basis of analyses conducted by an independent expert.

Total goodwill recognised for the transaction amounted to €178.3 million. Financial details of the transaction are presented in Note 3 to the consolidated financial statements.

1.2. Other acquisitions

In February 2013, Econocom Group acquired the entire share capital of Exaprobe, a French company specialising in security, unified communications, IP infrastructure, virtualisation and data centre solutions.

In addition, in March 2013 the Group exercised the option on the remaining 60% of the share capital of Centix, Belgium's independent leader in virtualisation and cloud solutions, giving it total ownership of the company. In 2012, Centix was fully consolidated by the Group.

1.3. Principal investments

The Group's main investments, aside from acquisitions, were chiefly for computer hardware and software, both in-house in order to improve employee productivity, and in order to deliver new services to clients. Such investments were mainly financed by the Group's own resources.

In 2013, two major IT projects were implemented. One of these involved migrating all the Group's subsidiaries to the SAP software program used for general and cost accounting, whilst the other was the development of an innovative in-house application used for front and back office administration for the Technology Management & Financing business.

In addition, in 2013 Econocom finalised the development of its Vicube Private Cloud offering, a comprehensive packaged solution for implementing private cloud infrastructures. This offering is aimed at companies seeking to roll out a private cloud-type infrastructure in order to boost employees' performance. The solution enables companies to design, deploy, run and finance the entire private cloud implementation, in an all-inclusive package which offers them all the benefits of dedicated cloud expertise whilst controlling operating budgets. The offer was launched in February 2014.

As regards real estate, the Group's policy is to rent its premises under an operating lease.

1.4. Research and 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. This concerns primarily its Service business, for which the Group treats the company's ICT system as a whole, by designing and implementing innovative solutions to address the various issues associated with ICT architecture, interoperability, mobility and security. As of 31 December 2013, the Group had 6,000 engineers and technicians.

Econocom also invested in Partech Entrepreneur, the first startup fund of Partech Ventures, and plans to contribute up to €1 million. In 2013, two capital calls were issued for a total of 20% of the amount pledged.

In the autumn of 2013, the Group opened two new Digital Centers at its premises in Zaventem (Belgium) and Puteaux (France), which showcase the Group's multimedia, mobile and digital solutions. Open to employees, clients and partners, these centres show how new digital uses are sources of growth and innovation for companies in the industries in which the Group specialises, i.e., retail, education and healthcare.

In February 2014, the Group announced the launch of Vicube Private Cloud, a comprehensive packaged solution for implementing private cloud infrastructures. The solution enables companies to design, deploy, run and finance a private cloud.

2. RESULTS FOR THE YEAR

2.1. Consolidated results

(in € millions)		2013	2012	
			Restated	Published
Revenue from continuing operations	1,772.6		1,538.3	1,538.3
Recurring operating profit (before amortisation of the ECS customer portfolio and the Osiatis brand)*	88.8		76.8	74.1
Recurring operating profit	86.5		74.8	72.1
Operating profit	73.0		71.3	68.6
Net financial expense	(6.1)		(5.1)	(4.6)
Profit before tax	66.9		66.2	64.0
Income tax expense	(22.9)		(19.5)	(16.4)
Profit for the year attributable to owners of the parent (before amortisation of the ECS customer portfolio and the Osiatis brand)	45.7		48.0	48.8
Profit for the year attributable to owners of the parent	44.1		46.6	47.4

*NB: The amortisation of the ECS customer portfolio is the result of the allocation of ECS goodwill for the amount of €40 million to the value represented by the portfolio of clients acquired. This intangible asset will be amortised over 20 years. The Osiatis brand was valued at €10 million, (and amortised over ten years as from 1 September 2013). The restated 2012 financial statements include an additional expense of €0.8 million in recurring operating profit, €0.5 million in net financial expense and a €0.5 million reduction in income tax expense, in accordance with IAS 19R. In addition, the CVAE (business tax on added value) has been reclassified from recurring operating profit to income tax, in line with the standards for presenting financial statements applied by French digital service companies.

2.1.1. Revenue

Econocom Group posted total revenue of €1,773 million in 2013, versus €1,538 million in 2012 (a 15% increase). It includes four months' contribution resulting from the acquisition of Osiatis, i.e., €121 million.

This performance is a result of external growth and the successful integration of the companies acquired over the past 18 months, as well as strong organic growth (3.5 %).

The breakdown of revenue by business sector and geographical area is as follows:

(in € millions)		2013	2012	Total growth	Organic growth
Services	442	286	54.5%	1.1%	
Products & Solutions	303	249	21.3%	10.3%	
Technology Management & Financing	1,028	1,003	2.5%	2.5%	
Total	1,773	1,538	15.2%	3.5%	

All the Group's businesses reported growth, both organic and as reported.

The Services business benefited from the successful integration of the companies acquired over the past 18 months.

Products & Solutions had an excellent year, due partly to the integration of France Systèmes, which the Group acquired in December 2012, enabling it to step up its business-to-business Apple expertise and offering considerably, and partly to organic growth. This strong organic growth is a direct result of the first results of the strategic plan and in particular the success of the offerings for tablets and other digital products.

Technology Management & Financing saw a return to organic growth in 2013, despite the downturn in the traditional IT equipment market. This performance is due to the success of the new digital solutions offerings (up 53%) and the cross-disciplinary offerings combining the Group's three areas of expertise (up 26%).

(in € millions)	2013	2012
France	898	744
Benelux	340	288
Southern Europe	356	290
Northern & Eastern Europe/North America	179	216
Total	1,773	1,538

France benefited from business synergies resulting from the successful integration of the subsidiaries acquired in the Service market over the past 18 months and includes four months of revenue of the French subsidiaries of Osiatis Group.

Benelux had a successful year during the first of half of which a number of major contracts were signed.

The Italian and Spanish subsidiaries showed healthy business trends, despite unfavourable economic conditions.

Northern Europe posted negative growth in 2013 and suffered from a negative base effect (2012 was an exceptional year for the United Kingdom).

2.1.2. Main comments on the Group's consolidated income statements

The Group's recurring operating profit (before amortisation of the ECS customer portfolio and the Osiatis brand) rose 15.5% from €76.8 million at 31 December 2012 to €88.8 million (restated). Osiatis contributed €9.8 million to this result.

The breakdown of the Group's recurring operating profit by business sector is as follows:

(in € millions)	2013	2012 restated
Services	18.5	6.7
Products & Solutions	7.7	6.6
Technology Management & Financing	62.5	63.5
Total	88.8	76.8

Recurring operating profit (€73 million) includes €13.4 million of non-recurring costs, around half of which is a result of the merger with Osiatis.

Financial expenses (net expense of €6.1 million) consist of interest expenses on the bond issued in 2011 (OCEANE convertible bonds). This item also includes bank commissions on the acquisition of Osiatis and accretion expenses on the Group's pension commitments.

Profit for the year excluding non-controlling interests came out at €44.1 million.

2.2. Balance sheet and financial structure

(in € millions)		31 Dec. 13	31 Dec. 12	
			Restated	Published
Goodwill	331.5		149.6	149.2
Other long-term assets	124.7		91.0	89.9
Residual interest in leased assets	91.4		88.6	52.5
Other current assets	773.5		719.7	726.8
Cash and cash equivalents	150.1		79.9	79.9
Total assets	1,471.1		1,128.8	1,098.3
Equity	260.0		155.2	157.2
Gross debt	146.5		97.1	97.1
Long-term liabilities	58.8		38.5	35.3
Liabilities relating to contracts refinanced with recourse	43.0		13.6	13.6
Commitments on residual financial value	48.8		48.8	12.7
Provisions	36.8		29.9	36.9
Current liabilities	877.4		745.9	745.7
Total liabilities	1,211.2		973.6	941.1

Total goodwill amounts to €331.5 million, €178 million of which concerns the acquisition of Osiatis.

Until 2012, Econocom compared the estimated future value of equipment (residual value recognised in assets) and residual financial value (commitment to repurchase equipment from the refinancing institution at the beginning of the contract). If this comparison, conducted on a contract-by-contract basis, resulted in a net residual financial value, it would be recognised in financial liabilities. Otherwise, the difference would be recognised in assets. The impact of this netting was €36.1 million on 31 December 2012. As from 2013, the Group has decided to present these gross amounts in assets and liabilities. This reclassification resulted in an increase in total assets and liabilities of €36.1 million at 31 December 2012.

The Group's equity stood at €260 million versus €155 million in 2012, and notably reflects a €102 million capital increase carried out in the second half of 2013 for the acquisition of Osiatis.

Net debt stands at €39.3 million and can be analysed as follows:

- €93 million positive net cash
- a negative €77 million of convertible bonds
- a negative €43 million of liabilities relating to contracts refinanced with recourse
- a negative €8.6 million of factoring
- a negative €3.6 million of finance leases.

The Group's gearing is very healthy and stands at 15% (excluding gross commitments on residual financial value), and has actually improved (20% at the end of 2012), despite the major acquisition of Osiatis.

2.3. 2013 individual financial statements of Econocom Group SA/NV

Econocom Group SA/NV, 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 SA/NV's parent company financial statements, prepared in accordance with Belgian legislation.

2.3.1. Income statement of Econocom Group SA/NV

Sales of services (statutory data) for the year stood at €14.3 million compared with €14.1 million in the previous year. Operating loss came out at €20.1 million compared with €16.7 million in 2012. This is due to a larger charge in 2013 to cover commitments for stock option plans. Net financial income came to €25.6 million compared with €67.1 million in 2012. This consists mainly of the dividends received from subsidiaries in the amount of €26.1 million and the financial expense from convertible bonds, the balance of which resulted from transactions with subsidiaries (income net of interest and invoicing of guarantee commissions).

Non-recurring profit amounted to €7.7 million, compared with an expense of €0.1 million in 2012. This consists mainly of capital gains from the disposal of business assets by the Technology Management & Financing business to Econocom Lease SA/NV.

Net profit amounted to €13.2 million compared with €50.2 million in 2012.

2.3.2. Balance sheet of Econocom Group SA/NV

As of 31 December 2013, Econocom Group SA/NV's equity stood at €260.4 million compared with €205 million in 2012. This increase is mainly due to the capital increase for the acquisition of Osiatis Group (€90.3 million), which was partially offset by the cancellation of treasury shares (€34 million). The Board of Directors' recommendation to the Annual General Meeting to pay a dividend of €0.12 per share will have an impact of €12.8 million on the company's reserves.

Econocom Group SA/NV's debt still consists of convertible bonds (OCEANE). Following the conversion and repurchase of the convertible bonds in 2013, the conversion of the bonds represents a dilution of 14.9 million additional shares, i.e., 14% of the company's share capital.

Receivables and investments in related companies increased by €158 million, due mainly to the stake in Osiatis being transferred to Econocom SAS via a combination of a vendor loan and a contribution in kind.

2.3.3. Business overview

2.3.3.1 Investments in other companies and creation of subsidiaries

In 2013, Econocom Group continued its targeted external growth strategy. In February, Econocom Group acquired Exaprobe, whose extensive expertise in ICT convergence and network security will enable Econocom to expand its IT security offering. In addition, the Group exercised the option to acquire the entire share capital of Centix, a Belgian company specialising in desktop and server virtualisation.

2013 was notable for the acquisition of Osiatis, which resulted in the emergence of a major new player in the digital service market, with over 8,000 employees, operations in 20 countries and consolidated revenue of around €2 billion in 2013.

The acquisition of Osiatis is perfectly in line with the Mutation strategic plan which the Group announced in April 2013. It strengthens Econocom's position as a leading partner for businesses for integrating and financing digital solutions, with extensive expertise in Services, particularly in the fields of cloud computing and application solutions. The transaction will also enable Econocom to serve its clients in two new countries: Brazil and Austria.

The acquisition was carried out in several stages. In September 2013 Econocom Group acquired the majority of the share capital of Osiatis from BML, a company controlled by Walter Butler, as well as Robert Aydabirian, Jean-Maurice Fritsch, Bruno Grossi and Laurent Parquet. Each seller received in the aggregate one Econocom Group share and €4.00 for each Osiatis share. Econocom also acquired all the equity warrants held by the main directors and managers of Osiatis Group.

This transaction was financed through the issue of 9,527,460 new Econocom shares and a cash payment of €38.1 million. Further to this transaction, Walter Butler, through BML, became a key shareholder with 6.3% of Econocom Group's share capital.

Econocom Group then launched a simplified public offer for all the remaining Osiatis shares. This friendly public offer, called a "mix and match" offer, which took place from 1 to 31 October 2013, consisted of:

- a principal mixed offer (cash and shares): one new Econocom Group share and €4.00 in cash for one Osiatis share;
- a subsidiary exchange offer: five new Econocom Group shares for three Osiatis shares;
- a subsidiary cash offer: €10.00 for one Osiatis share.

In order to pay for the offer, on 18 and 19 November 2013, Econocom Group issued 6,313,158 new shares and paid €25.2 million.

The success of the friendly public offer to acquire Osiatis allowed Econocom Group to file a squeeze-out procedure in November 2013 and received the remaining Osiatis shares for €10 per share, i.e., a total amount of €4.3 million.

In early December 2013, Econocom Group acquired the remaining equity warrants for €6.4 million.

2.3.3.2 Legal reorganisation

As of 31 December 2013, following the acquisition of Osiatis Group, Econocom Group had 75 companies in 20 countries.

In 2013, the Group continued to implement the plan to streamline and simplify its legal organisation over two years, which the Board of Directors decided to adopt on 28 May 2012. The following measures were implemented, in accordance with the main objectives of the plan:

- merge companies with similar activities and operating in the same country. Thus, the Technology Management & Financing divisions in Spain were combined by merging Econocom Spain and Econocom SA, as they were in Luxembourg. In the United Kingdom, Econocom UK's business was transferred to Econocom plc, whilst in Germany the Technology Management & Financing divisions were combined into one subsidiary, Econocom Deutschland;
- separate the Group's businesses into separate subsidiaries in each country, if the business in question is substantial enough. In France, the services divisions in the Alliance Support Services, Econocom Managed Services and Econocom France companies were therefore combined into a single legal entity, renamed Econocom Services, in early January 2013;
- simplify the company organisation and reduce levels of ownership by bringing the subsidiaries closer to the Group's parent company. To that end, ESR incorporated two of its subsidiaries, Infodesign and ESR Servitique.

In addition, in order to align the legal organisation with the Group's country-based operational organisation, Osiatis was transferred to the French holding company Econocom SAS. Econocom Group therefore transferred to Econocom SAS all of Osiatis' share capital, after exercising the equity warrants, via a combination of a €134.4 million vendor loan and a contribution in kind of €30 million. The basis for valuing these transactions corresponded to the price for which Osiatis was acquired by Econocom Group.

2.3.3.3. Treasury shares

Econocom Group SA/NV 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 28 September 2011 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 €6 and the maximum price was €36. Following the four-for-one share split decided at the Extraordinary General Meeting on 14 September 2012, the minimum purchase price has been reduced to €1.50 and the maximum price to €9.

The maximum number of shares to be purchased throughout the five-year period was increased to 20,938,316.

Furthermore, the Extraordinary General Meeting of 15 May 2012 renewed for a three-year period the authorisation given to the Board of Directors to purchase Econocom Group SA/NV shares without the prior approval of shareholders, if the company faces a serious and imminent threat to its operations.

In 2013, the following treasury share movements took place:

- Econocom Group acquired treasury shares for an acquisition price of €31.3 million representing 4,869,489 Econocom Group shares;
- Econocom Group cancelled 6,014,892 Econocom Group shares at the Extraordinary General Meeting on 31 December 2013.

In addition, the company maintained its liquidity agreement with Exane BNP Paribas with respect to the Econocom Group share.

As of 31 December 2013, Econocom Group SA/NV held 675,829 treasury shares, as part of the share buyback programme, and 89,675 Econocom Group shares, as part of its liquidity agreement with Exane, representing a total of 765,504 shares or 0.72% of the total number of shares in issue.

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 SA/NV's distributable reserves (statutory data) stood at €161.2 million, to which is added retained earnings in the amount of €71.2 million.

Econocom Group SA/NV's non-distributable reserves stood at €6.1 million.

2.3.3.4. Share capital

As of 31 December 2013, Econocom Group SA/NV's share capital was made up of 106,517,314 shares with no stated par value.

In 2011, Econocom Group SA/NV issued €84 million worth of convertible bonds. The bonds were issued at a par value of €21 per bond, with a 4% coupon rate, paid annually in arrears. In the event that all the bonds are converted, and following the split of the Econocom share in September 2012, 16 million new shares will be issued, resulting in a 16.55% dilution of the company's share capital. On 31 December 2013, following the conversions which took place during the year and the OCEANE convertible shares bought back by the company, the number of OCEANE convertible bonds in issue amounted to 3,735,730, entitling the bearer to 14,942,920 shares.

The Board of Directors decided, subject to the condition precedent that the convertible bonds be converted as of 1 June 2016, to increase within the authorised capital, the subscribed and paid-up share capital for a maximum amount of the equivalent of the conversion of all the convertible bonds into new shares, i.e., €2,825,756. The Board of Directors reserved the right, when it receives a conversion request from a bondholder, to issue the existing ordinary shares.

As of 31 December 2013, authorised unissued capital (excluding additional paid-in capital) stood at €9,877,558.79.

The changes in share capital between 2002 and 2010 consisted of a capital increase as part of the exercise of stock options by the Group's employees, and the capital increase of €895,755.62 on 28 October 2010 reserved for the French company SG Financial Services Holding for the acquisition of ECS Group.

In 2012 there were no changes in share capital, which stood at €17,076,677.70 as of 31 December 2012.

The following changes to the share capital occurred in 2013:

- Following the capital increase on 12 September 2013 for the acquisition of the controlling interest and equity warrants of Osiatis from Osiatis' main shareholders and managers, Econocom Group's share capital was increased to €18,759,320.08 by creating 9,527,460 new shares and was made up of 106,219,048 shares;
- Following the capital increase on 18 November 2013 to pay for Osiatis shares as part of the public exchange offer to acquire Osiatis, Econocom Group's share capital was increased to €19,874,285.37 by creating 6,313,158 new shares and was made up of 112,532,206 shares;
- Following the cancellation of 6,014,892 treasury shares as decided at the Extraordinary General Meeting of 31 December 2013, Econocom Group's share capital of €19,874,285.37 was made up of 106,517,314 shares.

Share capital stood at €19,874,285.37 at 31 December 2013.

The ownership structure is described in section 5 "Corporate governance statement".

3. RISK FACTORS

Due to the nature of its business, Econocom Group SA/NV is exposed to certain financial and legal risks. A complete review of the Group's risk exposure and management strategy is provided by type of risk in the notes to the consolidated financial statements.

In view of its business model, Econocom Group SA/NV is not significantly exposed to exchange rate, interest rate or environmental risks.

The Group's dependency on clients is limited. It is exposed to the risk of doubtful accounts, but this is limited by factoring solutions and the refinancing of the vast majority of its Technology Management & Financing contracts on a non-recourse basis.

The Group is not exposed to significant liquidity risk as it has a net cash surplus. Moreover, the Group successfully issued €175 million worth of bonds convertible into cash and/or new shares and/or exchangeable for existing shares (ORNANE) in January 2014.

Econocom Group SA/NV is exposed to the risk of termination of service contracts, as a vast majority of the Group's employees have permanent contracts. However, the contracts are mostly signed for longer than one year and include reciprocal notice periods.

The Group does not have any specific employee-related risks. The vast majority of its staff is employed in Western Europe, mainly in France, the Benelux countries, Spain and Italy.

The IT service market is extremely competitive, and is subject to technological developments. Econocom Group SA/NV ensures that its offering and organisation are adapted in respect of these developments in order to maintain and expand its client base.

4. OUTLOOK FOR 2014 AND DIVIDENDS IN 2013

2013 was notable for the launch of the "Mutation 2013-2017" five-year strategic plan which aims to establish Econocom as the European pioneer in integrating and financing digital solutions. The aim of this plan is to enable Econocom to double in size in five years, in terms of both revenue and recurring operating profit; Econocom thus plans to achieve revenue of €3 billion and recurring operating profit of €150 million by 2017.

To achieve this objective, Econocom plans to enhance its expertise in digital services. The key acquisition of Osiatis Group in September 2013 is perfectly in line with this aim.

By integrating Osiatis for the whole of 2013, the new Econocom achieved pro forma revenue of around €2.0 billion and recurring operating profit of approximately €100 million. Econocom expects a slight increase in revenue and recurring operating profit in 2014, on a like-for-like basis.

2014 will focus on continuing the integration of Osiatis Group and will benefit from the first synergies resulting from the alliance. The Group also plans to continue investments to ensure the transformation of its service business and the development of its digital offerings.

From the very beginning of 2014, the Group took steps to accomplish these ambitions: on 6 January it announced it had set up a joint venture with Georges Croix called Digital Dimension. This company, in which Econocom has a 50.1% stake, will offer pay-per-use, front-office solutions from shared cloud platforms and available via any mobile device. In addition, on 8 January 2014, Econocom successfully placed €175 million worth of bonds convertible into cash and/or new shares and/or exchangeable for existing shares (ORNANE), thus enabling the Group to finance its growth plans.

The Board of Directors will invite shareholders to vote, at the next Annual General Meeting, to raise the payment of a gross dividend from €0.10 to €0.12 per share, i.e., a 20% increase in one year.

In addition, the Group plans to continue to buy back treasury shares in order to cover stock options plans due to mature.

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 which came into force in 2009 (the 2009 Code). This is available at www.corporategovernancecommittee.be. Econocom publishes its Corporate Governance charter (in French only) on its website: www.econocom.com, under Financial Information/Legal Information/Corporate Governance.

During its meeting on 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.

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 SA/NV does not yet adhere to, 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 SA/NV's ownership structure, Jean-Louis Bouchard performs the duties of Chairman of the Board, Chief Executive Officer and Chairman of the Executive Committee. As such, the Group does not fully adhere to the principle of segregating the Board of Directors' powers of control and executive powers. As of 31 December 2013, Jean-Louis Bouchard indirectly held 44.12% of Econocom Group SA/NV's capital.

The reference framework for internal control and risk management must be prepared and submitted to the Board of Directors for approval.

Econocom Group SA/NV complies with Principle 2 of the 2009 Code, which recommends that at least half of the members of the Board of Directors should be non-executive. As of 31 December 2013, the Board of Directors comprised seven non-executive directors out of twelve.

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 nevertheless informally fulfilled by Galliane Touze, the 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 (Code des sociétés). The Board of Directors only has two female directors, Véronique di Benedetto and Chantal De Vrieze, who were appointed in 2011. In accordance with paragraph 3 of article 518 *bis*, Econocom Group has four years 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 SA/NV 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 malpractice.

Econocom Group SA/NV 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, 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 and the Executive Committee. 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 changed in 2013 in order to comply with the 2009 Code, which requires that a majority of the members of the committee be independent. Jean Mounet, an independent director, was thus appointed as a member of the Compensation Committee by the Board of Directors on 23 May 2013. As a result of this appointment, the Committee now consists of four 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 aspects of managing 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 line, irrespective of the country.

Furthermore, in the interests of maintaining their independence from the operational teams, the finance teams report hierarchically to the Group’s Finance Department.

5.3.2. Reporting and consolidation coordination

The accounts are consolidated by a dedicated team on a quarterly basis. The consolidated companies send their detailed financial statements via the consolidation tool, and they are subsequently included in the consolidated financial statements.

Each entity (i.e., company or Business unit) draws up a budget before the beginning of the year. Profit forecasts are adjusted several times during the year and are monitored on a monthly basis based on the activity reports provided by Management. These reports are drafted jointly by the entity’s financial manager and controller.

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 can be consulted via the IT system by all the accounts teams and 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 IFRS. As such, the team, in conjunction with the Group Finance Department and the Business Finance Directors, decides which changes in Group accounting principles should be implemented, informs the relevant people and arranges the necessary training.

5.3.4. IT tools

As a result of the acquisition of Osiatis Group, the IT systems used by the Group for preparing financial information are currently being harmonised and aligned.

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. These reports 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 is in charge of risk management, 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 has internal auditors who report to the Chief Financial Officer and an Internal Audit Director who reports to the Company Secretary.

5.3.5.1. Risks associated with IT accounting systems

The accounting systems used by the Group are currently organised by business line. A plan to combine all the Group's accounting systems into a single, integrated solution was launched in 2012 and should be completed by the beginning of 2015.

The various business IT systems are interfaced with the accounting systems in order to ensure that the information on transactions is traceable, comprehensive and reliable.

The consolidation system is a standard tool. The accounting systems are either compatible commercial accounting systems or longstanding internally-developed systems which allow for any necessary changes to the settings and system maintenance.

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 IFRS 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, Management Control 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 conservative 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 forth in section 5.5.3 below.

5.4. Share capital and share ownership

As of 31 December 2013, Econocom Group SA/NV's share capital consisted of 106,517,314 shares, held as indicated below:

Share ownership	31 Dec. 2013
Companies controlled by Jean-Louis Bouchard	44.12%
Butler Management	6.72%
Public shareholders	48.44%
Treasury shares	0.72%
Total	100.00%

Econocom Group was notified that as from 31 December 2013 two shareholders, (other than the companies controlled by Jean-Louis Bouchard) – Butler Management Ltd (and, indirectly WB Finance and Partners and Walter Butler) and French company AXA. SA – had exceeded the 5% share ownership threshold.

There are no shareholders with special controlling rights.

Other than the treasury shares which have no voting rights, there are no other particular legal or statutory restrictions with respect to voting rights.

5.5. Composition and function of the administrative bodies and committees

5.5.1. Composition of the Board of Directors

Jean-Louis Bouchard,

(term of office expires at the May 2016 Annual General Meeting)

23, avenue de Boufflers, 75016 Paris (France)

Chairman of the Board of Directors and Chief Executive Officer of Econocom Group SA/NV,

Chairman of Econocom International NV

Jean-Philippe Roesch,

(term of office expires at the May 2014 Annual General Meeting)

21, avenue de la Criolla, 92150 Suresnes (France)

Chief Executive Officer of Econocom Group SA/NV

Bruno Lemaistre,

(term of office expires at the May 2014 Annual General Meeting)

Avenue des Éperons d'Or 15, 1050 Brussels (Belgium)

Chief Executive Officer of Econocom Group SA/NV

Véronique di Benedetto,

(term of office expires at the May 2017 Annual General Meeting)

86, rue Miromesnil, 75008 Paris (France)

Executive director of Econocom Group SA/NV

Chantal De Vrieze,

(term of office expires at the May 2017 Annual General Meeting)

Drève du Mereault, 241410 Waterloo (Belgium)

Executive director of Econocom Group SA/NV

Robert Bouchard,

(term of office expires at the May 2015 Annual General Meeting)

4, rue des Cérises, 75008 Paris (France)

Non-executive director of Econocom Group SA/NV

Christian Bret,

(term of office expires at the May 2016 Annual General Meeting)

7, rue Pérignon, 75015 Paris (France)

Independent director of Econocom Group SA/NV

Charles de Water,

(term of office expires at the May 2017 Annual General Meeting)

Korte Veersteeg, 4D 4157 GR Enspijk (Netherlands)

Non-executive director of Econocom Group SA/NV and director of Econocom International NV

Gaspard Dürleman,

(term of office expires at the May 2017 Annual General Meeting)

50, avenue Bosquet, 75007 Paris (France)

Non-executive director of Econocom Group SA/NV

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 SA/NV

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 SA/NV

Walter Butler,

(term of office expires at the May 2019 Annual General Meeting)

30, Cours Albert 1er, 75008 Paris (France)

Non-executive director of Econocom Group SA/NV

Five of the members of the Board of Directors held executive roles in 2013: Jean-Louis Bouchard, Jean Philippe Roesch, Bruno Lemaistre, Véronique di Benedetto and Chantal De Vrieze. Walter Butler, Gaspard Dürrleman, Rafi Kouyoumdjian, Charles de Water and Robert Bouchard are non-executive directors. Christian Bret and Jean Mounet are independent directors, as defined by article 526 *ter* of the Belgian Companies Code.

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 Ecofinance Nederland BV, Econocom International NV, Matignon Finance and Château Fontainebleau du Var, and Manager of SCI Orphée, SCI de Dion Bouton, SNC Ecurie Jean-Louis Bouchard, SCI LBB and SNC Fontainebleau International. He is also a director of APL France.

In addition to serving on the board of Econocom Group SA/NV and its subsidiaries, Jean-Philippe Roesch is Manager of La Criolla, a non-trading company.

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

Véronique di Benedetto serves on the boards of a number of associations, including the Syntec Numérique (French professional federation of members of the digital industry).

Chantal De Vrieze also serves on the boards of a number of associations, including the Belgian Fédération des Entreprises and Agoria.

Charles de Water is a director of Econocom International NV, a member of the Supervisory Board of Rabobank West-Betuwe, a member of the Supervisory Board of Khondrion Mitochondrial Scientific Services BV, and Chairman of Kaacel BV.

Christian Bret is Managing Partner of Eulis and director of Altran Technologies and Sopra Group.

Gaspard Dürrleman is Chairman of Montmorency Investissements, Etablissements Cambour and Ateliers Montdor.

Robert Bouchard serves as Chairman of APL France, Ecofinance SAS, Audevard SAS and Amentech SA and manager of SCI Maillot Pergolèse, SCI Taillis des Aigles and GMPC.

Rafi Kouyoumdjian is Chief Executive Officer and a director of RKO Management and Investment BV, and a director of ITO33 and Ecofinance International.

Jean Mounet is a director of Pacte PME, Fondation Télécom, Sopra Banking Group and Malakoff Médéric. He is also Vice Chairman and a director of Sopra Group.

Walter Butler is Chairman and Chief Executive Officer of WB Finance et Partenaires, Butler Capital Partners and WB Debt Partners, Manager of Amstar Entreprises and SCI 30 Albert 1er, Chairman of Anov Expansion, Eden Innovations and Doc, Chairman of the Board of Directors of Butler Safe Technologies (Switzerland), Chairman of the Supervisory Board of Safetic AG, a member of the Supervisory Board of Groupe Partouche and Corum Asset Management, director of BML Belgium, ADIT, Butler Investment Managers Limited, Butler Management Limited, BST Butler Technologies and Butler Safe Technologies UK. In addition, Walter Butler is the permanent representative of Butler Capital Partners in his capacity as Chairman of Financière Acces Industrie and Acces Investissements, as a member of the Supervisory Board of Acces Industrie and Colfilm, and as director of Anov France and Holding Sports et Evenements.

Aside from the length of the term of office (maximum of six years) and the renewable nature of the term of office, 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.

5.5.2. Role of the Board of Directors

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

In 2013 the Board met on six occasions, including two meetings to approve the interim and annual financial statements. The overall attendance rate for the year was 94.70% (not including the meeting held with a notary for the takeover of Osatis Group on 12 September 2013).

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 Group's operational management is entrusted to the Chief Executive Officers and the Executive Committee (management board as defined in article 524 *bis* of the Belgian Companies Code and article 20 *bis* of the bylaws). The Board appoints the members of the Executive Committee, as well as the Chief Executive Officer(s). 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. The Executive Committee (management board as defined in article 524 *bis* of the Belgian Companies Code)

The Board of Directors set up a Group Executive Committee, whose creation was ratified by shareholders at the Extraordinary General Meeting on 18 May 2004.

The role of this Committee is to recommend strategic guidelines for the Group, implement the strategy chosen by the Chairman and approved by the Board of Directors to manage the Group's operational departments and monitor their financial and operational performance.

The Executive Committee was reviewed at the Board Meetings on 16 March and 26 May 2011 and, more recently, at the Board Meeting on 21 November 2013. It is chaired by Jean-Louis Bouchard and its members are Bruno Lemaistre (term of office renewed at the Board Meeting on 7 March 2012) and Jean Philippe Roesch, Group Managing Directors, and Véronique di Benedetto, Group Deputy Managing Director. Jean-Maurice Fritsch, Bruno Grossi, Charles De Stoop, Christophe Vanmalleghem and Galliane Touze were appointed to the Executive Committee by the Board of Directors on 21 November 2013.

Jean-Louis Bouchard is mainly in charge of strategy, communication and acquisitions. Bruno Lemaistre is in charge of the operational departments (excluding Services), whilst Jean-Philippe Roesch oversees the Group's central corporate functions. Véronique di Benedetto is in charge of the Group's operations in France.

Jean-Maurice Fritsch acts as Director of Services, whilst Bruno Grossi is in charge of acquisitions, communication and strategy for the Group. Charles De Stoop is Group Deputy Managing Director in charge of Transformation, Christophe Vanmalleghem is International Services Director, and Galliane Touze is Group Company Secretary.

Three of the Executive Committee members are Chief Executive Officers. Jean-Philippe Roesch was appointed Chief Executive Officer at the Board of Directors' meeting on 3 July 2006 and Bruno Lemaistre at the Board of Directors' meeting on 20 November 2008, effective as of 22 December 2008, when his appointment as director by the shareholders became effective.

The Executive Committee meets at least ten times a year and met eleven times in 2013.

5.5.3.2. The 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 added to the corporate governance statement. One of its members will comment on the report at the Ordinary General Shareholders' Meeting.

The Board of Directors has also granted the Compensation Committee, in accordance with article 20 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 has four members: Christian Bret, Gaspard Dürrleman, Rafi Kouyoumdjian and Jean Mounet, who were appointed for a three-year term which cannot exceed the length of their term as directors. The Committee met three times in 2013.

5.5.3.3. The Audit Committee

The Audit Committee was created by the Board of Directors on 18 May 2004.

The Committee comprises two non-executive directors: Gaspard Dürrleman and Rafi Kouyoumdjian, and one independent director, Christian Bret. At the meeting of the Board of Directors on 7 March 2012, Gaspard Dürrleman and Rafi Kouyoumdjian's terms of office were renewed for a further three years.

The Audit Committee meets as often as required; it met five times in 2013, with all Committee members in attendance, as well as Jean-Philippe Roesch, Chief Executive Officer in charge of support functions, Galliane Touze, Company Secretary, and Nicolas Noquet, 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 prove the independence and audit and accounting expertise of at least one of the members of the Audit Committee. Econocom complies with this requirement.

5.5.4. Day-to-day management

The Executive Committee is in charge of day-to-day management of the Group; it is kept informed of the monthly results and oversees progress on Group projects.

All major decisions regarding the subsidiaries are made by the relevant body, with the assent of a member of the Executive Committee 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 forth in an internal document.

5.5.5. Application of articles 523 and 524 of the Belgian Companies Code

Not applicable.

5.6. Composition of advisory bodies

Econocom Group SA/NV's Statutory Auditor is PricewaterhouseCoopers Reviseurs d'Entreprises SCCRL, (Woluwe Garden, Woluwedal, 18 1932 Saint-Stevens-Woluwe (Belgium)), whose term was renewed at the May 2013 Annual General Meeting and expires at the May 2016 Annual General Meeting.

Econocom Group SA/NV's Statutory Auditor is represented by Emmanuèle Attout.

5.7. 2013 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 Executive Committee of Econocom Group (management board as defined in article 554 *bis* of the Belgian Companies Code).

5.7.1. Compensation policy for directors and members of the Executive Committee

5.7.1.1. Procedure adopted to define compensation for directors and members of the Executive Committee and set their individual compensation

On 31 August 2011, the Board of Directors set up a Compensation Committee. Since 23 May 2013, the Committee has comprised four 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 and it is in charge of implementing plans for granting financial instruments (free shares, stock options, etc.).

More specifically, the Compensation Committee is in charge of:

1°) Upon recommendation of the Chairman:

a) Making suggestions and recommendations to the Board of Directors with respect to the policy for compensating directors and members of the Executive Committee and, if required by law, any resulting recommendations which the Board of Directors must submit to the shareholders for approval.

b) Making suggestions and recommendations to the Board of Directors with respect to the individual compensation of directors and members of the Executive Committee, including the variable portion and long-term bonuses (long-term share ownership) – 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 with respect to setting and assessing performance targets linked to the directors' and Executive Committee members' individual compensation.

2°) Drafting the compensation report, in accordance with article 96 section 3 of the Belgian Companies Code, which is subsequently added to the corporate governance statement.

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

4°) Submitting recommendations to the Board of Directors with respect to the procedure and conditions concerning the directors' and Executive Committee members' employment contracts.

5°) Generally fulfilling all the tasks assigned by the Board of Directors with respect to compensation.

The Board of Directors has also granted the Compensation Committee, in accordance with article 20 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 such as warrants, existing or future plans, i.e., issuing stock options or any other financial instruments within the limits authorised by the Board of Directors, to whom the Compensation Board is accountable.

The Compensation Committee met three times in 2013.

5.7.1.2. 2013 compensation policy

Since 1999, the bylaws have provided for the compensation of directors. The Annual General Meeting of 18 May 2004 set the attendance fees of non-executive directors at €2,500 per director per Board meeting, subject to actual attendance at the meetings. At the Annual General Meeting on 21 May 2013, this compensation was increased to €3,000 per Board meeting, subject to actual attendance at the meetings.

Executive directors receive no compensation for their directorship. They are compensated for the contractual relationship with one or several Group companies.

Non-executive directors who are members of the Audit Committee receive €1,000 per meeting, subject to actual attendance. At the Annual General Meeting on 21 May 2013 this compensation was increased to €2,000 per meeting, subject to actual attendance at the meetings. Members of the Compensation Committee receive €2,000 per meeting, subject to actual attendance.

Non-executive directors do not receive any payment other than the above-mentioned attendance fees.

The compensation of executive directors and members of the Executive Committee is set by the Chairman, based on advice from the Compensation Committee.

The compensation of executive directors and members of the Executive Committee includes a significant variable part which accounts for between 20% 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 on 21 May 2013, this exemption was renewed indefinitely. The variable portion of compensation paid to executive directors and Executive Committee members was set in 2013 based on annual performance.

Variable compensation paid to executive directors in respect of 2013 is, depending on the role and responsibilities of the director in question, based on (i) the results (revenue and pre-tax profit) of the activity for which they are responsible, (ii) Econocom Group's consolidated recurring operating profit, (iii) revenue targets for markets which are strategic for the Group (smart solutions), (iv) savings objectives and (v) measurable quality-based targets. With the exception of the quality-based targets, the objectives are the results as published either in the Group's management report, or in its audited consolidated financial statements. These objectives are set for the calendar year.

As is the case with all Econocom Group employees, the executive directors and Executive Committee members 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 policy for 2014 is consistent with the policy for 2013. Variable compensation paid to executive directors and members of the Executive Committee is subject to the achievement of objectives, both quality- and quantity-based, over the year, in particular the 2014 budget targets (revenue, pre-tax profit and consolidated recurring operating profit) within the scope of each director's responsibility, revenue targets for markets which are strategic for the Group (Smart solutions), savings objectives and measurable quality-based targets. As authorised at the Annual General Meeting on 21 May 2013, variable compensation for 2014 is subject to the achievement of annual objectives. Consequently, compensation for 2015 has not yet been discussed.

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 2013

5.7.2.1. Non-executive directors

This section sets forth the individual compensation and benefits paid directly or indirectly to non-executive directors by Econocom Group SA/NV or any of the Group's other companies in 2013.

Compensation paid in 2013 (€):

Christian Bret	28,000
Robert Bouchard	11,500
Walter Butler	3,000
Gaspard Dürrleman	28,000
Charles de Water	11,000
Rafi Kouyoumdjian	28,000
Jean Mounet	18,000
Total	127,500

5.7.2.2. Compensation paid to the Chairman of the Board of Directors and the Executive Committee

Jean-Louis Bouchard performs the duties of Chairman of the Board of Directors, Chief Executive Officer and Chairman of the Group's Executive Committee. He receives no compensation whatsoever, and does not benefit from any special pension or insurance, or any other benefits paid either directly or indirectly by either Econocom Group SA/NV or any companies in the scope of consolidation for these duties. Econocom International NV – whose Chairman is Jean-Louis Bouchard – bills fees to Econocom Group SA/NV and its subsidiaries for managing and coordinating the Group. These fees amounted to €2,222,000 in 2013, compared with €2,084,000 in 2012.

5.7.2.3. Total compensation paid to executive directors and members of the Executive Committee in 2013

This section shows the overall amount of compensation and benefits paid directly or indirectly to executive directors by Econocom Group SA/NV or any of the Group's other companies in 2013.

Total compensation paid in 2013 (€):

Fixed portion	3,166,739
Variable portion	1,397,319
Pensions and other compensation, including benefits in kind	929,979
Total	5,494,037

This information refers to the executive members of the Board of Directors and members of the Executive Committee, i.e., Bruno Lemaistre, Jean-Philippe Roesch, Véronique di Benedetto and Chantal de Vrieze, as well as Jean-Maurice Fritsch, Bruno Grossi, Charles De Stoop, Christophe Vanmalleghem and Galliane Touze, whose compensation was taken into account for a period of 12 months. The compensation paid to Jean-Louis Bouchard, Chairman of the Board of Directors, Chief Executive Officer and Chairman of the Group's Executive Committee, is set out in section 5.7.2.2. Five of the nine executive directors have a company car.

5.7.2.4. Stock options and shares issued, exercised and expiring in 2013

On 16 September 2013 the Compensation Committee granted 1,100,000 Econocom Group stock options to three members of the Executive Committee. None of the options granted to executive directors or members of the Executive Committee expired in 2013.

5.7.2.5. Termination benefits and other contractual obligations

The employment contracts of the executive directors contain the usual clauses, in particular as regards notice period. They contain no specific clause with respect to pensions or termination benefits, except for the cases below.

Jean-Philippe Roesch is eligible for termination benefits equal to one month's salary for each year of service. This contractual obligation is fully provided for in the financial statements.

Jean-Maurice Fritsch and Bruno Grossi receive compensation as members of the Executive Board of Osiatis SA. This company provides unemployment insurance for its members (in accordance with the "formule 70" plan), under the GSC (*Garantie Sociale des Chefs et dirigeants d'entreprise*), unemployment insurance for company directors.

Moreover, in the event that the employment of Jean-Maurice Fritsch (whose employment contract has been suspended) is terminated, his termination benefits, except in the case of gross misconduct, will be calculated on the basis of his employment beginning on 24 March 1986. In the event that he is removed as a member of the Board of Osiatis Group, for any reason other than a breach of his obligations as an executive director, and if, in addition to this removal he is dismissed (except in the case of gross misconduct), he will receive the same unemployment benefits as if the compensation he had received as a member of the Board had been paid under an employment contract, less the unemployment insurance paid by the GSC. For the purpose of calculating this compensation, all the rules and requirements stipulated in the unemployment insurance agreement will apply *mutatis mutandis*, in particular with respect to the waiting period and obligation to seek new employment.

5.8. Appropriation of profit and dividend policy

The Board of Directors will invite shareholders to vote, at the Annual General Meeting, to increase the payment of a gross dividend to €0.12 per share from €0.10 per share in 2013, i.e., a 20% increase.

The Group will also continue its share buyback policy, in particular to cover stock option plans due to mature.

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 SA/NV received notification from Econocom International NV, which is controlled by Jean-Louis Bouchard, indicating that as of 1 September 2007, Econocom International NV held 12,857,760 Econocom Group shares, representing 47.97% of the capital.

As of 31 December 2013, Jean-Louis Bouchard directly and indirectly held 46,999,456 Econocom Group SA/NV shares, representing 44.12% of the share capital. Jean-Louis Bouchard is the only shareholder who controls more than 30% of the Group and does not need 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 19 September 2013 Econocom Group received notification from Butler Management Ltd and indirectly from WB Finance et Partenaires and Walter Butler, stating that they had increased their interest in the Group's capital to above the 5% ownership threshold and that, as of that date, they held 7,152,866 Econocom Group shares, i.e., 6.73% of the shares carrying voting rights.

On 19 September 2013 Econocom Group received notification from Bestinver Gestion S.A. SGIIC stating that its interest in the Group's capital had fallen below the 5% ownership threshold and that, as of that date, it held 4,846,118 Econocom Group shares, i.e., 4.56% of the shares carrying voting rights.

On 24 September 2013 Econocom Group received notification from Econocom Group SA, stating that its interest in the Group's capital had been increased above the 5% ownership threshold on 7 August 2013 and then fallen below the 5% threshold on 12 September 2013 and that, as of 24 September 2013, it held 5,266,392 Econocom Group shares, i.e., 4.96% of the shares carrying voting rights. It also received notification from Econocom International NV and SCI de Dion Bouton, and indirectly, from Ecofinance Nederland BV and Jean-Louis Bouchard, stating that their interest in Econocom Group's share capital had fallen below the 45% ownership threshold and that, as of that date, they held 46,999,456 Econocom Group shares, i.e., 44.25% of the shares carrying voting rights.

On 24 October 2013, Econocom Group received joint notification from Econocom International NV, SCI de Dion Bouton, Econocom Group SA and, indirectly, Jean-Louis Bouchard, stating that Econocom Group had increased its interest Econocom Group's share capital to above the 5% threshold to reach 5.05%, and that as of 21 October 2013, Econocom International NV, SCI de Dion Bouton, Econocom Group and, indirectly, Jean-Louis Bouchard, held 52,365,848 Econocom Group shares, i.e., 49.30% of the shares carrying voting rights.

On 22 November 2013, Econocom Group received notification from AXA S.A. stating that its interest in the Group's capital had fallen below the 5% ownership threshold.

On 20 December 2013, Econocom Group received notification from AXA S.A. stating that it had increased its interest in the Group's capital to above the 5% ownership threshold and that, as of 18 December 2013, it held 5,663,872 Econocom Group shares, i.e., 5.03% of the shares carrying voting rights.

Lastly, on 7 January 2014, following the cancellation of 6,014,892 treasury shares decided at the Extraordinary General Meeting of 31 December 2013, Econocom Group received joint notification from Econocom International NV, SCI de Dion Bouton, Econocom Group SA and, indirectly, from Jean-Louis Bouchard, stating that, as of 31 December 2013:

- Econocom Group's interest in Econocom Group's share capital had fallen below the 5% threshold to stand at 0.59%; and
- Econocom International NV, SCI de Dion Bouton, Econocom Group and, indirectly, Jean-Louis Bouchard's interest had fallen below the 45% threshold to stand at 44.71%, excluding liquidity agreements.

As of 31 December 2013, Econocom International NV, SCI de Dion Bouton, Econocom Group and, indirectly, Jean-Louis Bouchard held 47,625,285 Econocom Group shares.

Relations with the majority shareholder, Econocom International NV, 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 Dion Bouton, which is owned by Econocom International NV, in order to locate a number of the Paris area-based employees on the same premises in Puteaux, as of 2013. This lease was signed on arm's length terms.

5.10. Employee share ownership

Since November 1997, Econocom Group SA/NV has set up several stock option plans for its employees, managers and executives.

An updated summary of the Group's commitments in this respect as of 31 December 2013 is provided below.

	Number of outstanding options ⁽¹⁾	Number of corresponding shares ⁽¹⁾	Expiry date	Exercise price (€) per option ⁽¹⁾	Exercise price (€) per share ⁽¹⁾
2010	353,000	1,412,000	August 2015	10.97	2.74
	550,000	2,200,000	December 2014	9.91	2.48
2011	30,000	120,000	December 2015	12.93	3.23
	790,000	3,160,000	December 2016	12.25	3.06
2013	1,100,000	1,100,000	December 2018	5.96	5.96
Total	2,823,000	7,992,000			25,944,310

(1) The options granted before the four-for-one share split (in September 2012) entitle the holder to four Econocom Group shares, whilst the options granted in 2013 entitle the holder to one Econocom Group share.

These plans cover Econocom Group SA/NV shares listed on the Brussels Euronext 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 performance goals.

Options are granted under contracts signed between Econocom Group SA/NV and the beneficiary.

At its meeting on 25 January 2000, the Board of Directors approved the text of the option contracts. In application of Article 523 of the Belgian Companies Code, three directors who were – or could become – option beneficiaries abstained from voting.

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.

The strike price is set in accordance with current legislation.

The options may not be transferred and Econocom Group SA/NV does not hedge its exposure to decreases in the share price.

In 2013, no stock options were exercised or forfeited, and 1,100,000 new options were granted.

As of 31 December 2013, 2,823,000 options had not yet been exercised. Each option granted prior to the four-for-one share-split in September 2012 entitles the holder to four Econocom Group shares, whilst the options granted in 2013 entitle the holder to one Econocom Group share, i.e., a total of 7,992,000 shares representing 7.50% of the number of outstanding shares. The exercise of all these options would result in a capital increase of €25.9 million.

5.11. Statutory Auditor's fees

In 2013, the PricewaterhouseCoopers network provided audit services (reviewing the Group's consolidated and individual financial statements) and non audit-related services to Econocom Group SA/NV and its subsidiaries. Below is a table indicating the type of services provided and the related fees:

(in €)	2013	2012
Statutory Auditor's fees for auditing the consolidated financial statements	373,045	357,539
Fees for audit-related engagements or similar assignments performed in the Group by individuals linked to the Statutory Auditor	751,630	637,461
Fees for non audit-related engagements or specific assessments carried out by the Statutory Auditor for Econocom Group		
Non-audit certification engagements	200,470	52,000
Tax advisory work		
Other		
Fees for non audit-related engagements or specific assignments performed in the Group by individuals linked to the Statutory Auditor		
Non-audit certification engagements	28,879	180,600
Tax advisory work	714,142	469,746
Other	289,441	169,697

5.12. Treasury shares

See section 2.3.3.3 above.

6. SUBSEQUENT EVENTS

In January 2014 Econocom Group SA/NV 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. This will be 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.

In addition, on 6 January 2014, Econocom made a joint investment with Georges Croix, (former CEO of Prosodie) to set up Digital Dimension. The investment, amounting to €11 million, enabled Econocom to hold 50.1% of the capital.

Digital Dimension aims to establish itself rapidly as a major player specialising in designing and managing innovative cloud-based digital solutions.

At the beginning of 2014, Econocom Group SA/NV repurchased then cancelled a number of the OCEANE bonds. On the day before the Annual General Meeting, the number of outstanding OCEANE bonds was 2,599,613.

7. CSR STRATEGY

Corporate Social Responsibility at Econocom Group

Econocom Group has decided to implement a responsible approach in order to reflect its social, societal and environmental commitments in all its projects and business dealings. For this reason, at the instigation of its Chairman, Jean-Louis Bouchard, Econocom has decided to implement a CSR policy called Ecoresponsible.

As part of its CSR policy, Econocom Group joined the United Nations Global Compact in January 2012 and as such pledges to promote the ten principles of the Global Compact with respect to human and labour rights, the environment and anti-corruption. To that end, in January 2014 Econocom submitted its second Progress Report, which outlines the actions undertaken by the Group in order to comply with and promote the ten principles of the Global Compact.

In order to encourage its employees to adopt a responsible attitude, Econocom drafted an ethical charter in January 2013. In September 2013, Econocom published its first CSR report, which details the Group's commitments and actions.

In 2014, Econocom's CSR policy will be expanded with the addition of the initiatives implemented by Osiatis Group. The new Econocom, with over 8,000 employees in 20 countries, wishes to strengthen its commitment and make CSR an integral part of its growth strategy, as Corporate Social Responsibility is now more important than ever to the Group's success.

The information below gives a brief overview of Econocom Group's CSR policy. Additional information can be found in the Group's CSR report, available on its website: www.econocom.com.

1. Econocom Group's commitment to employee well-being

Econocom employs a large number of people and is thus acutely aware of the vital importance of its human capital. For this reason, it has launched a number of initiatives in the main countries in which it operates which focus on developing skills, achieving a better work-life balance, and promoting diversity and equal opportunities for its employees.

Implemented in France in 2012, the Share programme is designed to improve well-being in the workplace through five main measures:

- modernising and reorganising working hours by allowing employees to work from home or from remote sites;
- an employee service facility which includes a range of services designed to ensure a better work-life balance;
- financial assistance is also available for employees with serious temporary difficulties;
- reviewing the company's employee savings scheme in order to allow employees to benefit from the company's performance;
- anti-discrimination.

In Italy, Econocom has set up the EcoLife programme which aims to ensure employee well-being, a better work-life balance and encourage Econocom Italy staff to become involved in charity and volunteer work. All Italian employees are thus entitled to work from home occasionally, have more flexible working hours, extra paid leave for special circumstances, etc.

Econocom is aware that its employees are vital to its success, and has therefore set up an in-house management training facility, the Econocom Management Academy (EMA), in order to improve employees' management skills. Since its inception in 2012, 252 managers have attended courses at the EMA. The training facility and its courses are part of the Group's training policy.

The Group attaches great importance to diversity among its staff, and has thus implemented a number of measures with a view to promoting gender parity, enabling young people to enter the job market, maintaining older employees in the company and employing staff with disabilities.

Finally, in order to attract and retain talent, Econocom Group has made well-being in the workplace one of the major priorities of its CSR policy. Econocom also places a particular emphasis on health and safety measures and maintaining and developing social dialogue.

2. Econocom Group's environmental commitment

The Group's main environmental concerns are energy consumption, the use of resources and managing the waste produced by its business activities. For this reason, the Group conducts greenhouse gas emission audits every year in order to measure its carbon footprint and implement measures to reduce it.

As part of its Technology Management & Financing business, the Group is particularly attentive to managing end-of-life ICT equipment. For this reason, the Group has set up a partnership with Ecologic, a state-accredited organisation that specialises in collecting and processing WEEE (Waste Electric and Electronic Equipment) in compliance with environmental legislation. End-of-life ICT equipment is audited, after which it is recycled and reused whenever possible or disposed of. The Group also has used paper collected from its offices and then recycled by an accredited provider.

In February 2014, Econocom received the Ecologic "Recycling Commitment" in recognition of its efforts to encourage employees to recycle WEEE.

3. Econocom Group's social commitment

Econocom's size and international presence in 20 countries mean it has an important role to play in the development of society and local communities. The Group and its directors are thus concerned with fundamental social issues such as human rights, youth employment, social exclusion, community life and the role of women in the digital industry.

Since 2006, Econocom has built up a strong partnership with the NGO Passerelles Numériques which helps young people from impoverished backgrounds in Cambodia, Vietnam and the Philippines receive training and find skilled employment in the ICT sector. In addition to providing funding and donating IT equipment, Econocom has set up a corporate volunteering scheme whereby employees can lend their time and skills to the organisation.

The Group is committed to helping young people enter the job market via a number of partnerships, such as the non-profit organisation 100,000 Entrepreneurs and startup accelerator StartUp 42. The role of women in the digital industry is also one of the Group's major concerns. Véronique di Benedetto (Managing Director France), is personally committed to promoting gender parity and is an active member of "Femmes du Numérique", an organisation which was set up for the purpose of attracting women to the digital industry.

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of 31 December 2013

Assets

(in € thousands)	Notes	31 Dec. 13	31 Dec. 12 restated
Non-current assets			
Intangible assets	6	59,239	47,790
Goodwill	7	331,490	149,635
Property, plant and equipment	8	21,746	13,330
Financial assets	9	18,011	12,417
Residual interest in leased assets	10	63,462	63,578
Long-term receivables	10	2,045	1,740
Deferred tax assets	30	23,626	15,767
Total non-current assets		519,619	304,257
Current assets			
Inventories	11	20,317	25,626
Trade and other receivables	12	712,888	665,320
Residual interest in leased assets	10	27,907	25,022
Current tax assets		7,472	7,318
Other current assets	12	32,802	21,415
Cash and cash equivalents	13	150,139	79,850
Total current assets		951,525	824,552
Assets held for sale			
Total assets		1,471,144	1,128,809

Equity and liabilities

(in € thousands)	Notes	31 Dec. 13	31 Dec. 12 restated
Share capital		19,874	17,077
Additional paid-in capital and reserves		195,846	91,316
Profit for the year		44,138	46,577
Shareholders' equity	15	259,858	154,969
Non-controlling interests	15	112	192
Total equity		259,970	155,161
Non-current liabilities			
Financial liabilities	18	16,809	4,068
Gross commitment for financial residual value		33,472	33,031
Convertible bonds	18	73,924	77,771
Non-current provisions	16	3,105	424
Provisions for pensions and other commitments	17	30,658	17,278
Other non-current liabilities		5,756	6,588
Deferred tax liabilities	30	19,313	14,186
Total non-current liabilities		183,037	153,346
Current liabilities			
Financial liabilities	18	95,559	25,447
Gross commitment for financial residual value	18	15,298	15,756
Convertible bonds	18	3,138	3,360
Non-current provisions	16	36,779	29,871
Current tax liabilities		10,278	4,600
Trade and other payables	19	688,889	600,112
Other current liabilities	19	178,196	141,156
Total current liabilities		1,028,137	820,302
Liabilities related to assets held for sale		-	-
Total equity and liabilities		1,471,144	1,128,809

CONSOLIDATED INCOME STATEMENT AND EARNINGS PER SHARE

for the years ended 31 December 2013 and 31 December 2012

(in € thousands)	Notes	2013	2012 restated
Revenue from continuing operations	21	1,772,583	1,538,340
Operating expenses		(1,686,131)	(1,463,532)
Cost of sales		(1,238,843)	(1,123,292)
Personnel costs	22	(300,458)	(216,256)
External expenses	23	(128,331)	(104,173)
Depreciation, amortisation and provisions	24	(2,805)	(7,105)
Taxes (other than income taxes)		(9,658)	(7,071)
Impairment losses on current and non-current assets	25	(3,853)	(1,547)
Other operating income and expenses	26	(759)	(473)
Financial expense, operating activities	27	(1,424)	(3,615)
Recurring operating profit		86,452	74,808
Other non-recurring operating income and expenses	28	(13,404)	(3,531)
Operating profit		73,048	71,277
Financial income	29	258	284
Financial expenses	29	(6,386)	(5,400)
Profit before tax		66,920	66,161
Income tax expense	30	(22,854)	(19,490)
Profit from continuing operations		44,066	46,671
Share of profit of associates		91	32
Profit for the year		44,157	46,703
Non-controlling interests		19	126
Profit for the year attributable to owners of the parent		44,138	46,577

(in €)

Basic earnings per share - continuing operations	31	0.460	0.484
Basic earnings per share - discontinued operations			
Basic earnings per share		0.460	0.484
Diluted earnings per share - continuing operations		0.410	0.432
Diluted earnings per share - discontinued operations			
Diluted earnings per share		0.410	0.432

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the years ended 31 December 2013 and 31 December 2012

(in € thousands)	2013	2012 restated
Profit for the year	44,157	46,703
Items that will not be reclassified to profit or loss	232	(2,843)
- Actuarial gains (losses) on defined benefit plans	490	(4,079)
- Income tax on items not reclassified	(258)	1,236
Items that may be reclassified to profit or loss	(626)	513
- Foreign currency translation adjustment	(626)	494
- Financial assets at fair value and other financial assets		19
Other comprehensive income	(394)	(2,330)
Total comprehensive income for the year	43,762	44,372
<i>Attributable to owners of the parent</i>	43,743	44,246
<i>Attributable to non-controlling interests</i>	19	126

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the years ended 31 December 2013 and 31 December 2012

(in € thousands)	Number of shares	Share capital	Additional paid-in capital
Balance as of 1 January 2012	104,691,588	17,077	72,530
Profit for the year			
Other comprehensive income, net of tax			
Total comprehensive income for 2012	104,691,588	17,077	72,530
Cancellation of shares	(8,000,000)		
Share-based payments			
Dividends paid			
Treasury share transactions			
Other changes with an impact on equity			
Balance as of 31 December 2012 (reported)	96,691,588	17,077	72,530
<i>Adjustments (see Note 2.1)</i>			
Balance as of 1 January 2013 (restated)	96,691,588	17,077	72,530
Profit for the year			
Other comprehensive income, net of tax			
Total comprehensive income for 2013	96,691,588	17,077	72,530
Cancellation of shares	(6,014,892)		
Capital increase	15,840,618	2,797	104,233
Share-based payments			
Dividends paid			
Treasury share transactions			
Changes in convertible bonds			(1,774)
Transactions with an impact on non-controlling interests			
Balance as of 31 December 2013	106,517,314	19,874	174,989

Treasury shares	Consolidated reserves and retained earnings	Other comprehensive income	Attributable to owners of the parent	Attributable to non-controlling interests	Total
(22,642)	69,744	(1,087)	135,622	(119)	135,503
	47,448		47,448	126	47,574
		(1,190)	(1,190)		(1,190)
(22,642)	117,192	(2,277)	181,880	7	181,887
29,489	(29,489)				
	1,104		1,104		1,104
	(9,762)		(9,762)	(3)	(9,764)
(16,741)	534		(16,207)		(16,207)
	(34)		(34)	188	154
(9,894)	79,545	(2,277)	156,980	192	157,173
	(872)	(1,140)	(2,012)		(2,012)
(9,894)	78,673	(3,417)	154,969	192	155,161
	44,138		44,138	19	44,157
		(394)	(394)		(394)
(9,894)	122,811	(3,811)	198,713	212	198,923
34,073	(34,073)				
			107,030		107,030
	1,236		1,236		1,236
	(9,280)		(9,280)		(9,280)
(31,083)	306		(30,777)		(30,777)
842			(932)		(932)
	(6,132)		(6,132)	(100)	(6,232)
(6,062)	74,868	(3,811)	259,858	112	259,970

CONSOLIDATED STATEMENT OF CASH FLOWS

as of 31 December 2013

(in € thousands)	2013	2012 (restated)
Profit for the year	44,157	46,703
Elimination of the share of profit of associates	(91)	(32)
Depreciation/amortisation	10,504	9,647
Impairment of financial assets	(8)	(23)
Impairment of trade receivables, inventories and other current assets	5,098	(3,003)
Losses on disposals of property, plant and equipment and intangible assets	577	59
Impact of changes in fair value of financial instruments		(124)
Change in residual interest in leased assets	(4,968)	(3,823)
Change in provisions	(7,434)	7,630
Income and expenses related to share-based payments	1,236	1,104
Cash flows from operating activities after cost of net debt and income tax	49,071	58,138
Income tax expense	23,011	16,411
Cost of net debt	6,734	8,196
Cash flows from operating activities before cost of net debt and income tax (a)	78,816	82,745
Change in working capital (b)	36,805	(52,660)
Income tax paid (c)	(12,433)	(8,481)
Net cash from operating activities (a+b+c=d)	103,188	21,604
Acquisition of property, plant and equipment and intangible assets, excluding the Leasing business	(14,804)	(7,313)
Disposal of property, plant and equipment and intangible assets, excluding the Leasing business	1,555	40
Acquisition/disposal of property, plant and equipment allocated to the Leasing business	(60)	(56)
Acquisition of financial assets	(6,309)	(2,841)
Disposal of financial assets	4,708	5,558
Acquisition of companies and businesses, net of cash acquired	(18,032)	(10,876)

(in € thousands)	2013	2012 (restated)
Net cash used in investing activities (e)	(32,942)	(15,488)
Redemption of convertible bonds (OCEANE)	(1,775)	
Changes in gross commitments on residual financial value	(140)	(9,416)
Increase in non-current financial liabilities	13,334	3,373
Decrease in non-current financial liabilities	(17,678)	(2,529)
Increase in current financial liabilities	79,027	17,099
Decrease in current financial liabilities	(25,530)	(45,855)
Interest paid	(6,584)	(8,196)
Acquisition and disposal of treasury shares	(30,775)	(16,244)
Dividends paid during the year	(9,329)	(9,733)
Net cash from/(used in) financing activities (f)	546	(71,502)
Impact of exchange rates on cash and cash equivalents (g)	(504)	466
Change in cash and cash equivalents (d+e+f+g)	70,289	(64,922)
Cash and cash equivalents as of 1 January	79,850	144,772
Change in cash and cash equivalents	70,289	(64,922)
Cash and cash equivalents as of 31 December	150,139	79,850

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as of 31 December 2013

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1. INFORMATION ABOUT ECONOCOM GROUP

Econocom Group SA/NV, the Group's parent company, is a *société anonyme* (joint-stock company) governed by Belgian law with a Board of Directors. Its registered office is located at Place du Champ de Mars, 5, 1050 Brussels.

The company is registered on the Brussels register of companies under number BE0422 646 816 and is listed on Euronext Brussels.

The consolidated financial statements for the year ended 31 December 2013 reflect the accounting position of Econocom Group and its subsidiaries.

The Board of Directors' meeting of 4 March 2014 adopted and authorised the publication of the consolidated financial statements for the year ended 31 December 2013. These financial statements shall only be deemed final once they have been approved by the shareholders at the Annual General Meeting on 20 May 2014.

The financial statements were submitted to the shareholders on 14 April 2014.

In 2013, the group completed a merger with Osiatis Group and acquired Exaprobe. These transactions are part of the "Mutation 2013-2017" strategic plan, which aims to establish the group as the European pioneer in the technological integration and financing of digital solutions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. General principles and statement of compliance

Econocom Group's 2013 consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations, as adopted by the European Union (regulation 1606/2002 of 19 July 2002) at the end of the financial year. These financial statements compare the data from 2013 with that of 2012, which was prepared in accordance with the same standards.

As of 31 December 2013, the financial reporting standards and interpretations adopted by the European Union were similar to the mandatory financial reporting standards and interpretations published by the IASB (International Accounting Standards Board).

International standards include IFRS, IAS (International Accounting Standards) and the interpretations of the IFRIC (International Financial Reporting Interpretations Committee).

The financial statements presented do not take into account drafts of standards and interpretations which, at the end of the financial year, were still being developed as an exposure draft by the IASB and the IFRIC.

All the standards applied 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.

2.2. Adoption of IFRS

2.2.1. Standards, amendments and interpretations applicable as from 1 January 2013

The Group has adopted all the new standards, amendments and interpretations which were applicable as of 1 January 2013 and applied by the European Union.

Standard/interpretation	Application date EU (1)	Application date Group	Impact on the Group
IAS 19, Employee benefits (amended in 2011) All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability to be recognised in the statement of financial position to reflect the full value of the plan deficit or surplus. Another significant change to IAS 19 related to the presentation of changes in defined benefit obligations and plan assets with changes being disaggregated into three components: service cost, net interest and remeasurement.	1 January 2013	1 January 2013	As Econocom Group already applies the SoRIE method, the amendment will require few changes. As of 31 December 2012, there was an adjustment of €0.9 million to reflect the retrospective change in the recognition of commitments for future services.
Annual improvements (2009-2011 cycle) Amendments to IAS 1, IAS 16, IAS 32 and IAS 34	1 January 2013	1 January 2013	The presentation of the statement of comprehensive income has changed. In accordance with the amendment to IAS 16, servicing equipment continues to be recognised in inventory as our servicing equipment does not meet the definition of property, plant and equipment (for further information, see Note 2.10).
IFRS 13 – Fair value measurement IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.	1 January 2013	1 January 2013	Immaterial impact on the measurement of the fair value of assets and liabilities.
Amendment to IFRS 7 Disclosures – Offsetting financial assets and financial liabilities The changes require disclosures on offsetting rights and related arrangements (such as collateral agreements) for financial instruments subject to an enforceable master netting arrangement or similar agreement.	1 January 2013	1 January 2013	Immaterial impact on the financial statements.

2.2.2. New standards, amendments and interpretations applicable in the European Union or which could be early adopted for accounting periods beginning on or after 1 January 2013.

Standard/interpretation	Application date EU (1)	Application date Group	Impact on the Group
IFRS 10 – Consolidated financial statements: IFRS 10 changes the definition of control by stating that an investor controls an investee when a) it has power over the investee b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power over the investee to affect the amount of the investor's returns. This principle applies to all investees, including structured entities. An investor is deemed to control an investee when all three of the above elements are fulfilled.	1 January 2014	1 January 2014	Standard not early adopted
IFRS 9 – Financial instruments IFRS 9 was amended in October 2010 to include new requirements for the classification and measurement of financial liabilities and derecognition.	1 January 2015	1 January 2015	Standard not early adopted
IFRS 11 – Joint arrangements This concerns the classification and recognition of a joint arrangement whereby two or more parties have joint control.	1 January 2014	1 January 2014	Standard not early adopted
IFRS 12 – Disclosure of interests in other entities This new standard applies to entities that have interests in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity.	1 January 2014	1 January 2014	Standard not early adopted
Amendment to IAS 32 – Financial Instruments: Presentation – Offsetting financial assets and financial liabilities This amendment clarifies the conditions for offsetting, and in particular the criteria "currently has a legal enforceable right to set off the recognised amounts" and "intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously".	1 January 2014	1 January 2014	Standard not early adopted
Amendment to IAS 36 – Recoverable amount disclosures for non-financial assets The amendment clarifies the disclosure requirements for the recoverable amount of non-financial assets.	1 January 2014	1 January 2014	Standard not early adopted
Amendment to IAS 27 This transfers certain definitions to IFRS 10.	1 January 2014	1 January 2014	Standard not early adopted

2.3. Basis for preparation and presentation of the consolidated financial statements

2.3.1. Basis for reporting

The consolidated financial statements were prepared on a historical cost basis, with the exception of:

- certain financial assets and liabilities at fair value;
- non-current assets held for sale, measured and recorded at the lower of the carrying amount and the fair value less the costs to sell once the sale is deemed highly probable. These assets are no longer amortised once they are recognised as assets (or a group of assets) held for sale.

Concept of fair value applied by the Group

The Group applies the concept of fair value as defined by IFRS 13, which establishes the following fair value hierarchy:

- 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 Group has no financial assets measured at fair value at 31 December 2013 (see Note 14 to the consolidated financial statements).

Financial liabilities measured at fair value primarily concern liabilities on acquisitions of companies and are categorised within level 3 (see Note 20 to the consolidated financial statements).

2.3.2. Changes to presentation

Changes to presentation and reclassifications are made when they provide information that is both reliable and more relevant for the readers of the financial statements and when the changes in question are likely to last, without compromising comparability. When a change to presentation has a significant impact, the comparative information must also be reclassified.

The Group made several changes to the presentation of the financial statements for the periods ending 31 December 2013 and 2012.

These changes are the result of the following factors:

- In accordance with IFRS 3, corrections were made to the opening balance sheet of the companies acquired in 2012 following the detection of items applying to periods prior to the acquisition date that were not included in the initial assessment of the opening balance sheet.
- As a result of the first-time application of IAS 19R, additional provisions were made for defined benefit obligations resulting from a change of benefit plan.
- In order to reflect the market situation in Belgium, Belgian defined contribution plans recognised as defined benefit plans and in accordance with the IFRIC's January 2008 update, recognition of obligations for staff life insurance.
- Reclassifications of balance sheet and income statement items to improve comparability of accounting periods and comply with market practices.

2.3.3.1. Reclassifications in the statement of financial position

(in € thousands)	Notes	2012 restated	2012 reported
Non-current assets			
Intangible assets, net		47,790	47,790
Goodwill	1	149,635	149,207
Property, plant and equipment, net		13,330	13,330
Financial assets		12,417	12,417
Residual interest in leased assets	2	63,578	41,422
Long-term receivables		1,740	1,740
Deferred tax assets	3	15,767	14,656
Total non-current assets		304,257	280,562
Current assets			
Inventories		25,626	25,626
Trade and other receivables	4	665,320	672,463
Residual interest in leased assets	2	25,022	11,058
Current tax assets		7,318	7,318
Other current assets		21,415	21,437
Cash and cash equivalents		79,850	79,850
Total current assets		824,552	817,752
Total assets		1,128,809	1,098,314

(in € thousands)	Notes	2012 restated	2012 reported
Share capital		17,077	17,077
Additional paid-in capital and reserves		91,316	92,455
Profit for the year		46,576	47,448
Equity attributable to owners of the parent		154,969	156,980
Non-controlling interests		192	192
Total equity		155,161	157,172
Non-current liabilities			
Financial liabilities		4,068	4,068
Gross commitments on residual financial value*	2	33,031	10,875
Bonds		77,771	77,771
Non-current provisions		424	424
Provisions for pensions and other post-employment benefits	5	17,278	14,064
Other non-current liabilities		6,588	6,590
Deferred tax liabilities		14,186	14,186
Total non-current liabilities		153,346	127,978
Current liabilities			
Financial liabilities		25,447	25,447
Gross commitments on residual financial value*	2	15,756	1,791
Bonds		3,360	3,360
Current provisions	6	29,871	36,906
Current tax liabilities		4,600	4,600
Trade and other payables	7	600,112	599,906
Other current liabilities		141,156	141,156
Total current liabilities		820,302	813,164
Total equity and liabilities		1,128,809	1,098,314

* In the financial statements as reported, this refers to commitments netted contract by contract with the residual interest in leased assets (see Note 2).

1. Adjustment to goodwill of companies acquired in 2012: €418,000

This adjustment reflects the definitive accounting of the opening balance sheets.

2. Breakdown of residual interest in leased assets and residual financial value

In order to reflect more accurately the specific nature of its Technology Management & Financing business, the Group has decided to present the following items on separate lines of the balance sheet: gross commitments on residual financial value, broken down into current and non-current liabilities; and residual interest in leased assets, broken down into current and non-current assets.

Residual interest 2012 (in € thousands)	Net value	Netting	Gross value
Non-current	41,422	22,146	63,578
Current	11,057	13,965	25,022
Total	52,479	36,111	88,600

Gross commitments on residual financial value 2012 (in € thousands)	Net value	Netting	Gross value
Long-term	10,875	22,156	33,031
Short-term	1,791	13,965	15,756
Total	12,666	36,121	48,787

Until 2012, the Group netted, on a contract-by-contract basis, the residual interest in leased assets (corresponding to the estimated future value of leased equipment held under lease) and firm commitments to purchase the same equipment from refinancing institutions.

This presentation, which represents an economic position for the Group Management, is no longer shown in the balance sheet in order to avoid netting a non-financial asset and a financial liability.

If this netting had been carried out on 31 December 2013, it would have resulted in a €35 million reduction in the total balance sheet.

3. Impact of provisions and corrections to the opening balance sheet on deferred tax assets

(in € thousands)

Recognition of defined benefit plan obligations in Belgium	587
Change in retirement benefit plan in France	458
Deferred taxes for other corrections to the opening balance sheet	65
Total	1,110

4. Reclassification of provision for risks associated with the Technology Management & Financing business

This provision, which until 2012 was classified under liabilities under provisions for risks associated with the business, includes a risk relating to lease receivables that are recognised under "Trade and other receivables." It was deemed more appropriate to deduct it from assets, as with an impairment loss on trade receivables.

5. Provisions for pensions and other post-employment benefits

(in € thousands)

Net adjusted obligation in respect of defined benefit plans in Belgium	1,727
Change in retirement benefit plan in France	1,330
Retirement benefits for France Systèmes	157
Total	3,214

Recognition of a provision for post-employment benefits for Belgian employees

Following the Belgian insurance companies' limitation of their obligation in respect of "defined contribution" contracts, in 2012 the Group recognised provisions for post-employment benefits for Belgian employees (€1.4 million for death cover and €0.3 million for pensions) in other items of comprehensive income.

Change in the retirement benefit plan

In 2012, the Group decided to include all French employees in the same collective bargaining agreements (Syntec), which increased the amount of termination benefits paid by the Group to certain employees.

As this increase does not correspond to past services performed by the beneficiaries of the plan, the Group amortised the amount over the average vesting period, in accordance with IAS 19. In 2012 this commitment amounted to €1.3 million, gross (€0.9 million net of tax).

In accordance with IAS 19R, applicable as of 1 January 2013, which requires any plan changes to be recognised in profit or loss, the Group retrospectively changed its net position in order to recognise this liability.

6. Current provisions

(in € thousands)

Correction to opening balance sheets	130
Provision for risks associated with the business now presented in impairment	(7,165)
Total	(7,035)

7. Adjustments to the opening balance sheet: +€ 206,000

2.3.3.2. Reclassifications in income statement

(in € thousands)	Notes	2012 restated	2012 reported
Revenue from continuing operations		1,538,340	1,538,340
Operating expenses		(1,463,532)	(1,466,207)
Cost of sales		(1,123,292)	(1,123,292)
Personnel costs	1	(216,256)	(215,393)
External expenses		(104,173)	(104,173)
Depreciation, amortisation and provisions	2	(7,105)	(5,767)
Taxes (other than income taxes)	3	(7,071)	(10,608)
Impairment losses on current and non-current assets, net	2	(1,547)	(2,885)
Other operating income and expenses		(473)	(473)
Financial expense, operating activities		(3,616)	(3,616)
Recurring operating profit		74,808	72,133
Other non-recurring operating income and expenses		(3,531)	(3,531)
Operating profit		71,277	68,602
Financial income		284	284
Financial expense	4	(5,400)	(4,933)
Profit before tax		66,161	63,953
Income tax expense	4	(19,490)	(16,411)
Profit from continuing operations		46,671	47,542
Share of profit of associates		32	32
Profit for the year		46,703	47,574
Non-controlling interests		(126)	(126)
Profit for the year attributable to owners of the parent		46,577	47,448

In compliance with the IFRS standard for presenting financial statements, the Group has presented net financial expense on two separate lines: financial expense and financial income.

1. Personnel costs: €(863,000)

(in € thousands)

Reclassification of discounting cost for changing provisions for pensions	
2012 to financial expense	467
Change in retirement benefit plan in accordance with IAS 19R	(1,330)
Total	(863)

2. Reclassification of changes to provisions as changes to impairment of trade receivables €(1,338,000)

3. Reclassification of CVAE (French business tax on added value) as income tax: €3,537,000

This French tax is calculated on the basis of added value which corresponds to the definition of taxable profit in accordance with IAS 12 – Income taxes.

Consequently, following the merger with Osiatis, the Group decided to present this expense in income tax, like most large service companies in France.

4. Financial expense

(in € thousands)

Reclassification of financial cost of 2012 retirement benefit provision to financial expense	(467)
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5. Income tax: €(3,079,000)

(in € thousands)

Reclassification of CVAE in income tax	(3,537)
Change in retirement benefit plan in accordance with IAS 19R	458
Total	(3,079)

2.3.3.3. Use of estimates and judgement

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.

The Group's Management regularly reviews its estimates and assumptions in order to ensure that they accurately reflect both past experience and current economic position.

Depending on how these assumptions change, the items in future financial statements may differ from the current estimates. The impact of changes in accounting estimates is recognised during the change period and all future periods affected by the changes.

The main estimates made by Management for the preparation of the financial statements concern the valuation and useful life of operating assets, property, plant and equipment, intangible assets, goodwill and contingent consideration, provisions for risks and other provisions associated with the business, and the assumptions used for calculating obligations relating to employee benefits, share-based payments, deferred taxes and financial instruments. The Group uses discount rate assumptions, based on market data, to estimate assets and liabilities.

The main assumptions used by the Group are set out in the relevant sections in the notes to the financial statements and in particular in the following notes:

- Note 2.9.3 – Gross commitments on residual financial value and residual interest in leased assets
- Note 2.11 – Impairment of assets
- Note 2.12 – Financial assets and liabilities
- Note 2.14 – Share-based payments
- Note 2.15 – Income tax
- Note 2.16 – Provisions and contingent liabilities
- Note 2.17 – Post-employment benefits and other long-term commitments
- Note 2.21 – Government grants
- Note 3 – Changes in the scope of consolidation

The main accounting methods for which assessments require the use of estimates concern the items in Note 38 – Assessments made by Management and sources of uncertainty.

2.4. Consolidation methods

These consolidated financial statements include the Group's financial statements and those of the entities (including structured entities) it controls and its subsidiaries.

The Group is deemed to control a company when it has the power to govern the financial and operating policies of a company in such a way as to obtain benefits from its activities.

2.4.1. Subsidiaries

Subsidiaries are companies over which Econocom exercises exclusive control. Exclusive control is presumed to exist when the parent company holds, directly or indirectly, the power to govern the financial and operating policies of a company in such a way as to obtain benefits from its activities. Subsidiaries are included in the scope of consolidation as of the date on which control is effectively transferred to the Group; sold subsidiaries are removed from the scope of consolidation on the date of loss of control.

Exclusively-controlled entities are fully consolidated by the Group: the assets, liabilities, income and expenses of the subsidiary are fully consolidated, line by line 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.

Where necessary, adjustments are made to the financial statements of subsidiaries in order to bring their accounting methods in line with those of the Group.

All intragroup assets, liabilities, equity, income, expenses and cash flow relating to transactions between entities within the Group must be completely eliminated at the time of consolidation.

2.4.2. Investments in associates and joint ventures

Associates are investments in which the Group exercises significant influence, meaning that it has the power to participate in the financial and operating policies of the company without controlling or jointly controlling it. Significant influence is presumed when the parent company holds, directly or indirectly, a fraction equal to at least 20% of the entity's voting rights.

Such investments in associates are consolidated under the equity method: investments in associates are initially recognised at cost of acquisition in the consolidated statement of financial position, and then adjusted to recognise the Group's share in profit and other items of comprehensive income of the associate.

If the Group's share in the associate's losses is greater than its investment in it, the Group ceases to recognise its share in future losses. Additional losses are only recognised if the Group is under a legal or implicit obligation to do so or if it has made payments on behalf of the associate.

Interadapt

On 31 December 2013, the Group acquired Osiatis' 28.76% stake in Interadapt and as such can exercise:

- an initial call option in 2014 based on the 2013 financial statements and for 22.5% of the shares;
- a second call option in 2015 based on the 2014 financial statements and for 9.99% of the shares.

These call options are considered to be at fair value and as such have no impact on the balance sheet.

In the event that Osiatis has not exercised its call option by 31 December 2014, the founders of Interadapt can – but will be under no obligation to – repurchase the Interadapt shares held by Osiatis Group.

The Group has opted to use the equity method to consolidated Interadapt, as defined in IAS 28.

Investments in associates	% control	% interest
Interadapt (Brazil)	28.76	28.76
Ecofinance Technologies	40.00	40.00
Broke Systèmes	20.00	20.00

2.4.3. Business combinations and goodwill

Acquisitions of businesses are accounted for using the acquisition method, in accordance with IFRS 3R. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of:

- the assets transferred by the Group;
- liabilities incurred by the Group to the former owners of the acquiree;
- the equity interests issued by the Group in exchange for control of the acquiree.

The Group may also choose whether to measure non-controlling interests at fair value or as the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The identifiable assets and liabilities and contingent liabilities of the acquiree which comply with IFRS are recognised at fair value at the acquisition date, except for non-current assets held for sale, which are recognised at fair value less the cost of sale, in accordance with IFRS 5.

Expenses arising from the acquisition are recognised in profit or loss 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.

Goodwill is usually determined on a provisional basis at the end of the year during which the acquisition took place. According to IFRS, the Group must account for adjustments of these provisional amounts within a year of the acquisition date.

These adjustments reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date.

If the differences between the provisional and final amounts have a material impact on the presentation of the financial statements, the comparative information presented for the period before the valuation of fair value was completed is restated as if the amounts had been finalised at the acquisition date.

Measuring contingent consideration

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration agreement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred.

The contingent consideration will then be adjusted depending on its initial classification.

- Contingent consideration classified as equity shall not be remeasured at subsequent reporting dates, and its subsequent settlement shall be accounted for within equity.
- Contingent consideration classified as an asset or liability is remeasured at subsequent reporting dates in accordance with IAS 39 Financial instruments – Recognition and measurement, or IAS 37 – Provisions, contingent liabilities and contingent assets, as appropriate, with any resulting gain or loss recognised in profit or loss.

Negative goodwill

If, after remeasurement, the net of the acquisition-date amounts of the identifiable assets acquired and the financial liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer'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 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, they can be initially measured:

- at fair value, resulting in the recognition of additional goodwill ("full goodwill" option); or
- at the non-controlling interest's proportionate share in the recognised amounts of the acquiree's net identifiable assets.

Changes in ownership interest

The recognition of subsequent changes in ownership interest (through acquisition of additional interests or disposal) 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 (for example for business combinations achieved in stages), the interest held by the Group in the acquiree before the business combination will be remeasured to fair value through profit or loss.

Impairment of goodwill

Subsequently, goodwill is measured at its cost less any impairment losses, determined in accordance with the method described in Note 2.11. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units (CGUs), or groups of CGUs, which should benefit from the business combination synergies.

In the event of impairment, the impairment loss is recorded under "Other non-recurring operating income and expenses" in the income statement included in the Group's operating profit.

2.5. Translation of foreign currencies

2.5.1. Functional currency and reporting currency

The items in the financial statements of each Group entity are measured using the currency of the primary economic environment (or “functional currency”) in which the entity operates. The Group’s consolidated financial statements are presented in euros, which is the Group’s reporting currency.

2.5.2. Recognition of foreign currency transactions

For the purpose of preparing the financial statements of each of the Group’s entities, 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 in foreign currencies are translated at the reporting date at the year-end rate. Any foreign exchange gains or losses resulting or arising on the payment of these monetary items are recognised in the income statement for the period in which they occur.

Non-monetary items recognised at fair value in foreign currencies are translated using the exchange rate prevailing at the date the fair value was determined. Non-monetary items in foreign currencies measured at historical cost are not translated.

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.

The accounting of currency hedges as derivatives is described in the “Derivative instruments” section of Note 2.12 – Financial assets and liabilities.

2.5.3. Translation of the financial statements of foreign entities

The results and financial positions of the Group’s entities with functional currencies other than the reporting 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.
- Exchange differences are recognised in foreign currency translation adjustments in the statement of comprehensive income, within other items of comprehensive income, and in particular foreign currency translation adjustments arising on borrowings in foreign currencies covering an investment in a foreign currency or a permanent advance to subsidiaries.

2.6. Intangible assets

2.6.1. Separately acquired intangible assets

Separately acquired intangible assets are measured either at their acquisition cost or at their acquisition-date fair value in the context of a business combination.

Subsequent to their acquisition date, they are measured at their entry cost less accumulated amortisation and impairment losses.

Intangible assets with finite useful lives are amortised over their economic useful life.

Intangible assets with indefinite useful lives are not amortised.

Useful lives	In years
Franchises, patents, licences	3 - 7

2.6.2. Internally generated intangible assets

The Group carries out IT development projects. Expenses incurred by this activity 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 all the following elements have been established:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

The initial cost of an internally generated intangible asset is equal to the sum of expenditure incurred from the date on which the intangible asset first meets the above-mentioned recognition criteria.

If no internally generated intangible assets can be recognised, the development costs are recognised in profit or loss for the year in which they were incurred.

After initial recognition, an internally generated intangible asset shall be carried at a revalued amount less any subsequent accumulated amortisation and any subsequent accumulated impairment losses, in accordance with the same method used for separately acquired intangible assets.

Useful lives	In years
IT systems	3 - 7

2.6.3. Intangible assets acquired in business combinations

Intangible assets acquired by the Group are measured at their acquisition cost less any accumulated amortisation and impairment losses. They mainly comprise operating licences and software.

They are amortised according to the straight-line method over their useful lives.

The customer portfolio acquired from ECS Group was valued according to the MEEM method (Multi-period Excess Earning method) at €40 million amortised over 20 years.

The Osiatis brand has been measured according to the method based on future returns. These returns represent percentages of revenue and EBIT in line with comparable market equivalents.

Useful life	In years
Amortisable business assets	5
ECS customer portfolio	20
Franchises, patents, licences	3-7
IT systems	3-7
Osiatis brand	10

2.7 Property, plant and equipment

2.7.1. Property, plant and equipment held directly

Property, plant and equipment are carried at acquisition cost less any accumulated depreciation and impairment losses.

Depreciation is recognised according to the straight-line method over the estimated useful life of the assets taking into account any residual value.

Useful life	In years
Land	Indefinite
Buildings	20-50
Fixtures	10
IT equipment	3-7
Vehicles	4-7
Furniture	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 as separate items under property, plant and equipment.

Gains or losses on the sale of an item of property, plant and equipment are determined by the difference between the income from the sale and the net carrying amount of the sold asset and are included in "Other operating income and expenses" or in "revenue" if the sale took place in the ordinary course of the Group's operations.

Property being built for the production or supply of goods or services or for administrative purposes is recognised at cost less any impairment loss recognised. The cost includes fees and, for qualified assets and borrowing costs capitalised according to the Group's accounting method. These assets are classified under the appropriate property, plant and equipment category when construction is completed and they are ready for use. These assets are depreciated, as with other types of property, once they are ready for their intended use.

Borrowing costs are not included in the cost of assets as there are no assets that require long preparation periods to be used or sold.

2.7.2. 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 29.

Assets held under finance leases are depreciated over the same periods as items of directly held property, plant and equipment of an identical category.

2.8. Other financial assets

Investments in non-consolidated companies are recorded at fair value. Any unrealised gains or losses are recognised directly in equity. When the investment is sold, the accumulated gain or loss previously recognised in equity is included in profit or loss for the period.

2.9. Leases entered into by the Technology Management & Financing business

Virtually all leases operated by the Technology Management & Financing business are finance leases although operating leases may also be contracted.

2.9.1. Finance Leases

The Group identifies finance leases, as opposed to operating leases, based on the definitions set out in paragraphs 7 to 12 of IAS 17. In the absence of simple criterion, such as a purchase option below fair value, the Group will usually use the fair value criterion, then the useful life of the asset in order to classify the lease as a finance lease. The thresholds applied are based on those of ASC 840 under US GAAP, i.e. 85% of fair value 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 very rare.

The Group’s finance leases are mainly refinanced contracts, whereby:

- Equipment and related contracts 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, Econocom Group relinquishes ownership of the equipment on the date of sale and recovers ownership at the end of the lease term by repurchasing the equipment. In some cases, the Group asks 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 clients to the refinancing institutions.

Revenue, cost of sales and residual interest 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. Article 5.1 of the Group's General Sales Conditions defines 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 is recognised in assets (as defined in section 2.9.3 below) and their gross commitments on residual financial value (the Group's repurchase commitment) is recognised in liabilities.

In the income statement

- Related revenue 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 are recognised in the income statement when they are funded. There are therefore only unacquired financial expenses or income on, respectively, residual financial value (€5,167,000 at 31 December 2013) and the Group's residual interest in the leased assets (€10,267,000 at 31 December 2013).
- 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.

Specific cases of lease extensions

Revenue is recognised on lease extensions in line with the initial qualification of the lease, i.e.:

- If the initial contract qualifies 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 qualifies as a finance lease, revenue from the extension of the lease will be recognised in full on the last day of the initial lease.

2.9.2. Operating leases

Econocom 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 payment recorded as revenue and the depreciation described above recorded as an expense.

2.9.3. Gross commitments on residual financial value and residual interest in leased assets

Gross commitments on residual financial value

As stated above, leased equipment is repurchased from refinancing institutions at the end of the lease term. These repurchase prices are classified as “gross commitments on residual financial value”.

The gross commitments on residual financial value represent a liability – which is generally long-term – which is discounted using the same method as for the related lease. This liability is recognised as financial liabilities but is excluded from net debt (see Note 2.12.6).

Residual interest in leased assets

Econocom Group’s residual interest in the transferred assets 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. This residual interest 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 nevertheless rare.
- For renewable asset management contracts (such as the Technology Refresh Option), 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.

2.10. Inventories

For the Group, inventories are assets:

- held for sale in the ordinary course of business; or
- in the form of materials or supplies to be used in delivering services.

For the Products & Solutions and Technology Management & Financing businesses, inventories are measured either at the lower of their cost price – measured using the weighted average cost method – or at net realisable value.

For the Services business, inventories are accounted for at cost price and impaired in line with the economic life of the infrastructures for which they are intended; or if their use is more uncertain, these inventories are impaired at their recoverable amount.

Cost price is the cost of acquiring supplies, including the purchase price, customs duties, non-recoverable taxes, transport and handling costs, and any other costs which can be directly attributed to inventories, less any discounts and reductions and costs of installing inventories and foreign exchange losses and gains not included in the gross value of the inventories purchased.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Spare parts are not capitalised.

2.11. Impairment of assets

Goodwill in cash-generating units (CGUs) or groups of CGUs undergo impairment tests every year at 31 December, or more often if there is objective evidence that an impairment loss may have occurred in a unit.

A CGU is described as the smallest group of assets with cash flow that is largely independent of that generated by other assets or groups of assets.

When events or circumstances indicate that an impairment loss may have occurred in a CGU, an impairment test is performed, mainly on goodwill but also on the intangible assets or property, plant and equipment of this CGU. Such events or circumstances may be the result of significant unfavourable events of a long-term nature affecting either the economic environment or the assumptions and objectives decided at the acquisition date.

The impairment test involves determining whether the recoverable amount of an asset, CGU or group of CGUs is lower than its carrying amount.

The recoverable amount of an asset, CGU or group of CGUs is the higher of its fair value less costs to sell and its value in use.

The value in use is determined in relation to the projected future cash flow, and taking into account the time value and the risks associated with the business and the specific context of the CGU or group of CGUs.

Future cash flow projections are made based on the budgets and medium-term plans.

These plans are made for a maximum five-year period. To calculate the value in use, a terminal value equal to the discounting to perpetuity of an annual normative flow is added to the value of future flows throughout the duration of the plan.

Fair value is the amount that could be obtained from the sale of the assets tested under normal competitive conditions between well-informed, consenting parties, less the disposal cost. 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 in priority as a reduction of the carrying amount of goodwill allocated to the unit and then charged to the assets of the unit, prorata to the carrying amount of each of the components of the unit. The impairment loss is recorded under "Other non-recurring operating income and expenses" in the income statement.

Impairment losses recorded as property, plant and equipment and other intangible assets may be reversed in subsequent periods for the impairment loss initially accounted for, when the recoverable amount is once again higher than the carrying amount. Impairment losses recorded in goodwill may not be reversed.

When a CGU is sold, the resulting goodwill is taken into account when determining the gains or losses on the sale.

2.12. Financial assets and liabilities

2.12.1. Financial assets

In accordance with IFRS 7, financial assets are broken down into the following four categories:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity financial assets;
- available-for-sale financial assets.

The classification determines the accounting treatment of these instruments and is decided by the Group at the initial accounting date, depending on the objective in view of which the assets were acquired. Acquisitions and sales of financial assets are accounted for at the transaction date. Standard purchases or sales are purchases or sales of financial assets that require assets to be delivered within a time frame defined by regulations or market conventions.

2.12.1.1. Financial assets at fair value through profit or loss

These financial assets are measured at fair value; any changes in fair value are recognised in profit or loss.

This category includes:

- financial assets held for trading, which include:
 - assets that the Group intends to sell in the near term,
 - assets that are managed as part of a portfolio of financial instruments and for which there exists a past practice of short-term profits,
 - derivative instruments that are not accounted for as hedging instruments;
- financial assets other than ones held for trading can be designated as being at fair value through profit or loss at the initial accounting date:
 - if this designation eliminates or substantially reduces an accounting or measuring inconsistency which would otherwise have arisen,
 - if the financial asset is part of a group of financial assets, financial liabilities or both, that is managed and whose performance is measured using the fair value method, in accordance with a risk management or investment strategy documented by the Group and if the information on the Group is provided internally on this basis,
 - if it is part of a contract including one or more derivatives and if the whole contract can be designated at fair value through profit or loss, in accordance with IAS 39.

Financial assets at fair value through profit or loss are measured at fair value, and the gains or losses resulting from the remeasurement are recognised in profit or loss.

The gains or losses recognised in profit or loss include dividends or interest received for the financial asset and is included under financial income and expenses.

2.12.1.2. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. This category includes trade and other receivables, loans and security guarantees, receivables from controlled entities, cash and cash equivalents and advances given to associates or non-consolidated entities.

These financial assets are initially recognised at fair value plus any directly attributable transaction costs; they are subsequently recognised at amortised cost at each reporting date using the effective interest method.

Loans and receivables are assessed on an individual basis for objective evidence of impairment. They are recognised at amortised cost using the effective interest method, less any impairment loss.

A financial asset is assessed on an individual basis and an impairment loss is recognised if its carrying amount is greater than its estimated recoverable amount. Impairment losses are recorded in the income statement and may be reversed in subsequent periods if there is an increase in the estimated recoverable amount of the assets in question.

“Impairment of trade receivables” includes a provision for outstandings from leases for which the counterparty risk has not been transferred in order to present the outstandings net of impairment loss.

2.12.1.3. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Investments other than equity-accounted investments are determined using level 3 fair values.

They are assessed on an individual basis for objective evidence of impairment and an impairment loss is recognised in the income statement if their carrying amount is greater than their estimated recoverable amount.

2.12.1.4. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets which are considered as available for sale or do not belong to the three above-mentioned categories.

They are initially recognised at fair value which corresponds to their acquisition cost plus any transaction costs. After initial recognition, they are remeasured at market value on the reporting date, which Econocom Group deems to be their fair value.

Changes in the carrying amount of available-for-sale monetary financial assets resulting from exchange rate fluctuations, interest income calculated using the effective interest method and dividends on investments in available-for-sale equity are recognised in profit or loss.

Other changes in the carrying amount of available-for-sale financial assets are recorded in other items of comprehensive income. If the investment is transferred or it is deemed to be impaired, the previously accumulated gains or losses recognised in reserves for the remeasurement of investments are reclassified in profit or loss.

Available-for-sale financial assets are tested for impairment on an individual basis and if there is objective evidence of impairment, an impairment loss is recorded in the income statement (impairment losses recognised on equity instruments are irreversible).

2.12.2. 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 records separately as an asset or liability any rights and obligations created or retained in the transfer.

Retaining substantially all the risks and rewards of ownership of a sold financial asset

If the Group has retained substantially all the risks and rewards of ownership of a sold financial asset, it continues to recognise it in addition to recognising the consideration received as a secured borrowing.

Retaining control of a financial asset

If the Group has retained control of the financial asset, it continues to recognise it on the balance sheet to the extent of the Group's 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 sold 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 for it, adjusted where necessary for any gains or losses recognised in other items of comprehensive income and accumulated in equity.

Partial derecognition

When a financial asset is partially derecognised, the Group breaks down the previous carrying amount of the financial asset between the part it continues to recognise as part of its continuing involvement and the part it no longer recognises, on the basis of fair value for these parts at the transfer date. The difference between the carrying amount allocated to the part no longer recognised and the amount of consideration received for the derecognised part and any accumulated gains or losses that were allocated to it and recognised in other items of comprehensive income is recognised in profit or loss. An accumulated gain or loss which has been recognised in other items of comprehensive income is broken down into the part which continues to be recognised and the derecognised part, based on the fair values of the parts.

2.12.3. Financial liabilities

Financial liabilities are split into two categories: financial liabilities at fair value through profit or loss and “other financial liabilities”.

Financial liabilities at fair value through profit or loss comprise:

- financial liabilities held for trading:
 - if they are incurred with an intention to repurchase them in the near term,
 - if, upon initial recognition, they are part of a portfolio of identified financial instruments that are managed together by the Group and for which there is evidence of a recent pattern of short-term profit-taking,
 - if they are derivative instruments that are not accounted for as hedging instruments;
- liabilities designated by the Group upon initial recognition as financial liabilities at fair value through profit or loss;
 - a financial liability that is not held for trading may be designated as being at fair value through profit or loss at initial recognition:
 - if this designation eliminates or substantially reduces an accounting or measurement inconsistency which would otherwise have arisen,
 - if the financial liability is part of a group of financial assets, financial liabilities or both that is managed and whose performance is measured using the fair value method, in accordance with a risk management or investment strategy documented by the Group and if the information on the Group is provided internally on this basis,
 - if it is part of a contract including one or more derivatives and if the whole contract can be designated at fair value through profit or loss, in accordance with IAS 39.

The Group's financial liabilities mainly consist of borrowings convertible into new or existing shares issued in May 2011: current accounts in debit, current bank overdraft facilities, and debt recorded against finance leases and factored debt. They are recorded at amortised cost.

Borrowings

Borrowings are initially recognised at fair value, net of the transaction costs incurred. Any difference between the amount recorded and the amount repaid is recognised in the income statement over the term of the borrowing using the effective interest method.

Bonds

Convertible bonds (less the value of the derivative) are recognised and amortised at the effective interest rate of 5.34%.

In the consolidated financial statements, convertible bonds are for the most part considered as financial liabilities except for the derivative instrument included in the bond where the issue value (€3.4 million) is recognised under non-reclassifiable items of equity.

On 18 May 2011, Econocom issued €84 million of convertible bonds. These convertible bonds are listed on the Luxembourg stock exchange and their main characteristics are as follows:

- maturity: 5 years;
- annual coupon rate: 4%;
- conversion rate: €21, i.e., €5.50 after the four-for-one share split, i.e., a 25.15% premium compared with the reference price on 18 May 2011.

Factoring

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.

According to IAS 39 – Financial Instruments: Recognition and Measurement (where substantially all the risks and rewards of ownership relating to trade receivables are transferred to the factor) the receivables are derecognised. Where this is not the case they are maintained in the statement of financial position after the transfer and a financial liability is recorded to reflect the cash received.

2.12.4. Derivative financial instruments

The Group uses the financial markets for hedging the exposure related to its business activities and not for speculation purposes. Derivative financial instruments are measured with level-2 fair values.

Given the low exchange rate risk, foreign exchange and currency forward contracts are recognised as instruments measured at fair value via profit and loss.

2.12.5. Cash and cash equivalents

These include cash on hand and demand deposits, other highly-liquid investments with maturities of three months or less from the date of acquisition and bank overdrafts. Bank overdrafts are posted under current liabilities in the statement of financial position, within financial liabilities.

IAS 7 defines cash equivalents as short-term, highly-liquid investments that are readily convertible to a known amount of cash, and that are subject to an insignificant risk of changes in value.

Cash equivalents are booked at fair value (level-1); changes in fair value are recognised through profit or loss under “Financial income and expense”.

2.12.6. Definition of net debt

The concept of net debt as used by the Group represents gross debt (presented in Note 18), less gross cash. This net debt does not include gross commitments on residual financial values of leased assets.

Gross debt includes all the debts bearing interest and incurred by receiving financial instruments.

2.13. 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.

2.14. Share-based payment agreements

Free share and stock option plans are offered by the Group and paid as shares. In accordance with IFRS 2 – Share-based payment, the fair value of these plans, representing the fair value of services rendered by the beneficiaries, is measured on the options' grant date, using the Black-Scholes-Merton model.

Fair value is recorded in expenses on a straight-line basis, over the vesting period and according to the Group's estimation of the number of equity instruments for which the rights might be acquired. The resulting increase in equity should also be recognised.

At each reporting date, the Group reviews its estimation of the number of equity instruments for which the rights are expected to be acquired. The impact of any revisions to the initial estimations is recognised in profit and loss so that the cumulative expenses take into account the revised estimations, and an adjustment is made to the reserves for employee benefits paid as equity instruments.

The final total expense for stock option plans is measured on the options' grant date and distributed through profit or loss over the vesting period.

2.15. Income tax

Income tax expenses for the year include current taxes due and deferred taxes.

Deferred taxes are accounted for using the liability method for all temporary differences existing 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 according to 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 adjusted and 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 loss and tax credit carryforwards can be utilised.

2.16. Provisions and contingent liabilities

A provision is recognised when the Group has a present (legal or constructive) obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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 associated with the obligation. If a provision is measured based on the estimated variability in cash flows required to settle the present obligation, its carrying amount is the discounted value of these cash flows (as the impact of the time value of money is considerable).

A contingent liability is (i) a possible obligation that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not under the Group's control, or (ii) a present obligation that is not recognised because the amount of the obligation cannot be measured with sufficient reliability. No provision is recorded for contingent liabilities.

2.16.1. Non-current provisions

The amount recognised in provisions is the best estimate of the amount required to settle the present obligation at the reporting date, taking into account the risks and uncertainties associated with the obligation. If a provision is measured based on the estimated variability in cash flows required to settle the present obligation, its carrying amount is the discounted value of these cash flows.

Non-current provisions concern risks which are not likely to materialise for several years. They are discounted if required.

2.16.2. Current provisions

Current provisions primarily correspond to provisions for claims linked to the normal operating cycle and which are expected to be settled within the next 12 months. They are determined according to the same methods as non-current provisions (see above).

Current provisions mainly include the following:

- personnel-related risks resulting (or not) from reorganisation measures;
- tax and legal risks.

Tax and legal risks refer to litigations in progress with clients, agents or tax authorities.

- Provisions for deferred commissions are calculated contract-by-contract based on the residual value of leased assets, less, if applicable, any residual commercial value of the contracts concerned.
- Provisions for risks related to the Technology Management & Financing business correspond to provisions to cover the premium negotiated when a portfolio of contracts is assigned to a refinancing institution.
- Other provisions

2.17. Post-employment benefits and other long-term commitments

Post-employment benefits are granted under defined contribution plans or defined benefit plans.

2.17.1. Defined contribution plans

Defined contribution plans are characterised by periodic contributions to external agencies responsible for the plans' 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, defined contribution plans).

2.17.2. 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 at each reporting date using the projected unit credit method which takes into account actuarial assumptions, salary increases, retirement age, mortality, employee turnover and the discount rate.

These liabilities vary from one year to another, depending on:

The cost of services, which includes:

- the costs of services rendered during the year (increase in the present value of the commitment for services rendered by employees);
- the costs of past services arising from three types of events: the introduction of a new benefit plan, the cancellation of an existing benefit plan (i.e., the Group decides to significantly reduce the number of people who can benefit from the plan), or a change to an existing plan;
- the effects of cancelling the benefit plan (operations which remove any previous legal or constructive obligation to provide all or part of the benefits provided by the plan).

The cost of services is recognised in operating profit for the period during which the change to the benefit plan occurred.

- Net interests on assets or liabilities calculated according to the commitment rates of top-category entities. These are recognised in financial income and expense for the period during which the change to the benefit plan occurred.
- Re-evaluations of plans are broken down into:
 - actuarial gains or losses on actuarial debts, resulting from changes in actuarial assumptions or differences between these assumptions and actual data,
 - the return on assets from the benefit plan, less the financial income determined at the discount rate,
 - changes in the ceiling effect of the net asset less its financial effect calculated at the discount rate.

These re-evaluations are recognised in other items of comprehensive income when they occur and cannot be transferred to profit or loss.

2.18. Non-current assets 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 operations discontinued, sold, or 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 sale made within a year of its classification date.

These assets (or disposal group) are measured at the lower of their carrying amount and estimated sale price less costs to sell. These assets cease to be amortised when they are recognised as assets (or groups of assets) held for sale. They 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. For all published periods, income and expense relating to discontinued operations are presented separately in the income statement under “Discontinued Operations” and are restated in the statement of cash flows.

2.19. Income from ordinary operations

Income from ordinary operations is reported where:

- it is probable that the economic benefits resulting from the transaction will be beneficial to the Group;
- the amount of revenues can be reliably measured;
- it is probable that the amount of the sale will be recovered on the transaction date.

It comprises:

Sales of goods

Sales of goods correspond to the Group's Products & Solutions activity and are recognised in accordance with IAS 18.

Revenue is deemed to be recognised when the goods are delivered and title has been transferred, which implies the following:

- the Group has transferred the major risks and rewards of owning the goods;
- the Group is no longer involved in managing, as an owner would, or controlling the sold goods.

In practice, sales of goods are recognised when the delivery note has been issued, i.e., the date at which the risks and rewards of ownership are transferred.

Finance lease sales

Finance lease sales correspond to the Technology Management & Financing business.

IAS 17 is applied for revenue recognition, based on the type of contract as specified in Note 2.9.1.

Sales of services

Income from service contracts corresponds to the Group's Service activity and is recognised in accordance with IAS 18.

There are two types of contract:

Fixed-price contracts

Major contracts are separated into stages and revenue for each phase is recognised as they progress. Revenue and profit are recognised by reference to the stage of completion of the transaction. This method results in the recognition of revenue accruals or deferred income when invoicing does not reflect the stage of completion of the transaction. A provision for the expected loss on the transaction is recognised in provisions for risks when the cost price of a project is higher than the expected revenue.

Time-and-materials contracts

Services in progress at the year-end are recognised in revenue accruals and estimated at the sale price.

2.20. Operating profit

Operating profit includes all income and expenses directly arising from the Group's business, whether these income and expenses are recurring or the result of one-off decisions or transactions.

Recurring operating profit is an intermediary aggregate which facilitates the understanding of the company's operating performance.

Other non-current income and expenses, excluded from recurring operating profit, include:

- unusual items representing income and expenses, deemed unusual in terms of their frequency, nature or amount;
- goodwill impairment losses;
- the results of the disposal of intangible assets or property, plant and equipment, assets or operating investments;
- the costs of restructuring and the costs associated with adjusting staff levels (considered as such when there are several staff departures [through a redundancy plan] and not isolated cases);
- the costs of relocating premises.

2.21. Government grants

Government grants are only recognised when there is reasonable assurance that the Group will comply with the conditions of the grants and that the grants will be received. In accordance with IAS 20, the Group has a different accounting treatment for grants relating to assets (in its subsidiary Tactem) and grants relating to profit.

Grants relating to assets are recognised in profit or loss on a systematic basis for the periods in which the Group recognises in expenses the associated costs which the grants are intended to offset. In practice, they are recognised over the useful life of the depreciable asset covered by the grant; deferred income is recognised in liabilities.

Grants relating to profit are recognised in the income statement to offset the costs that they subsidise.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of providing immediate financial support to the Group with no related future costs is recognised as income for the period in which it becomes receivable.

2.22. Profit from discontinued operations

A discontinued operation is a component which the Group has disposed of or which it has classified as held for sale and which:

- represents a separate major line of business or geographical area;
- is part of a single, coordinated plan to dispose of a major line of business or geographical area; or
- is a subsidiary acquired purely with a view to resale.

Profit from discontinued operations includes:

- the profit net of income tax from the discontinued activity up until the disposal date or the year-end if the activity had not been disposed of by the year-end;
- the proceeds from the disposal, net of income tax, of the activity if it had been disposed of by the year-end.

2.23. Statement of cash flows

The statement of cash flows is presented in line with the method used for the Group's internal cash management and separates the following three elements: cash flows from operating activities, cash flows used in investing activities and cash flows from financing activities.

Cash flows from operational activities include the following:

- operating cash flow with non-recurring items after change in income tax and capital gain from disposal of assets;
- incoming and outgoing payments from non-recurring items;
- changes in working capital requirements.

Cash flows used in investing activities include:

- investments in existing assets for the purpose of maintaining or renewing assets existing at the beginning of each year and which are required for the normal running of business;
- development investments, including fixed assets.

Cash flows from financing activities include:

- changes in equity;
- changes in debts and borrowings and gross commitments on residual financial value;
- dividends.

2.24. Basic earnings per share

Basic earnings per share are determined by dividing profit by the weighted average number of ordinary shares outstanding during the year, i.e., a calculation that factors in the number of treasury shares held on a pro rata basis.

Diluted earnings per share are calculated by taking into account all financial instruments giving deferred access to the capital of the consolidated company, issued by the Group or one of its subsidiaries. Dilution is calculated separately for each instrument, based on the conditions prevailing at the year-end and excluding anti-dilutive instruments.

Non-dilutive stock options are not included in the calculation.

2.25. Operating segments

Since 1 January 2009, the Group has applied IFRS 8 concerning segment reporting which replaces IAS 14. The segment report presented has been prepared on the basis of internal management data disclosed to the Group Management Committee, the Group's primary operating decision-maker with respect to allocating resources and measuring the segments' performance.

The Group's operating activities are organised into three strategic operating business lines: Technology Management & Financing, Products & Solutions and Services. These can be analysed as follows:

Strategic operating business segments (3)		Countries (20)
Technology Management & Financing	Belgium, Canada, China, Czech Republic, France, Germany, Ireland, Italy, Luxembourg, Morocco, Netherlands, Poland, Romania, Slovakia, Spain, Switzerland, United Kingdom, United States	
Products & Solutions	Belgium, France, Luxembourg	
Services	Austria, Belgium, Brazil, France, Germany, Italy, Luxembourg, Mexico, Morocco, Netherlands, Spain	

The business segments listed above present long-term financial profitability and share similar features that allow their aggregation.

They are managed according to the nature of the products and services sold in the given economic and geographic environments. This segmentation into business areas serves as a basis for the presentation of the company's internal management data and is used by the Group's operating decision makers to monitor business activity.

The Group Management Committee measures the performance of these aggregate strategic operating business segments based on operating profit. The results correspond to the items that are directly or indirectly attributable to a business segment.

Sales and transfers between segments are carried out on arm's-length terms and are eliminated according to the usual consolidation principles.

The Group's strategic operating business segments are defined as follows:

Technology Management & Financing

Innovative, tailored financing solutions to ensure more effective administrative and financial management of a business's ICT and digital assets.

Products & Solutions

Services ranging from the design to rollout of architecture solutions, and from the sale of hardware and software (PCs, tablets, servers, printers, licences, digital devices, etc.) to systems integration.

Services

Assisting businesses in the transition to the new digital world by applying its expertise in consultancy, infrastructure management, application development and cloud solution integration.

2.26. Other information

In 2013, the Group did not make any significant changes to its accounting policies other than revisions to IFRS applicable as of 1 January 2013 as indicated in Note 2.2.1, and which had no impact on the consolidated financial statements.

The information for the comparative periods was prepared in accordance with IFRS.

3. CHANGES IN THE SCOPE OF CONSOLIDATION

The consolidated financial statements of Econocom Group as of 31 December 2013 include the accounts of the companies listed in Note 4 – Scope of consolidation.

The cash flow impacts of major changes in the scope of consolidation are presented in Note 32.

All acquisitions in 2013 were allocated to the Services CGU.

3.1. Additions to the scope of consolidation and increases in ownership interests in 2013

3.1.1. Acquisition of Osiatis Group

Description of the transaction

The acquisition took place in two stages:

Stage one: Acquisition of the majority stake

On 12 September 2013, the Group bought from the main shareholders and directors of Osiatis 51.90% of the share capital and 50.06% of the voting rights of Osiatis.

Under the financial terms of the transaction, Econocom bought out Osiatis by exchanging 1 new Econocom Group share and €4.00 in cash for one Osiatis share.

The exchange concerned 8,632,555 Osiatis shares (i.e., €90 million) and 894,905 equity warrants (i.e., €9.4 million), valued at the transaction date at €6.43.

The acquisition cost of the first stake amounts to €99.4 million, which can be broken down as follows:

(in € millions)

Exchange of Osiatis shares for Econocom shares	55.5
€4 in cash	34.5
Exchange of Osiatis equity warrants for Econocom shares	5.8
€4 in cash	3.6
Total	99.4

Stage 2: Mixed public offer and squeeze-out

In October 2013, in accordance with article 234-2 of the General Regulation of the French financial markets authority (*Autorité des marchés financiers* – AMF), Econocom submitted a project for a public exchange offer for all the remaining Osiatis shares.

This public offer consisted of three options:

Principal mixed public offer	1 Osiatis share for 1 Econocom Group share and €4
Subsidiary exchange offer	3 Osiatis shares for 5 Econocom Group shares
Subsidiary cash offer	€10 per Osiatis share

Following this public exchange offer, on 13 November 2013 Econocom acquired the remaining 6,313,158 shares, increasing its percentage of share capital ownership to 89.85% (and at least 89.83% of the theoretical number of voting rights). The minority shareholders therefore only accounted for 2.61% of the share capital and no more than 2.63% of the theoretical number of voting rights (including the 7.54% held as treasury shares by Osiatis).

In exchange Econocom issued 6,313,158 new shares and paid €25.2 million.

The squeeze out of 434,034 shares resulted in the payment of €4.3 million.

€29.5 million of the payment was contractually deferred until February 2014. Payment was made after the year-end as planned.

Calculating and allocating the cost of the business combination

The business combination was recognised on 12 September 2013, based on Osiatis Group's financial statements at 1 September 2013.

The cost of the business combination was calculated using the full goodwill method:

(in € millions)	
Cash Acquisition of the majority stake ⁽¹⁾	99.4
Fair value measurement of minority shareholders ⁽¹⁾	70.3
Total acquisition price	169.7

(1) Shares and equity warrants valued at €6.43 on 12 September 2013 (payment date)

In accordance with IFRS 3R, the Group has 12 months from the acquisition date to allocate the cost of the business combination to Osiatis Group's assets and liabilities and contingent liabilities.

The fair value of identifiable assets and liabilities can be analysed as follows:

(in € thousands)	Notes	Fair value under IFRS Provisional accounting
Non-current assets		32,971
Intangible assets	6	980
Brand	6	10,000
Property, plant and equipment	8	4,394
Financial assets	9	6,283
Deferred tax assets	30	11,314
Current assets		128,207
Inventories	11	2,384
Trade and other receivables	12	93,677
Current tax assets		2,637
Cash and cash equivalents	13	23,457
Other current assets	12	6,052
Non-current liabilities		36,305
Financial liabilities	18	16,541
Non-current provisions	16	3,100
Provisions for pensions and other post-employment benefits	17	12,369
Other non-current liabilities		291
Deferred tax liabilities	30	4,004
Current liabilities		133,473
Financial liabilities	18	13,161
Current provisions	16	12,036
Current tax liabilities		4,184
Trade and other payables	19	89,522
Other current liabilities	19	14,358
Non-controlling interests		212
Net liabilities assumed		(8,600)
Cost of business combination		169,745
Goodwill		178,345

As a result of this appropriation, the Group recognised the Osiatis brand in accordance with the IFRS accounting methods described in Note 2.6.

Acquisition-related costs of €1.2 million were excluded from the cost of acquisition and recognised in expenses in operating profit in 2013.

Recognition of the public exchange offer and squeeze-out

In accordance with IFRS 3R, increases in percentage of interests did not give rise to the recognition of additional goodwill. The difference between the fair value of non-controlling interests on the date control was acquired, i.e., €70.4 million, and the amount paid in shares and cash to acquire full control, i.e., €75.4 million, was recorded entirely in equity. This difference is mainly due to the rise in the Econocom share price between 12 September and 19 November 2013, when the participants of the Mixed Public Offer received the Econocom shares.

3.1.2 Other changes in the scope of consolidation

EXAPROBE

On 22 February 2013, Econocom Group acquired the entire share capital of Exaprobe, a specialist in security, unified communications, IP infrastructure, virtualisation and data centre solutions for IT infrastructures, for €1.3 million (including a potential variable portion of €0.5 million).

The purchase price allocation resulted in goodwill of €3.5 million.

The purchase price was allocated to identifiable assets and liabilities acquired at fair value, calculated as follows:

(in € millions)	
Fair value of identifiable assets and liabilities	(2.2)
Goodwill	3.5
Total purchase price	1.3

The acquisition price includes an earn-out of € 0.5 million based on performance targets for 2013. The achievement of these targets is currently being measured.

CENTIX

On 21 March 2013 Econocom exercised the option to acquire the remaining 60% of Centix' share capital. The strike price was €1.35 million, €0.5 million of which was paid on 31 December 2013, whilst the balance falls due in February 2014 and 2015. The impact of this transaction is fully recognised in equity.

3.2. Additions to the scope of consolidation in 2012

Acquisitions allocated to the “Services” CGU

CENTIX

On 11 January 2012, the Group finalised the acquisition of 40% of the share capital of Centix for €650,000, with a three-year call option on the remaining 60% shares, exercisable at any time for a strike price of €1,350,000. The option is valued at fair value in profit or loss in the Group’s consolidated financial statements (for €102,000 in 2012). Centix, which is headquartered in Belgium, is a recognised specialist in desktop and server virtualisation solutions.

The purchase price allocation resulted in goodwill of €525,000.

The proforma results reflecting the impact of this acquisition are not presented as they had an immaterial impact on the consolidated financial statements.

The purchase price was allocated to identifiable assets and liabilities acquired at fair value, calculated as follows:

(in € thousands)

Fair value of identifiable assets and liabilities	312
Share (40%)	125
Goodwill	525
Total purchase price	650

The company has been fully consolidated in the consolidated financial statements, as control is presumed due to the Group holding an option for the remaining capital.

CAP SYNERGY

On 1 October 2012, the Group acquired the entire share capital of Cap Synergy, a French systems integrator specialising in IT and network security, for €6,963,000.

The purchase price allocation resulted in final goodwill of €5,011,000.

The purchase price was allocated to identifiable assets and liabilities acquired at fair value, calculated as follows:

(in € thousands)

Fair value of identifiable assets and liabilities	1,952
Goodwill	5,011
Total purchase price	6,963

ERMESTEL

On 27 September 2012, the Group acquired the entire share capital of Ermestel Group, a company based in Spain and Mexico that specialises in virtualisation solutions, for €4,422,000.

The final purchase price allocation resulted in final goodwill of €5,795,000.

(in € thousands)

Fair value of identifiable assets and liabilities	(1,373)
Goodwill	5,795
Total purchase price	4,422

TACTEM

On 30 May 2012, the Group acquired the entire share capital of Tactem, a French independent software vendor specialising in telecoms management for key accounts, for €519,000.

The purchase price allocation resulted in final goodwill of €748,000.

The purchase price was allocated to identifiable assets and liabilities acquired at fair value, calculated as follows:

(in € thousands)

Fair value of identifiable assets and liabilities	(229)
Goodwill	748
Total purchase price	519

The variable portion of earn-outs for acquisitions made in 2012 was recorded in goodwill for €4,385,000.

Acquisitions allocated to the “Products & Solutions” CGU

FRANCE SYSTEMES

On 20 December 2012, the Group acquired the entire share capital of France Systèmes, an authorised Apple reseller in France in the field of Education and Research and an accredited Apple service centre, for €8 million.

(in € thousands)

Fair value of identifiable assets and liabilities	4,769
Goodwill	3,332
Total purchase price	8 000

4. SCOPE OF CONSOLIDATION

The Group's main fully-consolidated subsidiaries are as follows:

Company	Country	% interest
Alcion Group SA	France	100%
Atlance France SAS	France	100%
Asystel SAS	France	100%
Cap Synergy SAS	France	100%
Econocom Services	France	100%
Econocom France SAS	France	100%
Econocom Managed Services SAS	France	100%
Econocom Products and Solutions SAS	France	100%
Econocom Telecom Services SAS	France	100%
Exaprobe	France	100%
ESR SAS	France	100%
Osiatis France SAS	France	100%
Osiatis Ingénierie SAS	France	100%
Osiatis Systèmes SAS	France	100%
Econocom International Italia SpA	Italy	100%
Econocom SA (Spain)	Spain	100%
Ernestel Spain SA	Spain	100%
Osiatis SA (Spain)	Spain	95.10%
Atlance SA/NV	Belgium	100%
Econocom Lease SA/NV	Belgium	100%
EPS Belux SA/NV	Belgium	100%
Osiatis SA/NV Belgique	Belgium	100%
Econocom Finance SNC	Belgium	100%
Econocom BV	Netherlands	100%
Econocom Public BV	Netherlands	100%
Econocom PSF SA	Luxembourg	100%
Econocom Deutschland GmbH	Germany	100%
Osiatis Computer Services GmbH	Austria	100%
Econocom Plc	United Kingdom	100%
Econocom Polska Sp.z.o.o	Poland	100%
Econocom Corporation	United States	100%

The Group's equity-accounted associates are as follows:

Company	Country	% interest
Broke System	France	20%
Interadapt	Brazil	28.76%

The Group has an option to purchase 22.5% of the shares of Interadapt in 2014, based on the 2013 financial statements, and a further 9.99% in 2015 based on the 2014 financial statements.

5. SEGMENT REPORTING

As indicated in Note 2.25, the Group's business segments break down into three aggregated strategic operating business segments:

- Technology Management & Financing;
- Services;
- Products & Solutions.

Given the cross-functional dimension of mobility, management no longer monitors the Telecom segment individually and has broken its contribution down between "Products & Solutions" and "Services".

The "Other activities" segment includes all other segments for which reporting is not required under IFRS 8. Holding company costs are borne by the operating activities.

Revenue and segment results

Internal transactions include:

- sales of goods and services: the Group ensures that these transactions are performed at arm's length and that no significant internal margins are retained. In most cases, purchased internal goods and services are in turn sold on to end-clients. Certain services are sold before they are actually performed. In this case, revenue is deferred and recognised in liabilities under "Other current liabilities";
- cross-charging of overheads and personnel costs;
- cross-charging of financial expenses.

The Group's segment results correspond to "Recurring operating profit from ordinary activities". This segment indicator, used for the application of IFRS 8, is the indicator used by management to monitor the performance of operating activities and allocate resources.

"Recurring operating profit from ordinary activities" 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).

5.1. Reporting by operating business segment

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

(in € thousands)	Technology Management & Financing	Products & Solutions	Services	Total operating segments	Other activities	Total
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2013

Revenue						
Revenue from external clients	1,027,560	302,884	442,013	1,772,457	126	1,772,583
Internal operating revenue	161,288	30,892	36,710	228,890		
Total revenue from operating segments	1,188,848	333,776	478,723	2,001,347		
Recurring operating profit from ordinary activities	62,499	7,753	18,499	88,752		88,752

2012

Revenue						
Revenue from external clients	1,002,500	249,711	286,129	1,538,340		1,538,340
Internal operating revenue	127,611	36,306	18,259	182,176		
Total revenue from operating segments	1,130,111	286,017	304,388	1,720,516		
Recurring operating profit from ordinary activities	63,521	6,624	6,662	76,808		76,808

Due to the convergence observed between the Telecoms and IT Services markets in 2013, the Group no longer defines Telecoms as a separate CGU. Accordingly, Tactem and Econocom Telecom Services SAS have been reclassified within the Services activity, and Asystel has been reclassified within Products & Solutions.

5.2. Reconciliation with the consolidated financial statements

(in € thousands)	2013	2012
Revenue from operating segments	2,001,347	1,720,516
Revenue from “Other activities” segment	126	
Elimination of internal revenue	(228,890)	(182,176)
Total revenue from continuing operations	1,772,583	1,538,340
Operating profit from ordinary activities	88,752	76,808
Profit from operating segments activity	88,752	76,808
Amortisation of intangible assets	(2,300)	(2,000)
Operating profit before restructurings, impairment losses on assets, disposal gains or losses and disputes	86,452	74,808
Non-recurring operating income and expenses	(13,404)	(3,531)
Operating profit	73,048	71,277
Net financial expense	(6,128)	(5,116)
Profit before tax	66,920	66,161

5.3. Geographical areas

(in € thousands)	Revenue by geographical area	
	2013	2012
France	898,056	743,713
Benelux	340,091	288,158
Southern Europe	355,952	289,933
Northern and Eastern Europe (including Germany, the Netherlands, and the United Kingdom) and the rest of the world	178,484	216,536
Total	1,772,583	1,538,340

6. 2013 INTANGIBLE ASSETS

(in € thousands)	Customer portfolio and business assets	Franchises, patents, licences, etc.	IT systems and other internally-generated assets	Other	Total
Acquisition					
Gross value as of 31 December 2012	42,636	18,125	22,444	707	83,912
Acquisitions		1,374	5,706		7,080
Disposals		(451)	(778)		(1,229)
Changes in scope of consolidation	10,000	8,077			18,077
Transfers and other movements		(20)			(20)
Gross value as of 31 December 2013	52,636	27,105	27,372	707	107,820
Amortisation and impairment					
Accumulated amortisation and impairment as of 31 December 2012	(5,813)	(15,176)	(14,427)	(706)	(36,122)
Additions	(2,608)	(1,827)	(1,068)	(231)	(5,734)
Disposals		357	13		370
Changes in scope of consolidation		(7,096)			(7,096)
Transfers and other movements				1	1
Accumulated amortisation and impairment as of 31 December 2013	(8,421)	(23,742)	(15,482)	(936)	(48,581)
Carrying amount as of 31 December 2012	36,823	2,949	8,017	1	47,790
Carrying amount as of 31 December 2013	44,215	3,363	11,890	(229)	59,239

The Group has no intangible assets with indefinite useful lives and thus amortises all intangible assets using the straight-line method. Customer portfolios and business assets are intangible assets which are recognised in the event of business combinations. With the exception of the customers acquired through the acquisition of ECS Group, which are amortised over 20 years, and the Osiatis brand, which is amortised over 10 years, these items are amortised over periods of three to seven years. Franchises, patents, licences, etc. consist mainly of licences acquired and amortised over their useful life.

IT systems are the result of developments made by the Group and associated companies, and are amortised over periods ranging from three to seven years.

2012 INTANGIBLE ASSETS

(in € thousands)	Customer portfolio and business assets	Franchises, patents, licences, etc.	IT systems and other internally-generated assets	Other	Total
Acquisition					
Gross value as of 31 December 2011	42,690	15,711	19,454	706	78,561
Acquisitions		2,477	1,700		4,177
Disposals		(360)		(3)	(363)
Changes in scope of consolidation	(54)	176	1,398	4	1,524
Transfers and other movements		121	(108)		13
Gross value as of 31 December 2012	42,636	18,125	22,444	707	83,912
Amortisation and impairment					
Accumulated amortisation and impairment as of 31 December 2011	(3,355)	(13,693)	(12,168)	(706)	(29,922)
Additions	(2,538)	(1,746)	(1,891)	(3)	(6,178)
Disposals		355		3	358
Changes in scope of consolidation	80	(110)	(440)		(470)
Transfers and other movements		18	72		90
Accumulated amortisation and impairment as of 31 December 2012	(5,813)	(15,176)	(14,427)	(706)	(36,122)
Carrying amount as of 31 December 2011	39,335	2,018	7,286		48,639
Carrying amount as of 31 December 2012	36,823	2,949	8,017	1	47,790

7. GOODWILL

For the purposes of impairment testing, goodwill is allocated to cash generating units (CGUs) as follows:

	Technology Management & Financing	Products & Solutions	Services	Total
2013 (in € thousands)				
Goodwill as of 1 January 2012	108,686	14,851	26,099	149,635
Additions			181,855	181,855
Impairment				
Goodwill as of 31 December 2013	108,686	14,851	207,954	331,490
<i>of which gross</i>	<i>108,686</i>	<i>14,851</i>	<i>212,215</i>	<i>335,751</i>
<i>of which accumulated impairment</i>			<i>(4,261)</i>	<i>(4,261)</i>

In 2013, new acquisitions Osiatis and Exaprobe were classified within the Services business.

Corrections were also made to the amounts attributed to Ermestel (Services) and France Systèmes (Products & Solutions) following a review of opening goodwill balances.

	Technology Management & Financing	Products & Solutions	Services	Total
2012 (in € thousands)				
Goodwill as of 1 January 2012	108,686	11,517	14,020	134,223
Additions		3,333	12,079	15,412
Impairment				
Goodwill as of 31 December 2012	108,686	14,850	26,099	149,635
<i>of which gross</i>	<i>108,686</i>	<i>14,850</i>	<i>30,360</i>	<i>153,896</i>
<i>of which accumulated impairment</i>			<i>(4,261)</i>	<i>(4,261)</i>

In 2012, new acquisitions Centix, Cap Synergy, Tactem and Ermestel were classified within the Services business.

France Systèmes was classified within the Products & Solutions activity.

7.1. Definition of cash-generating units

The growth of the Group, combined with the international expansion of our customers and the sharing of resources among business lines have led the Group to redefine the scope of its CGUs representing the Group's three business segments: Technology Management & Financing, Products & Solutions, and Services.

Due to the convergence observed between the Telecoms and IT Services markets in 2013, the Group no longer defines Telecoms as a separate CGU. The related assets and the contribution of this business have been reallocated between the Services and Products & Solutions CGUs.

7.2. Impairment tests and impairment of goodwill

Goodwill was tested for impairment in accordance with the methods outlined in Note 2.11 – Impairment of assets. In the context of the Group's ongoing operations, the recoverable amount is first determined based on the value in use of the CGU.

Value in use is determined using the discounted cash flow method ("DCF"). The calculation was performed using four-year cash flow projections based on business plans and budgets approved by Management.

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).

The post-tax discount rate used corresponds to the weighted average cost of capital ("WACC").

	2012		2013	
	Discount rate	Perpetuity growth rate	Discount rate	Perpetuity growth rate
Technology Management & Financing	8.90%	1.00%	8.90%	1.00%
Services	8.90%	1.00%	8.90%	1.50%
Products & Solutions	8.90%	1.00%	8.90%	1.00%
Telecom	8.90%	1.00%		

Cash flows beyond the projected timeframe were extrapolated using a perpetuity growth rate that is consistent with the expected medium- to long-term growth rate for the IT sector.

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 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 2 percentage points in the discount rate used would not change the conclusions 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 to 0%, the value in use of each CGU would still exceed its carrying amount;
- reasonable sensitivity to changes in the business plan: a 15% 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 led the Group to reduce the value in use of any of the CGUs to below its carrying amount.

8. 2013 PROPERTY PLANT & EQUIPMENT

Changes in the gross value of property, plant and equipment and the related depreciation expense are presented below for 2013:

(in € thousands)	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 as of 31 December 2012	10,879	28,055	5,905	109	2,202	47,150
Acquisitions	90	5,039	1,835	760	60	7,784
Disposals	(5)	(6,149)	(1,105)	(14)		(7,273)
Changes in scope of consolidation	4,781	12,978	2,253	232		20,244
Translation adjustments		(48)	(18)	(0)	(8)	(74)
Transfers and other movements	3,542	(3,190)	825	(329)	1,073	1,921
Gross value as of 31 December 2013	19,287	36,685	9,695	758	3,327	69,752
Depreciation and impairment						
Accumulated depreciation and impairment as of 31 December 2012	(6,011)	(20,638)	(5,021)	(188)	(1,962)	(33,820)
Additions	(327)	(3,706)	(663)	(19)	(58)	(4,774)
Reversals		3				3
Disposals	7	4,900	1,093			6,000
Changes in scope of consolidation	(3,826)	(10,316)	(1,599)	(6)		(15,746)
Translation adjustments		39	13		6	58
Transfers and other movements	(20)	11	(604)		(1,076)	(1,689)
Accumulated depreciation and impairment as of 31 December 2013	(10,177)	(29,706)	(6,782)	(213)	(1,128)	(49,968)
Carrying amount as of 31 December 2012	4,868	7,417	884	(79)	240	13,330
Carrying amount as of 31 December 2013	9,110	6,979	2,914	545	2,199	21,746

The Group also holds the following assets under finance leases:

	Gross value at 31 Dec. 2013	Carrying amount at 31 Dec. 2013	Gross value at 31 Dec. 2012	Carrying amount at 31 Dec. 2012
Buildings	5,067	1,603	5,067	1,758
Furniture and vehicles	2,063	1,267	869	219

Liabilities and future minimum lease payments related to these leases are set out in Notes 18 and 33.

2012 PROPERTY PLANT & EQUIPMENT

Changes in the gross value of property, plant and equipment and the related depreciation expense are presented below for 2012:

(in € thousands)	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 as of 31 December 2011	10,608	26,652	6,182	61	1,475	44,978
Acquisitions	31	2,477	347	281	57	3,193
Disposals		(1,519)	(967)		(5)	(2,491)
Changes in scope of consolidation		628	337	243	257	1,465
Translation adjustments		46	7		(2)	51
Transfers and other movements	240	(229)	(1)	(476)	420	(46)
Gross value as of 31 December 2012	10,879	28,055	5,905	109	2,202	47,150
Depreciation and impairment						
Accumulated depreciation and impairment as of 31 December 2011	(5,532)	(19,255)	(5,352)		(1,475)	(31,614)
Additions	(479)	(2,600)	(340)	(5)	(47)	(3,471)
Reversals						
Disposals		1,461	931		4	2,396
Changes in scope of consolidation		(436)	(258)	(183)	(151)	(1,028)
Translation adjustments		(42)	(6)		2	(46)
Transfers and other movements		234	4		(295)	(57)
Accumulated depreciation and impairment as of 31 December 2012	(6,011)	(20,638)	(5,021)	(188)	(1,962)	(33,820)
Carrying amount as of 31 December 2011	5,076	7,397	830	61		13,364
Carrying amount as of 31 December 2012	4,868	7,417	884	(79)	240	13,330

9. FINANCIAL ASSETS

The following table presents a breakdown of financial assets:

(in € thousands)	Investments in non-consolidated companies	Equity-accounted associates	Other financial assets	Total
Balance as of 31 December 2011	2	102	11,305	11,409
Increase		32	2,710	2,742
Repayments			(2,084)	(2,084)
Changes in scope of consolidation		40	308	348
Translation adjustments			2	2
Fair value adjustments				
Other movements				
Balance as of 31 December 2012	2	174	12,241	12,417
Increase		91	6,309	6,400
Repayments			(7,108)	(7,108)
Changes in scope of consolidation	1	385	5,938	6,324
Translation adjustments		(20)	(3)	(23)
Fair value adjustments				
Other movements				
Balance as of 31 December 2013	3	630	17,378	18,011

Other financial assets correspond to guarantees and deposits.

Maturities of financial assets

2013	Less than 1 year	1 to 5 years	Beyond 5 years	Total
Investments in non-consolidated companies			3	3
Equity-accounted associates			630	630
Guarantees given to factors		2,694	2,042	4,736
Other guarantees and deposits	202	5,335	7,104	12,641
Total	202	8 029	9 779	18 011

2012	Less than 1 year	1 to 5 years	Beyond 5 years	Total
Investments in non-consolidated companies			2	2
Equity-accounted associates			174	174
Guarantees given to factors		1,763	2,252	4,015
Other guarantees and deposits		1,994	6,232	8,226
Total	0	3 753	8,660	12 417

10. RESIDUAL INTEREST IN LEASED ASSETS AND OTHER LONG-TERM RECEIVABLES

Long-term receivables (in € thousands)	2013	2012
Long-term tax receivables	263	35
Other long-term receivables	1,782	1,705
Residual interest in leased assets	63,462	63,578
Total	65,507	65,318

By maturity	2013	2012
1 to 5 years	63,538	63,657
Beyond 5 years	1,969	1,661
Total	65,507	65,318

11. STOCKS

	2013			2012		
(in € thousands)	Gross	Provision	Net	Gross	Provision	Net
Equipment in the process of being refinanced	8,188	(1,831)	6,357	10,923	(2,115)	8,808
Other inventories	32,610	(18,650)	13,960	22,649	(5,831)	16,818
<i>Equipment</i>	7,710	(507)	7,203	11,910	(658)	11,252
<i>Spare parts</i>	24,900	(18,143)	6,757	10,739	(5,173)	5,566
Total	40,798	(20,481)	20,317	33,572	(7,946)	25,626

Gross value

(in € thousands)	As of 31 Dec. 2012	Changes in inventories	Changes in scope of consolidation	As of 31 Dec. 2013
Equipment in the process of being refinanced	10,923	(2,734)		8,188
Other inventories	22,649	(6,455)	16,416	32,610
<i>Equipment</i>	11,910	(5,125)	925	7,710
<i>Spare parts</i>	10,739	(1,330)	15,491	24,900
Total	33,572	(9,188)	16,416	40,798

Impairment of inventories

(in € thousands)	As of 31 Dec. 2012	Additions	Reversals	Changes in scope of consolidation	Other changes (reclassifications)	As of 31 Dec. 2013
Equipment in the process of being refinanced	(2,115)	(652)	160		776	(1,832)
Other inventories	(5,831)	(1,440)	1,641	(13,019)		(18,649)
<i>Equipment</i>	(658)	(39)	167	(7)	31	(506)
<i>Spare parts</i>	(5,173)	(1,401)	1,474	(13,012)	(31)	(18,143)
Total	(7,946)	(2,092)	1,801	(13,019)	776	(20,481)

12. TRADE AND OTHER RECEIVABLES AND OTHER CURRENT ASSETS

(in € thousands)	2013	2012
Trade receivables	662,927	621,767
Other receivables	49,961	43,553
Trade and other receivables	712,888	665,320
Residual interest in leased assets	27,907	25,022

Trade receivables

(in € thousands)	2013	2012
Trade receivables	705,387	657,735
of which refinancing institutions	187,021	217,819
of which other customers	518,366	439,916
Impairment losses on doubtful debts	(42,460)	(35,968)
Carrying amount	662,927	621,767

Refinancing institutions correspond to financial institutions that are subsidiaries of banks.

Impairment losses on doubtful debts

(in € thousands)	As of 31 Dec. 2012	Additions	Reversals	Changes in scope of consolidation	Other changes	As of 31 Dec. 2013
Impairment losses on doubtful debts	(35,968)	(8,509)	3,683	(2,405)	740	(42,460)

The carrying amount of receivables is written down when there is a serious doubt as to whether the Group will be able to collect the amount in question.

Other receivables

(in € thousands)

	2013	2012
Tax receivables (excl. income tax)	18,870	18,213
Due from suppliers	9,055	6,721
Advances to agents	385	1,350
Factoring receivables	20,196	15,805
Other receivables	1,455	1,465
Trade and other receivables	49,961	43,553
Current portion of the residual interest in leased assets	27,907	25,022

Other current assets

(in € thousands)

	2013	2012
Prepaid expenses	32,802	19,598
Miscellaneous current assets		1,816
Other current assets	32,802	21,415

13. CASH AND CASH EQUIVALENTS

(in € thousands)

	2013	2012
Cash	94,209	76,087
Cash in hand	53	57
Demand accounts	94,156	76,030
Cash equivalents	55,930	3,763
Term accounts	54,926	1,084
Marketable securities	1,004	2,679
Cash and cash equivalents	150,139	79,850

14. FAIR VALUE OF FINANCIAL ASSETS

Financial assets are measured using market prices resulting from trades on a national stock market or over-the-counter markets. If listed market prices are not available, fair value is measured using other valuation methods including, *inter alia*, discounted future cash flows.

In any event, estimated market values are based on certain market interpretations required for measurement purposes.

As such, these estimates do not necessarily reflect the amounts that the Group would actually receive or pay out if the financial assets 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.

The Group's financial assets as of 31 December 2013 can be analysed as follows:

(in € thousands)			Financial instruments at fair value though profit or loss	
Notes	Statement of financial position headings	Loans and receivables		Carrying amount
9	Financial assets	18,011		18,011
10	Long-term receivables	2,045		2,045
12	Trade receivables	662,927		662,927
12	Other receivables	49,961		49,961
13	Cash and cash equivalents	150,139		150,139
	Total financial assets	883,083		883,083

Based on available information, the fair value of the Group's financial assets approximates their carrying amount.

15. EQUITY

15.1. Share capital

	Number of shares			Value (in € thousands)		
	Total	Treasury shares	Outstanding	Share capital	Paid-in capital	Treasury shares
As of 31 December 2011 (comparable)	104,691,588	6,323,728	98,367,860	17,077	72,530	(22,642)
Issuance of new shares						
Purchases of treasury shares		4,533,755	(4,533,755)			(19,212)
Sales of treasury shares		(614,972)	614,972			2,358
Cancellation of shares	(8,000,000)	(8,000,000)				29,489
Options exercised		(40,000)	40,000			113
As of 31 December 2012	96,691,588	2,202,511	94,489,077	17,077	72,530	(9,894)
Issuance of new shares	15,840,618		15,840,618	2,797	104,233	
Purchases of treasury shares		4,869,489	(4,869,489)			(31,325)
Sales of treasury shares		(291,604)	291,604			1,084
Cancellation of shares	(6,014,892)	(6,014,892)				34,073
Options exercised						
Redemption of OCEANE bonds					(1,774)	
As of 31 December 2013	106,517,314	765,504	105,751,810	19,874	174,989	(6,062)

The number of bearer or dematerialised shares stands at 68,012,891.

The number of registered shares is 38,504,423.

As of 31 December 2013, authorised capital stood at €9,877,558.79 (excluding additional paid-in capital).

15.2. Currency translation reserves

Currency translation reserves correspond to the cumulative effect of the consolidation of subsidiaries with functional currencies other than the euro.

Foreign exchange differences in equity are broken down as follows:

Foreign exchange differences by currency (in € thousands)	2013	2012
Brazilian real (BRL)	(24)	
Canadian dollar (CAD)	(33)	(8)
Swiss franc (CHF)	(535)	(585)
Chinese yuan (CNY)	(59)	(66)
Czech Republic koruna (CZK)	(133)	(27)
Pound sterling (GBP)	(3,324)	(2,899)
United States dollar (USD)	(13)	(10)
Moroccan dirham (MAD)	(100)	(4)
Mexican peso (MXN)	22	(12)
Polish zloty (PLN)	(229)	(177)
New Romanian leu (RON)	(94)	(87)
Total	(4,522)	(3,851)

The corresponding amount was deduced from equity as of 31 December 2013.

15.3. Changes in equity not recognised in profit or loss

15.3.1. Stock option plans

Since 1998, stock options have been granted to some of the Group's employees, managers and corporate officers for an agreed unit price. The characteristics of these plans are detailed below:

Stock option plans	Number of options outstanding	Rights granted in number of shares (comparable)	Expiry date	Exercise price (in €)
2010	353,000	1,412,000	August 2015	2.74
	550,000	2,200,000	December 2014	2.48
2011	30,000	120,000	December 2015	3.23
	790,000	3,160,000	December 2016	3.06
2013	1,100,000	1,100,000	December 2018	5.96
Total		7,992,000		

General disclosures	Assumptions used for initial measurement (IFRS 2)					
	Number of options outstanding	Fair value	Volatility	Life of the options	Estimated future dividend (in €)	RFIR ⁽¹⁾
2010	353,000	2.18	23%	4 years	0.3	4.00%
	550 000	1.8	23%	4 years	0.3	4.00%
2011	30,000	2.69	34%	3 years	0.4	2.00%
	790,000	2.81	34%	4 years	0.4	2.00%
2013	1,100,000	1.17	24%	4 years	0.15	1.14%

(1) risk-free interest rate.

In accordance with IFRS 2, the options are measured at fair value at the grant date and are amortised over the vesting period.

The expected volatility is measured by the stockbroker in charge of the share on a daily basis, in line with the life of the options and historical changes in the share price.

A detailed description of the stock option plans can be found in section 5.10 of the Management Report.

Changes in the number of share purchase options in the year are as follows:

	2013	2012 (adjusted)
Options outstanding as of 1 January	6,892,000	6,932,000
Options granted during the year	1,100,000	
Options exercised during the year		(40,000)
Options expired and forfeited during the year		
Options outstanding as of 31 December	7,992,000	6,892,000

The total expense taken to profit or loss in 2013 in respect of share-based payments amounted to €1.2 million, and was recorded in personnel costs within recurring operating profit. The corresponding expense recorded in recurring operating profit for 2012 was €1.1 million. In accordance with IFRS 2, the matching entry for this expense (after the tax effect) was an increase in equity.

15.3.2. Provisions for pensions and other post-employment benefits

The impact of provisions for pensions and other post-employment benefits on consolidated equity is described in Note 17.

15.3.3. Treasury shares

The Group has a share buyback plan.

Shares purchased under this plan are held by Econocom Group SA/NV. The total number of shares held may not exceed 20% of the total number of issued shares making up the share capital.

The net acquisition cost of shares acquired and the proceeds from the sale of shares sold are respectively deducted from or added to equity.

15.3.4. Dividends

The table below shows the dividend per share (after the four-for-one share split) paid by the Group in previous years and the amount the Board of Directors recommended in respect of 2013 subject to approval during the Ordinary General Meeting to be held on 20 May 2014.

Stock option plans	Payable in 2014	Paid in 2013	Paid in 2012
Total dividend (in € thousands)	12,782	9,280	9,762
Dividend per share (in €)	0.12	0.10	0.10

As the dividend is subject to the approval of the Annual General Meeting, it was not recognised as a liability in the consolidated financial statements as of 31 December 2013.

16. PROVISIONS

A provision is recognised when an obligation (legal or constructive) resulting from a past event with regard to a third party will cause, in an unquestionable or probable way, an outflow of resources whose amount can be estimated reliably. Provisions are reviewed at each reporting date and adjusted where appropriate to reflect the best estimate of the obligation at that date.

Non-current provisions

Non-current provisions concern risks which are unlikely to materialise for several years. They are discounted if necessary.

Current provisions

Provisions for restructuring and personnel-related contingencies include costs in relation to (i) disputes with employees and (ii) reorganisations in progress or announced by the Group (including risks of impairment and compensations before they have been calculated).

Tax and legal risks refer to disputes in progress with clients, agents or tax authorities.

Provisions for deferred commissions are calculated contract-by-contract based on the unguaranteed residual value of leased assets, less any residual commercial value of the contracts concerned.

Provisions for risks related to the Technology Management & Financing business represent provisions for risks on entirely derecognised outstanding rentals.

Other business-related provisions include all the risks related to our Services and Products & Solutions activities, under our regulatory and contractual obligations.

Contingent liabilities

Other than the general risks described in Note 33, the Group did not identify any material risks in its financial statements for which it had not accrued sufficient provisions.

(in € thousands)	Restructuring and employee-legal risks related contingencies	Tax and legal risks	Deferred commissions	Other risks	Risks on on transferred assets	Total
Balance as of 31 December 2011	1,241	10,209	2,420	3,173	4,025	21 068
Additions	6,518	3,821	886	4,650	1,051	16,926
Reversals	(640)	(4,292)	(253)	(2,995)	(1,217)	(9,397)
Changes in scope of consolidation	422	716		755		1,893
Translation adjustments		2	1		15	18
Other movements		935		(79)	(1,069)	(213)
Balance as of 31 December 2012	7,541	11,391	3,054	5,504	2,805	30,295
Additions	2,857	2,305	333	673		6,168
Reversals	(6,182)	(3,901)	(1,266)	(390)	(3,258)	(14,997)
Changes in scope of consolidation	7,414	2,770		5,057		15,241
Translation adjustments			(3)		29	26
Other movements	149	2,342	(8)	44	624	3 151
Balance as of 31 December 2013	11,779	14,907	2,110	10,888	200	39,884
Current	11,779	14,907	2,110	7,783	200	36,779
Non-current				3,105		3,105

(in € thousands)	2013	2012
Non-current provisions	3,105	424
Current provisions	36,779	29,871
Total provisions	39,884	30,295

(in € thousands)	Dotations	Reprises
Recurring operating profit (loss)	4,447	(12,115)
Non-current operating items	1,365	(1,879)
Income tax	356	(1,003)
Total	6,168	(14,997)

17. PROVISIONS FOR PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

17.1. Description of pension plans

The Group's employees are entitled to short-term benefits (paid leave, sick leave, profit-sharing) and defined benefit/contribution post-employment benefits (severance pay).

The short-term benefits are expensed by the various Group entities that grant them.

Post-employment benefits are granted under defined contribution plans or defined benefit plans.

17.1.1. Defined contribution plans

Defined contribution plans are characterised by periodic contributions to external agencies responsible for the plans' 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).

In Belgium, a possible change in the interest rates guaranteed for group insurance policies by the insurance companies gave rise to a partial uncertainty regarding the run-off of the Group's commitments. The Group therefore decided to consider these plans as defined benefit plans. The net commitment was recognised retroactively in other items of comprehensive income in 2012 in accordance with IFRS.

As Osiatis Group operates mainly in the eurozone, this acquisition did not generate any additional risks.

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 of salary increases, retirement age, mortality, employee turnover and the discount rate.

Changes to the actuarial assumptions, or the difference between these assumptions and reality, result in actuarial gains or losses which are recognised in other items of comprehensive income for the period in which they occurred in accordance with the Group's accounting principles.

For the Group, defined benefit post-employment plans primarily concern:

- severance pay in France:
 - lump-sum benefits calculated according to the employee's years of service and his/her average compensation received over the last 12 months prior to his/her departure. Article 22 of the Agreement states nevertheless that the compensation should not include premiums, bonuses or additional payments for overtime, travelling and secondment;
 - 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.

In 2012, the Group decided to include all the French employees under the same collective bargaining agreement, which resulted in the Group's having to increase the amount of retirement benefits paid to certain employees. In accordance with IAS 19R, this change of plan was recognised as an expense for 2012.

- termination benefits in Italy:

- an allowance calculated according to the employee's years of service and his/her annual gross salary, revised every year and paid either in advance or at the time of retirement or termination, whether voluntary or forced;
- the calculated amount is set aside under provisions in the statement of financial position. As any allowances after 1 January 2007 have been transferred to a third-party organisation, provisions only apply to allowances granted up to 31 December 2006, which were still payable by the employer on 31 December 2012.

- Group insurance in Belgium

- Defined contribution plans, which provide a guaranteed sum on payments made by the employer and the employee and paid as either a lump sum or an annual allowance or compensation in the event of death in the workplace. As the payment guaranteed by the insurance company is uncertain, the Group presents these plans as defined benefit plans, despite a low variability of the balance in the statement of financial position.
- Defined benefit plans, which provide either a lump sum or an annual allowance, depending on the employee's salary and years of service or compensation in the event of death in the workplace.

- Company pension plans in Austria: paid on the basis of employees' years of service, these also cover the risk of death and invalidity and reverts to the surviving spouse pension benefits.

The Group has plan assets in France and Belgium. The expected rate of return on assets has been set at the same level as the discount rate of the commitment.

Benefits expected to be paid directly by the group in 2014 are to the tune of €200,000.

17.2. Actuarial assumptions and experience adjustments

Actuarial assumptions depend on a certain number of long-term parameters. These inputs are revised each year.

	France		Other countries	
	2013	2012	2013	2012
Retirement age	62-65 years	62-65 years	64-65 years	64-65 years
Salary increase rate and allowances	2.7%-3%	1.4%-3%	1%-3%	1%-3%
Rate of payroll expenses	48%	45%	4%/29%	4%/29%
Discount rate	3.00%	2.90%	3%/3.75%	2.90%
Mortality table	INSEE 2009-2011	INSEE 2008-2010		

A 0.25% decrease in the discount rate would lead to an increase in the provision of approximately €1.1 million. A 0.25% increase in the discount rate would lead to a €1 million decrease in the provision.

In accordance with IAS 19, the discount rates applied for our assessment are based on the rate of long-term obligations in the private sector for the same period as that of the Group's obligations.

Accumulated actuarial losses recognised in other items of comprehensive income amount to €2,394,000 compared with €2,888,000 in 2012.

(in € thousands)	2009	2010	2011	2012	2013
Present value of obligation	3,702	11,689	11,714	28,205	48,019
Present value of assets				10,927	17,361
(Losses) and gains arising from experience adjustments	45	59	34	61	1,168

17.3. Income and expenses recognised in profit and loss

(in € thousands)	2013	2012
Items of pension cost		
Cost of services rendered	(1,412)	346
Benefits paid	275	297
Interest expense	(646)	(467)
Expected rate of return on plan assets	68	
Change of plan		(1,330)
Total costs recognised in profit and loss	(1,714)	(1,154)
Profits, actuarial losses and gains arising from experience adjustments	490	(2,351)
Other movements in OCI		(1,728)
Total costs recognised in other items of comprehensive income	490	(4,079)

Costs recognised in profit and loss are presented under "Personnel costs" with the exception of the interest expense which is recognised under "Financial expenses".

17.4. Changes in provisions recorded in the statement of financial position

Changes in provisions 2013

(in € thousands)	Opening	Impact of changes in scope of consolidation	Income statement	Benefits paid directly	Actuarial gains and losses	Other	Treasury shares
France	14,116	10,568	1,574	(134)	(480)	3	25,647
Other countries	3,161	1,860	140	(141)	(9)		5,011
Total	17,278	12,428	1,714	(275)	(490)	3	30,658

Changes in provisions 2012

(in € thousands)	Opening	Impact of changes in scope of consolidation	Income statement	Benefits paid directly	Actuarial gains and losses	Other	Treasury shares
France	10,297	247	1,360	(57)	2,270		14,117
Other countries	1,417		90	(240)	81	1813	3,161
Total	11,714	247	1,450	(297)	2,351	1,813	17,278

17.5. Changes in plan assets

Changes in plan assets 2013

(in € thousands)	Opening	Impact of changes in scope of consolidation	Expected return	Benefits paid by the fund	Actuarial gains and losses	Other	Year-end
France	-	5,435	56	(80)	(36)	-	5,375
Other countries	10,927	1,078	12	(6)	(26)	68	11,985
Total	10,927	6,514	68	(86)	(62)	68	17,361

Changes in plan assets 2012

(in € thousands)	Opening	Impact of changes in scope of consolidation	Expected return	Benefits paid by the fund	Actuarial gains and losses	Other	Year-end
France							
Other countries						10,927	10,927
Total						10,927	10,927

Breakdown of assets: 100% insurance

18. FINANCIAL LIABILITIES

(in € thousands)

	31 Dec. 2013	31 Dec. 2012
Finance lease liabilities	3,106	2,333
<i>Finance lease liabilities - real estate</i>	<i>2,013</i>	<i>2,302</i>
<i>Other finance lease liabilities</i>	<i>1,093</i>	<i>31</i>
Financial liabilities	265	735
Bonds	73,924	77,771
Other borrowings	13,438	1,000
Non-current interest-bearing liabilities	90,733	81,839
Bank borrowings	43,158	806
Bonds (current portion)	3,138	3,360
Finance lease liabilities	43,518	13,862
<i>Finance lease liabilities - real estate</i>	<i>291</i>	<i>275</i>
<i>Liabilities relating to contracts refinanced with recourse⁽¹⁾</i>	<i>42,966</i>	<i>13,554</i>
<i>Other finance lease liabilities</i>	<i>261</i>	<i>33</i>
Bank overdrafts	266	4,959
Factoring payables⁽²⁾	8,617	5,819
Current interest-bearing liabilities	98,697	28,806
Total debt	189,430	110,645

(1) The debt related to contracts refinanced with recourse is backed by customers' rental payments for refinanced contracts for 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.

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

On 18 May 2011, Econocom issued €84 million worth of convertible bonds which are listed on the Luxembourg stock exchange and whose main characteristics are:

- maturity: 5 years;
- annual coupon: 4%;
- conversion price: €21, i.e., €5.50 after the four-for-one share split, representing a premium of 25.15% compared with the price on 18 May 2011.

In the event that bondholders request to convert any number of these bonds – which could happen at any time – the same number of newly-issued shares or treasury shares will be remitted.

In the consolidated financial statements, the convertible bonds are for the most part recognised in financial liabilities (€77.1 million), except for the derivative component of the bond, the value of which (€3.4 million) is recognised in equity (see Note 15). In accordance with IFRS, the related issuance fees were split equally between the debt and equity components. Accordingly, the interest rate of the debt component of the bond stood at 5.34%.

Non-current liabilities by maturity

(in € thousands)	Total 2013	1 to 5 years	Beyond 5 years
Finance lease liabilities - real estate	2,013	1,330	683
Other finance lease liabilities	1,093	1,093	
Bonds	73,924	73,924	
Other borrowings	13,703	13,703	
Total	90,733	90,050	683

(in € thousands)	Total 2012	1 to 5 years	Beyond 5 years
Finance lease liabilities - real estate	2,302	1,260	1,042
Other finance lease liabilities	31	31	
Bonds	77,771	77,771	
Other borrowings	1,735	1,735	
Total	81,839	80,797	1,042

Operating lease liabilities break down as follows:

Analysis of operating lease liabilities by maturity

Minimum future lease payments

(in € thousands)	Less than 1 year	1 to 5 years	Beyond 5 years	2013	2012
Operating lease liabilities – real estate	10,788	20,840	11,204	42,833	30,089
Operating lease liabilities – vehicles	12,024	16,590		28,614	18,073
Total	22,812	37,430	11,204	71,447	48,162

Operating lease expense for the period

(in € thousands)	2013	2012
Operating lease liabilities – real estate	11,467	8,158
Operating lease liabilities – vehicles	9,909	8,789
Total	21,376	16,947

Average effective interest rates can be analysed as follows by type of borrowings:

Average effective interest rate

(%)	2013	2012
Bonds	5.34%	5.34%
Credit facilities	1.50%	1.37%
Factoring payables	0.89%	1.53%

19. TRADE AND OTHER PAYABLES AND OTHER CURRENT LIABILITIES

(in € thousands)	2013	2012
Trade payables	494,944	502,814
Other payables	193,945	97,298
Trade and other payables	688,889	600,112

Other current liabilities can be analysed as follows:

(in € thousands)	2013	2012
Accrued taxes and personnel costs	178,293	87,836
Dividends payable	79	274
Customer prepayments	15,573	9,188
Other payables	193,945	97,298

Other current liabilities can be analysed as follows:

(in € thousands)	2013	2012
Other liabilities	41,486	4,577
Deferred income	132,214	124,892
Miscellaneous current liabilities	4,496	11,687
Other current liabilities	178,196	141,156

20. FAIR VALUE OF 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 financial models widely used on financial markets, and on market information available at the reporting date.

(in € thousands) Notes	Statement of financial position headings	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Carrying amount
18	Current and non-current interest-bearing liabilities	189,430		189,430
	Bank borrowings	489		489
	Convertible bond	77,062		77,062
	Finance lease liabilities	46,624		46,624
	Bank overdrafts	266		266
	Other borrowings	64,989		64,989
	Non-current non interest-bearing liabilities	1,884	3,872	5,756
	Gross commitment on residual financial values	48,770		48,770
19	Trade payables	494,944		494,944
19	Other payables	340,031	32,110	372,141
	Total financial liabilities	1,075,059	35,982	1,111,048

Non-current non interest-bearing liabilities estimated at fair value through profit or loss correspond to acquisition-related debt and compensation of certain managers as part of incentive plans.

Other payables at fair value through profit or loss correspond to financial derivatives used as hedges for exchange rate risks arising on operations.

Based on available information, the carrying amount of the Group's financial liabilities approximates fair value, with the exception of the convertible bond whose unit trading price was €33.11 at 31 December 2013, i.e., a market value of €123.7 million for all of the OCEANE convertible bonds outstanding at that date.

21. REVENUE FROM CONTINUING OPERATIONS

Revenue from continuing operations can be analysed as follows:

(in € thousands)	2013	2012
Technology Management & Financing	1,027,560	1,002,500
Products & Solutions	302,884	249,710
Services	442,013	286,130
Other revenue from operations	126	
Total revenue from continuing operations	1,772,583	1,538,340

22. PERSONNEL COSTS

The following table presents a breakdown of personnel costs:

(in € thousands)	2013	2012
Wages and salaries	(204,809)	(148,766)
Payroll costs	(83,967)	(59,363)
Expense for pension and other post-employment benefit obligations	(857)	(686)
Employee profit-sharing	(1,997)	(1,466)
Other	(8,829)	(5,975)
Total	(300,458)	(216,256)

Expenses relating to defined benefit pension plans only concern the Group's French and Italian subsidiaries.

Further details about these plans are provided in Note 17.

The impact of share-based payment plans can be analysed as follows:

(in € thousands)	2013	2012
Stock options	(1,236)	(1,104)
Total	(1,236)	(1,104)

23. EXTERNAL EXPENSES

The following table presents a breakdown of external expenses:

(in € thousands)	2013	2012
External services (rent, maintenance, insurance, etc.)	(33,267)	(23,791)
Agents' commissions	(18,795)	(20,911)
Fees paid to intermediaries and other professionals	(39,539)	(28,522)
Other services and sundry goods (sub-contracting, public relations, transport, etc.)	(36,730)	(30,949)
Total	(128,331)	(104,173)

24. ADDITIONS TO AND REVERSALS OF DEPRECIATION, AMORTISATION AND PROVISIONS

Additions to and reversals of depreciation, amortisation and provisions can be analysed as follows:

(in € thousands)	2013	2012
Intangible assets – franchises, patents, licences, business assets, etc.	(5,733)	(6,178)
Property, plant and equipment (leased assets)	(58)	(33)
Other items of property, plant and equipment	(4,681)	(3,382)
Provisions for operating contingencies and expenses	7,667	2,488
Net additions to depreciation, amortisation and provisions	(2,805)	(7,105)

Additions to and reversals of provisions for restructuring are included in operating profit.

25. IMPAIRMENT LOSSES ON CURRENT AND NON-CURRENT ASSETS, NET

The following table breaks down impairment losses on current and non-current assets by category:

(in € thousands)	2013	2012
Impairment of inventories	(2,092)	(1,173)
Reversals of impairment of inventories	1,801	203
Impairment losses on doubtful debts	(10,178)	(17,597)
Reversals of impairment losses on doubtful debts	5,586	14,995
Realised gains and losses on other assets	1,030	2,025
Total	(3 853)	(1 547)

26. OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses can be broken down as follows:

(in € thousands)	2013	2012
Cross-charging and miscellaneous indemnifications	2,653	1,730
Capital losses on sales of property, plant and equipment and intangible assets – recurring operating activities	(573)	(59)
Capital losses on sales of trade receivables		(9)
Cross-charging and indemnifications paid	(2,839)	(2,135)
Other operating income and expenses	(759)	(473)

27. FINANCIAL EXPENSE, OPERATING ACTIVITIES

The following table breaks down net financial expense from operating activities by type of income/expense:

(in € thousands)	2013	2012
Financial income related to the Technology Management & Financing activity	5,935	6,887
Financial income from current assets	298	215
Miscellaneous financial income from operating activities	226	196
Exchange gains	800	1,628
Total financial income from operating activities	7,258	8,926
Financial expenses related to the Technology Management & Financing activity	(3,283)	(6,873)
Financial expenses related to bank overdrafts	(2,258)	(1,692)
Financial expenses related to factoring	(1,395)	(1,307)
Financial expenses related to miscellaneous operating activities	(998)	(655)
Exchange losses	(748)	(2,014)
Total financial expenses from operating activities	(8,683)	(12,541)
Financial expense, operating activities	(1,424)	(3,615)

Net exchange gains/(losses) recorded in the income statement

(in € thousands)	2013	2012
CAD	(1)	
CHF	(14)	(14)
CNY	16	
CZK	(23)	(29)
EUR (€)	52	(257)
GBP (£)	(5)	39
MAD	(30)	(41)
MXN	65	(18)
PLN	(3)	(31)
RON	(11)	(35)
USD (\$)	7	
Total	52	(386)

28. OTHER NON-RECURRING OPERATING INCOME AND EXPENSES

(in € thousands)	2013	2012
Restructuring costs	(11,697)	(13,132)
Acquisition costs	(1,478)	
Other expenses	(614)	(750)
Total other operating expenses	(13,789)	(13,882)
Total other operating income	385	299
Tax credits from prior years		10,052
Total other operating income	385	10,351
Total	(13,404)	(3,531)

Restructuring costs are mainly attributable to the Services business, in particular due to the merger with Osiatis Group.

Other non-recurring income in 2012 was mainly attributable to the recognition of Econocom's eligibility for research and development tax credits (*crédit impôt recherche*) for 2008-2011.

29. NET FINANCIAL EXPENSE

(in € thousands)	2013	2012
Capital gains on disposals of financial assets	246	24
Other financial income	12	260
Financial income	258	284
Convertible bonds – expense on debt component	(4,858)	(4,612)
Expenses on non-current liabilities	(126)	(165)
Net finance costs for pension obligations	(583)	(467)
Other financial expense	(819)	(156)
Financial expense	(6,386)	(5,400)
Net financial expense	(6,128)	(5,116)

30. INCOME TAXES

30.1. Recognition of current and deferred taxes

30.1.1. Income statement

(in € thousands)	2013	2012
Current tax	(18,442)	(15,308)
Deferred tax	(4,412)	(4,182)
Income tax expense – continuing operations	(22,854)	(19,490)
Income tax related to discontinued operations		
Income tax expense	(22,854)	(19,490)

30.1.2. Effective tax rate

(in € thousands)	2013	2012
Profit before tax including profit from discontinued operations	66,920	66,161
Income tax expense	(22,854)	(19,490)
Group theoretical tax rate as a percentage of profit before tax	34.15%	29.46%

Tax proof

(in € thousands)	2013	2012
Profit for the year excluding non-controlling interests	44,047	46,545
Non-controlling interests	19	126
Income tax expense	22,854	19,490
Profit before tax, impairment of goodwill and share of associates	66,920	66,161
Theoretical tax expense calculated at the Belgian standard tax rate (2013: 33.99%; 2012: 33.99%)	(22,746)	(22,488)
Reconciliation		
Permanent differences	(2,829)	(4,058)
Unrecognised tax losses incurred in the year	(653)	(222)
Previously unrecognised tax losses used in the year	935	1,030
Adjustment to previously unrecognised deferred tax	105	(40)
Adjustment to current tax charge	363	(115)
Taxes other than on income (including "CVAE" – French business tax – on value added)	(4,296)	(3,437)
Effect of foreign income tax rates	2,027	2,735
Tax credits and other taxes	4,240	7,105
Effective income tax expense	(22,854)	(19,490)

Permanent differences mainly relate to the following items:

(in € thousands)	2013	2012
Goodwill and excess depreciation and amortisation	(155)	(186)
Other non-taxable or non-deductible income and expenses	(2,402)	(2,310)
Tax on internal transactions	(272)	(1,562)
Total	(2,829)	(4,058)

30.2. Deferred tax assets and liabilities

30.2.1. Movements in deferred tax liabilities

(in € thousands)	2013	2012
As of 1 January	14,186	9,299
Income (expense) for the year	2,547	3,248
Impacts of exchange rate fluctuations, changes in scope of consolidation and reclassifications	2,580	1,639
As of 31 December	19,313	14,186

30.2.2. Movements in deferred tax assets

(in € thousands)	2013	2012
As of 1 January	15,767	13,105
Income (expense) for the year	(1,865)	(936)
Tax assets not recorded in profit or loss	(258)	1,236
Impacts of exchange rate fluctuations, changes in scope of consolidation and reclassifications	9,982	2,362
As of 31 December	23,626	15,767

30.2.3. Main sources of deferred taxes

(in € thousands)	Assets		Liabilities		Net	
	31 Dec. 13	31 Dec. 12	31 Dec. 13	31 Dec. 12	31 Dec. 13	31 Dec. 12
Deferred tax on revenue (Technology Management & Financing)	12,309	11,931	(29,871)	(26,452)	(17,562)	(14,521)
Pensions	9,660	5,320			9,660	5,320
Provisions	9,990	9,052			9,990	9,052
Other assets and liabilities	13,144	5,443	(15,357)	(12,273)	(2,213)	(6,830)
Tax loss carryforwards	4,438	8,560			4,438	8,560
Netting of assets and liabilities	(25,915)	(24,539)	25,915	24,539		
Deferred tax assets (liabilities), net	23,626	15,767	(19,313)	(14,186)	4,313	1,581
Deferred tax assets recognised in the statement of financial position	23,626	15,767			23,626	15,767
Deferred tax liabilities recognised in the statement of financial position			(19,313)	(14,186)	(19,313)	(14,186)
Net	23,626	15,767	(19,313)	(14,186)	4,313	1,581
Recoverable within 12 months, before netting	16,179	16,683	(10,401)	(4,504)	5,778	12,179
Recoverable beyond 12 months, before netting	33,362	23,623	(34,827)	(34,220)	(1,465)	(10,597)

30.2.4. Deferred tax assets on tax loss carryforwards

As of 31 December 2013, the Group's tax loss carryforwards can be analysed as follows by expiry date:

(in € thousands)	2013	2012
2014		
2015		
2016		
2017	1,046	1,046
Beyond	2,787	3,086
Evergreen tax loss carryforwards	45,148	37,951
Total	48,981	42,083

The Group's unrecognised deferred tax assets at 31 December 2013 and 2012 related to the following items:

2013 (in € thousands)	Gross value	Total deferred tax assets	Recognised deferred tax assets	Unrecognised deferred tax assets
Tax loss carryforwards	48,981	16,762	4,438	12,324
Other taxes	1,504	361	361	
Total	50,485	17,123	4,799	12,324

2012 (in € thousands)	Gross value	Total deferred tax assets	Recognised deferred tax assets	Unrecognised deferred tax assets
Tax loss carryforwards	42,083	12,186	8,560	3,626
Other taxes	798	184	184	
Total	42,881	12,370	8,744	3,626

At 31 December 2013, unrecognised deferred tax assets amounted to €12.3 million (versus €3.6 million in 2012) and correspond to tax loss carryforwards whose recovery is not probable and which are not therefore recognised in the statement of financial position.

Deferred tax assets on tax loss carryforwards (€0.6 million) in 2013 were recognised mainly in respect of Econocom Lease SA/NV, in light of the additional revenue it will generate in future years as a result of the consolidation of ECS Group and the invoicing of services.

The Group has not recognised deferred tax liabilities for any taxes payable on the retained earnings of certain subsidiaries insofar as it controls their dividend policies. In the event that the Group ceases to control the subsidiaries, the tax expense relating to the payment of dividends would amount to €13.8 million.

31. EARNINGS PER SHARE

Basic earnings per share

(in € thousands, except for per share data and number of shares)	2013	2012
Profit for the year excluding non-controlling interests	44,138	46,577
Profit for the year excluding non-controlling interests and before amortisation of the ECS customer portfolio and the Osiatis brand	45,674	47,927
Average number of shares outstanding (in units)	95,940,400	96,241,520
Basic earnings per share (in €)	0.460	0.484
Profit for the year before amortisation of the ECS customer portfolio and the Osiatis brand (in €)	0.476	0.498

Diluted earnings per share

(in € thousands, except for per share data and number of shares)	2013	2012
Diluted profit excluding non-controlling interests	47,153	49,612
Profit for the year excluding non-controlling interests and before amortisation of the ECS customer portfolio and the Osiatis brand	48,689	50,962
Average number of shares outstanding (in units)	95,940,400	96,241,520
Impact of stock options (in units)	3,813,695	2,490,225
Impact of convertible bonds (in units)	15,382,537	16,000,000
Diluted average number of shares outstanding (in units)	115,136,632	114,731,745
Diluted earnings per share (in €)	0.410	0.432
Diluted profit for the year before amortisation of the ECS customer portfolio and the Osiatis brand (in €)	0.423	0.444

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

32.1. Definition of cash flows

Cash flows are analysed in the following table, and take account of changes in cash flows from all activities, including continuing activities as well as activities held for sale. Consolidated cash flows include cash and cash equivalents.

Year-on-year changes in cash and cash equivalents can be broken down as follows:

(in € thousands)	2013
Cash and cash equivalents at beginning of year	79,850
Change in gross cash and cash equivalents	70,289
Cash and cash equivalents at end of year	150,139

32.2. Notes to the consolidated statement of cash flows

In order to provide a more pertinent view of the consolidated statement of cash flows, cash flows from operating activities have been adjusted for changes in the residual interest in leased assets.

Cash flows from operating activities rose sharply during the year, notably due to improvements in the working capital requirement of Group companies. Cash flows used in investing activities increased as a result of the acquisition of Osiatis Group as well as the Group's investment and development expenditure. Financing cash flows are mainly attributable to the financing of the Osiatis acquisition and the payment of dividends and share buybacks (and cancellations).

32.3. Impact of changes in the scope of consolidation

Movements on treasury shares are set out in Note 3.

The related cash flows can be analysed as follows:

(in € thousands)	
Cash outflows relating to share buybacks	(41,617)
Cash and cash equivalents acquired	23,585
Net costs	(18,032)

32.4. Transactions with no cash impact

In 2013, the Group completed the following investing and financing activities with no cash impact, which are not reflected in the consolidated statement of cash flows:

- issue of 15,840,618 shares in relation to the acquisition of Osiatis as described in Note 3;
- vendor loan from the main shareholder of Osiatis that had not been reimbursed at 31 December 2013;
- delivery of 198,352 shares to holders of OCEANE convertible bonds on the exercise of the conversion option, which led to a decrease in the Group's bond debt of approximately €1 million.

33. RISK MANAGEMENT

33.1. Capital adequacy framework

Net debt/equity ratio (2013: 15.1%; 2012: 27.6%)

The Group uses a number of different ratios including the net debt/equity ratio which provides investors with a snapshot of the Group's level of debt in relation to its consolidated shareholders' equity. It is calculated by taking aggregate debt as presented in Note 18, less cash and consolidated shareholders' equity 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.

33.2. 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 risk management programme 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 for a number of subsidiaries.

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

33.2.1. Market risk

At the end of the year, Group Management fixes all the exchange rates to be applied in the following year's budgeting process.

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

Derivative financial instruments are used purely for hedging and never for speculation purposes.

33.2.1.1. Foreign exchange risk

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

33.2.1.2. Interest rate risk

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

As of 31 December 2013, the Group's variable-rate debt comprised short-term borrowings (credit lines and bridges), and factoring, equally short-term. There was no contract to cover open-rates as of 31 December 2013 for these variable-rate debts. Following the acquisition of Osiatis, Econocom acquired fixed-rate debts with a maximum duration of four years.

33.2.1.3. Price risk

The Group is exposed to the risk of fluctuations in the future values 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 2.9.3.

The method is regularly compared with actual transactions, and annual statistics are compiled to validate the suitable and conservative nature of the selected method.

33.2.1.4. Liquidity risk

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

- by analysing and updating consolidated cash flow requirements on a monthly basis for our fifteen main companies;
- by negotiating and maintaining sufficient outstanding lines of financing;
- by optimising the centralised management of the Group's cash in order to offset the excesses and internal cash requirements.

Thus, as of 31 December 2013, the Group secured bilateral lines of credit from various banks in the amount of €288 million, of which €60 million was confirmed within one year and €177 million within two to five years, in order to guarantee that the necessary cash was available to fund the Group's assets, short-term cash requirements and expansion, at minimal cost.

Furthermore, Econocom does not have any major loans falling due in 2014 and 2015. The two loans negotiated for the acquisition of Osiatis fall due in 2015 and can be extended at Econocom's discretion until 2017. The bond issued in 2011 does not fall due until 2016. In January 2014, €175 million worth of bonds convertible into cash and/or new shares and/or exchangeable for existing shares (ORNANE) were issued for 5 years, with a nominal coupon rate of 1.5% per annum.

Based on its current financial forecasts, the Group's Management believe it has sufficient resources to continue its business, both in the short and long term.

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

2013 (in € thousands)	Total commitments	< 1 year	Due in 1 to 5 years	> 5 years
Finance lease liabilities	3,684	339	1,545	1,800
Gross commitments on residual financial value	53,938	15,835	37,566	537
Bank borrowings	106,185	56,607	49,578	
Bonds	87,864	3,138	84,726	
Trade and other payables	688,889	688,889		
Factoring	8,639	8,639		
Other financial liabilities	267	267		
Non-current non-interest bearing liabilities	5,756		5,756	
Total	955,222	773,714	179,171	2,337

2012 (in € thousands)	Total commitments	< 1 year	Due in 1 to 5 years	> 5 years
Finance lease liabilities – real estate	3,117	403	1,613	1,101
Gross commitments on residual financial value	52,547	16,193	36,352	2
Other finance lease liabilities	70	36	34	
Bank borrowings	13,649	13,649		
Bond	97,440	3,360	94,080	
Trade and other payables	600,112	600,112		
Factoring	5,935	5,935		
Other financial liabilities	4,208	4,208		
Non-current non-interest bearing liabilities	6,586		6,586	
Total	783,664	643,896	138,665	1,103

33.2.2. 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 in the Technology Management & Financing business. For its Technology Management & Financing business, the Group does nevertheless have the option of retaining the credit risk for certain strategic transactions, provided that they do not have a material impact on the business' risk profile.

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 continued, significant involvement in the transferred assets, its maximum exposure in this respect is equal to the amount of its financial assets (see Note 14).

Aged balance of receivables past due but not impaired

2013 (in € thousands)	Carrying amount	Receivables not past due	Receivables past due			
			Total	< 60 days	60-90 days	> 90 days
Refinancing institutions ⁽¹⁾	187,021	165,313	21,708	13,024	3,540	5,144
Other receivables	518,366	419,992	92,344	35,372	6,699	56,303
Impairment losses on doubtful debts	(42,460)	(10,620)	(31,840)	(262)	(912)	(30,666)
Trade and other receivables, net	662,927	574,685	88,242	48,134	9,327	30,781

(1) Refinancing institutions correspond to financial institutions which are bank subsidiaries. The significant amount of receivables past due as of 31 December is attributable to buoyant business levels in Technology Management & Financing in December. The bulk of these past due amounts are usually paid in the first two weeks of January.

33.2.3. 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 2013 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.

33.3. Operating risk management policy

33.3.1. Risks associated with Service contracts

The main risks in relation to Services contracts relate to contracts with a guaranteed result entered into with clients and the notice period for contract terminations. These risks, in addition to risks associated with sub-contractor default, are described in Chapter III – Risk Factors and are managed through legal and operational monitoring.

33.3.2. Dependency risk

The Group continually strives to broaden its client portfolio as part of its development strategy to gain market share. No single client represents over 5% of consolidated revenue and no supplier accounts for more than 25% of its total purchases. The Group's operations are not dependent on any specific patents or on any licences for brands which it does not own.

33.3.3. Competition

The ICT services market has always been highly competitive. There are a limited number of competitors at an international level for all of the Group's businesses. However, in each country where it has operations and in each of its businesses, the Group faces strong competition from international, national or local players.

33.3.4. 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 fully aware of the applicable local laws and regulations.

Through its headquarters in Brussels, Econocom keeps abreast of new European legislation and regulations.

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 or arbitration likely to have a substantial impact on Econocom Group's financial position, business or the results of its operations at 31 December 2013 are presented in Note 35.

Liabilities are recognised in line with current accounting practices (see Note 2.16).

Provisions for claims and litigation are described in Note 16.

33.3.5. 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 and Italian subsidiaries.

33.3.6. Environmental risks

Econocom Group does not destroy the machines purchased from refinancing institutions at the term of the related contracts. 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.

33.3.7. 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.

33.3.8. 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 34.

33.3.9. Risks associated with acquisitions and integrations

As part of its strategy, the Group continues to develop its business by seeking acquisition opportunities in all its areas of activity. By acquiring companies, the Group is exposed to the risk associated with integrating the companies. These risks include, but are not limited to, covering financial and operational costs which are higher than initially anticipated, 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 abovementioned factors may also have a negative impact on the goodwill recognised in the consolidated financial statements with respect to acquisitions (see Note 7 of the consolidated financial statements). Historically, Econocom has successfully implemented its mixed growth strategy and has recognised experience of integration. The successful acquisition and subsequent integration of ECS Group, which was acquired in 2010 and enabled the Group to double in size, is a testament to the group's experience in this area.

33.3.10. Risks associated with tax inspections

The Group undergoes regular tax inspections in the various countries in which it operates. Although the final result of these inspections is uncertain, the Group has estimated as accurately as possible the provisions for risks associated with tax inspections, and has consequently recognised them in its financial statements. The final results of these inspections could have a negative impact on the Group's consolidated financial statements, but this impact is limited as a provision is recognised for them in the consolidated financial statements.

33.4. Sensitivity analysis

The sensitivity analyses carried out to measure the impact of various foreign currency/euro exchange rate fluctuations show that, assuming a constant level of performance of foreign subsidiaries, a 10% decrease in all these currencies would have an impact on the Group's net results of less than €0.4 million.

In addition, the Group is managing finance lease agreements denominated in dollars in its Technology Management & Financing business. The terms and conditions of this contract are such that the foreign exchange risk is automatically hedged and fluctuations in the dollar exchange rate have only a non-material impact on results.

As regards interest rates, the sensitivity analysis shows that a 1% (100-basis point) change in short-term interest rates would result in a €0.9 million increase/decrease in profit before tax and non-recurring items.

34. OFF-BALANCE SHEET COMMITMENTS

34.1. Commitment to pay earn-out

The Group committed to pay an earn-out when it acquired Ermestel, France Systèmes and Exaprobe (see Note 3). The Group estimated these earn-outs as accurately as possible in the financial statements and should any amount be exceeded this will be covered by an additional contribution from these companies to the Group's results in 2014 and 2015.

34.2. Commitments received as a result of acquisitions

Vendor warranties for the acquisition of ECS Group:

Econocom Group recognised income of €1 million in 2013 as part of transactions for a vendor warranty. This warranty has partially expired as of 31 December 2013.

Vendor warranties relating to acquisitions in 2013:

The vendor warranty which was agreed by the seller on the acquisition of Exaprobe amounts to €1 million maximum and expires as of 2023.

Vendor warranties relating to acquisitions in 2012:

The total vendor warranties for the acquisitions which took place in 2012 amount to €6 million; these warranties are spread over the period between 2014 and 2016.

34.3. Guarantees

(in € thousands)

Guarantees given	360,580
Bank guarantee covering the vendor loan	29,513
Guarantees given by Econocom to banks for securing credit lines	142,364
Guarantees given by Econocom to refinancing institutions to cover certain operational risks, and invoice and payment agency granted to Econocom*	202,883
Guarantees given to clients and suppliers for the Group's sales activities	15,333
Other guarantees	

* The unused amount as of 31 December 2013 is €85,593,000.

34.4. Commitments received: deposits and guarantees

(in € thousands)

Guarantees payable on first call and pledges	26,632
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34.5. Commitments received: deposits and guarantees

Off-balance sheet commitments by maturity and type of commitment are presented in the following table:

(in € thousands)	< 1 year	Due in 1 to 5 years	> 5 years	Total 2013	Total 2012
Commitments given:	39,100	80,654	240,826	360,580	321,458
Assets pledged as guarantees for factors					
Securities pledged					
Commitments given to banks	30,000	40,000	72,364	142,364	142,750
Commitments given to refinancing institutions	9,100	25,321	168,462	202,883	162,551
Commitments given to clients		15,333		15,333	15,285
Other commitments					
Acquisition commitments					872
Commitments received:	26,632			26,632	14,885
Guarantees and pledges	26 632			26,632	14,885

35. INFORMATION ON THE TRANSFERS OF FINANCIAL ASSETS

35.1. Information on the transfer of assets – assets not derecognised in full

Assignment of trade receivables

As part of its Products & Solutions and Services businesses and for the purpose of optimising its cash management, the Group assigns a portion of its trade receivables throughout the year to factoring companies.

As of 31 December 2013, the company presented balances of €151.2 million to these factoring companies and obtained financing of €118.6 million, €8.6 million of which was also recognised in receivables and payables due to the continuing involvement and associated credit risk.

The unfinanced amount of €32.6 million is recognised in financial assets and other receivables, and corresponds to unassignable receivables.

(in € millions)	2013	2012
Receivables presented to factoring companies	151.2	88.2
Debt	8.6	5.3
Unassigned receivables	32.6	24.1
Assigned receivables	110	58.8

The overall factoring cost amounted to €1.4 million in 2013 compared with €1.3 million in 2012.

Refinancing with recourse

In certain very limited cases, Econocom Group maintains the credit risk for assigned outstandings. In this case, the Group transfers title to the equipment under lease contract to the refinancing institution for the duration of the lease, as collateral for the transaction.

However, for the purposes of simplification, the Group recognised debt equal to total outstandings with recourse and an asset ("continuing involvement" as defined by IAS 39) in trade receivables for the amount of €43.0 million as of 31 December 2013 (versus €13.6 million as of 31 December 2012).

35.2. Information on transfers of assets associated with refinancing – derecognised assets

35.2.1. Nature of continuing involvement

Residual financial value

The outstandings under leases with customers are, except in exceptional cases, refinanced on a non-recourse basis.

The Group's active risk management policy is aimed at limiting both credit risk and any other continuing involvement. Accordingly, the Group derecognises outstandings under leases refinanced on a non-recourse basis.

However, the Group frequently sells, with a purchase obligation, the leased equipment at the same time as the outstandings under leases. These purchase obligations are classified within "gross commitments on residual financial value" and recognised in the statement of financial position.

Other continuing involvement

The main legal forms of refinancing contracts for lease outstandings are as follows:

Full assignment of outstandings: Econocom considers that it has no other involvement within the meaning of IFRS 7.

Outstandings assigned as sales of receivables: Econocom maintains a continuing involvement since it retains a portion of the risk associated with the contractual relationship and title to the assets.

Outstandings assigned via finance leases: Econocom maintains a 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.

35.2.2. 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. Costs incurred by the continuing involvement represented by the residual financial value are also considered as operating expense and included in financial expense from operating activities.

35.2.3. 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 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 are concerned.

36. RELATED-PARTY INFORMATION

36.1. Management remuneration

(in € thousands)	Total 2013	Total 2012
Short-term benefits (including payroll costs)	3,820	3,720
Retirement benefits and other post-employment benefits	167	160
Other long-term benefits	97	
Termination benefits		
Share-based payments	1,127	1,028
Total	5,211	4,908

The table above shows the amounts recognised in employee costs for directors and members of the Executive Committee. Remunerations are shown for a 12-month period, except in the case of members of the Osiatis Executive Committee (four months).

The compensation policy for directors and members of the Executive Committee is set out in section 5.7.1 of the Management Report submitted to the Annual General Meeting.

36.2. 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 transactions with related parties summarised below mainly concern the principal transactions carried out with companies in which the Chairman of Econocom Group's Board of Directors holds a directorship.

(in € thousands)	Income		Expenses		Receivables		Payables	
	2013	2012	2013	2012	2013	2012	2013	2012
SCI de Dion-Bouton			(2,279)		2,064	4,146		
Econocom International NV	47	30	(2,222)	(2,230)	8	102	14	158
SCI Maillot Pergolèse	13	12	(423)	(856)	5	61	43	181
Ecofinance International			(212)	(440)			28	651
Audevard	0	24			2			
APL			(101)	(18)				
Total	60	66	(5,237)	(3,544)	2,079	4,309	85	990

Econocom International NV is an unlisted holding company which holds a 44.12% stake in Econocom Group SA/NV as of 31 December 2013. Econocom International NV – whose Chairman is Jean-Louis Bouchard – bills fees to Econocom Group SA/NV and its subsidiaries for managing and coordinating the Group. These fees amounted to €2.2 million in both 2012 and 2013.

In 2013, SCI Dion-Bouton, which owns the new building in Puteaux, received €2.2 million in rent for 2013. In 2012, a deposit of €2.1 million was paid to SCI Dion-Bouton.

As part of its Technology Management & Financing business, the Group refinances a number of contracts on a non-recourse basis with Ecofinance International. In 2013, the warranty and refinancing expenses paid to Ecofinance International amounted to €0.2 million, compared with €0.4 million in 2012.

Transactions with SCI Maillot Pergolèse, which owns the premises in Clichy, relate to rent for 2013. In 2012, in addition to the rent, €0.2 million in penalties were paid following the early termination of the lease of part of the premises.

37. SUBSEQUENT EVENTS

In January 2014 Econocom Group SA/NV successfully placed €175 million worth of bonds convertible into cash and/or new share 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. This will be issued at 100% of the principal amount (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.

In addition, on 6 January 2014, Econocom made a joint investment with Georges Croix, (former CEO of Prosodie) to set up Digital Dimension. The investment, amounting to €11 million, enabled Econocom to hold 50.1% of the capital.

Digital Dimension aims to establish itself rapidly as a major player specialising in designing and managing innovative cloud-based digital solutions.

At the beginning of 2014, Econocom Group SA/NV repurchased then cancelled a number of the OCEANE bonds. On the day before the Annual General Meeting, the number of outstanding OCEANE bonds was 2,599,613.

38. 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 7): each year, Econocom Group reviews the value of the goodwill in its consolidated financial statements, in accordance with the principles described in Note 2.11. 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 (Note 17): an actuary calculates the provision for retirement benefits using the projected unit credit method as described in Note 2.17. This calculation is particularly sensitive to 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 SA/NV, 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 (see Notes 10 and 12): this valuation is performed using the method described in 2.9.3 and verified every year using statistical methods.
- Assessments of the probability of recovering the tax loss carryforwards and tax credits of the Group's subsidiaries (see Note 30 on tax carry loss forwards).
- Provisions (Note 16): provisions are recognised to cover the probable outflows of resources in favour of a third party with no corresponding consideration for the Group. They include provisions for litigation of any nature which are estimated on the basis of the most probable settlement assumption. To determine these assumptions, Group Management relies, if necessary, on assessments made by external consultants.
- The accounting methods used in the event of acquisitions are described in the note on business combinations.

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

as of and for the year ended
31 December 2013

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

as of and for the year ended 31 December 2013



STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING ON THE CONSOLIDATED ACCOUNTS OF ECONOCOM GROUP SA/NV FOR THE YEAR ENDED 31 DECEMBER 2013

In accordance with the legal requirements, we report to you on the performance of our mandate of statutory auditor. This report includes our opinion on the consolidated financial statements, as well as the required additional statement. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2013 and the consolidated income statements and other comprehensive income, changes in equity and cash flows for the year then ended, and 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 NV ("the Company") and its subsidiaries (jointly "the group"), 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 1,471,144,000 and the consolidated statement of comprehensive income shows a profit for the year, part group, of EUR 44,138,000.

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 these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determine, is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 (ISAs). 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 the assessment of the risks of material misstatement of 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 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 2013 and of its consolidated financial performance and its consolidated 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 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 directors' report on the consolidated financial statements includes 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, 9 April 2014

The Statutory Auditor
PwC Bedrijfsrevisoren BCVBA
Represented by

A handwritten signature in black ink, appearing to read 'Attout', with a stylized flourish above it.

Emmanuèle Attout
Réviseur d'Entreprises / Bedrijfsrevisor

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 2013 prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted in the European Union, and with the legal provisions applicable in Belgium, give a true and fair view of the assets, financial positions 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, 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.

28 March 2014

On behalf of the Board of Directors

**Jean-Louis Bouchard,
Chairman of Econocom Group**

A handwritten signature in black ink, consisting of a stylized 'J' followed by a dot and a flourish.

CONDENSED PARENT COMPANY FINANCIAL STATEMENTS*

For the year ended 31 December 2013

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() The parent company financial statements are prepared in accordance with Belgian GAAP.*

ECONOCOM GROUP SA/NV PARENT COMPANY FINANCIAL STATEMENTS

In accordance with article 105 of the Belgian Companies' Act, Econocom Group SA/NV 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 of Econocom Group SA/NV. The Statutory Auditor's report also includes additional information with respect to the conflict of interest described in heading 5.5.3 of the management report.

PARENT COMPANY BALANCE SHEET

For the year ended 31 December 2013

Assets

(in € thousands)	31 Dec. 2013	31 Dec. 2012
Fixed assets	723,787	567,175
I. Start-up costs	761	1,178
II. Intangible assets	357	451
III. Property, plant and equipment	68	1,038
A. Land and buildings		
B. Plant and equipment, fixtures and fittings	46	80
E. Other property, plant and equipment	23	23
F. Property, plant and equipment in progress		935
IV. Financial fixed assets	722,600	564,508
A. Related parties	722,394	564,502
1. Equity interests	440,482	408,123
2. Receivables	281,912	156,379
C. Other financial fixed assets	207	6
1. Shares	201	
2. Receivables and cash guarantees	6	6
Current assets	26,062	20,734
VI. Inventories and work in progress	26	22
A. Inventories	26	22
VII. Current receivables	18,952	9,517
A. Trade receivables	17,973	5,654
B. Other receivables	979	3,863
IX. Cash investments	6,939	11,001
A. Treasury stock	6,062	9,822
B. Other investments	877	1,179
X. Cash and cash equivalents	47	121
XI. Accrual accounts	98	73
Total assets	749,849	587,909

Equity and liabilities

(in € thousands)

	31 Dec. 2013	31 Dec. 2012
Equity	260,352	205,026
I. Share capital	19,874	17,077
A. Subscribed capital	19,874	17,077
II. Paid-in capital	158,253	72,531
III. Revaluation gain	2,520	2,520
IV. Reserves	8,467	11,947
A. Statutory reserve	1,987	1,708
B. Unavailable reserves	6,062	9,822
1. For treasury shares	6,062	9,822
D. Available reserves	418	418
V. Retained earnings	71,237	100,950
Provisions and deferred taxes	37,369	16,533
VII. A. Provisions for contingencies and losses	37,369	16,533
4. Other contingencies and losses	37,369	16,533
Liabilities	452,128	366,350
VIII. Non-current liabilities	302,752	158,492
A. 2. Convertible unsecured loan securities	75,285	80,192
4. Bank loans and borrowings		
5. Other borrowings	227,467	78,300
IX. Current liabilities	149,376	207,858
A. Current portion of non-current liabilities	3,360	3,360
Convertible unsecured loan securities	3,360	3,360
B. Borrowings and debt	96,939	187,123
1. Bank loans and borrowings	250	
2. Other borrowings	96,689	187,123
C. Trade payables	4,926	6,079
1. Suppliers	4,926	6,079
E. Accrued taxes and personnel costs	878	1,353
1. Taxes	18	18
2. Personnel costs including social security charges	860	1,335
F. Other liabilities	43,273	9,944
XII. Accrual accounts		
Total equity and liabilities	749,849	587,909

PARENT COMPANY INCOME STATEMENT

For the year ended 31 December 2013

Expenses

(in € thousands)

	2013	2012
II. Cost of sales and services	34,375	30,816
A. Materials and goods for resale		
B. Services and miscellaneous goods	10,484	11,194
C. Personnel costs (including social security charges) and pensions	2,902	3,092
D. Amortisation/depreciation and impairment of start-up costs, property, plant & equipment and intangible assets	152	119
E. Additions to impairment of inventories, work in-progress and trade receivables	2	2
F. Additions to provisions for contingencies and losses	20,835	16,403
G. Other operating expenses		6
V. Financial expenses	13,493	10,477
A. Expenses on liabilities	13,227	12,119
B. Impairment of current assets other than inventories, work in progress and trade receivables	6	(1,794)
C. Other financial expenses	260	152
VIII. Non-recurring expenses	14	97
B. Impairment of long-term investments	14	6
C. Additions to (reversals of) provisions for contingencies and losses		
D. Losses on disposal of fixed assets		72
E. Other non-recurring expenses		19
X. A. Income tax	17	41
XI. Profit for the year	13,197	50,246
Total	61,096	91,677

Income

(in € thousands)	2013	2012
I. Sales of services	14,265	14,070
A. Revenue	12,680	12,173
D. Other operating income	1,585	1,897
IV. Financial income	39,084	77,582
A. Income from long-term investments	36,084	74,860
B. Income from current assets	29	60
C. Other financial income	2,970	2,662
VII. Non-recurring income	7,747	25
B. Reversals of impairment of long-term investments		25
D. Gains on disposal of fixed assets	7,600	
E. Other non-recurring income	147	
X. Tax adjustments and reversals of tax-related		
Total	61,096	91,677

Appropriation of profit

(in € thousands)	2013	2012
A. Total profit available for distribution	114,147	126,581
1. Profit for the year	13,197	50,246
2. Retained earnings	100,950	76,335
B. Deductions from equity		
1. From equity and paid-in capital		
2. From reserves		
C. Appropriations to equity	(30,127)	(15,962)
2. To the statutory reserve	(279)	
3. To other reserves	(29,848)	(15,962)
D. Appropriation to retained earnings	(71,237)	(100,950)
1. Amount carried forward	(71,237)	(100,950)
F. Profit available for distribution	(12,782)	(9,669)
1. Dividends	(12,782)	(9,669)

PARENT COMPANY CASH FLOW STATEMENT

For the year ended 31 December 2013

(in € thousands)	2013	2012
Profit for the year	13,197	50,246
Income tax expense	17	41
Depreciation, amortisation and impairment	172	(7,727)
Impact of changes in provisions for other contingencies and losses	20,835	16,403
Gains/losses on disposal of financial assets		48
Dividends received from investments	(26,084)	(65,177)
Interest received on non-current financial receivables	(10,000)	(9,683)
Gains/(losses) on disposal of treasury shares	(451)	(425)
Operating cash flow (a)	(2,314)	(16,274)
Change in current receivables	(9,441)	(715)
Change in other current assets	(29)	39
Change in trade payables	(1,173)	(10,482)
Change in accrued taxes and personnel costs (current portion)	(475)	(268)
Change in other current liabilities		(7)
Change in working capital (b)	(11,118)	(11,433)
Income tax expense (c)	(17)	(41)
Net cash used in operating activities (a+b+c) = d	(13,449)	(27,748)

(in € thousands)	2013	2012
Start-up costs		
Acquisition of property, plant and equipment and intangible assets for internal use	(1,233)	(1,263)
Disposal of property, plant and equipment and intangible assets for internal use	2,145	
Acquisition of equity interests	(79,252)	(27,259)
Disposal of equity interests		1,220
Acquisition of non-current financial receivables	(14)	(6)
Repayment of non-current financial receivables	8,858	1,700
Acquisition of other financial assets	(201)	(5)
Disposal of other financial assets		
Dividends received from equity investments	26,084	65,177
Interest received on non-current financial receivables due in more than 1 year	10,000	9,683
Net cash from/(used in) investing activities (e)	(33,613)	49,247
Convertible bonds – interest	4,256	4,248
Convertible bonds – repurchase	(6,272)	
Convertible bonds – conversion	(198)	
Change in current financial liabilities	59,816	2,225
Change in non-current financial liabilities	(833)	(1,700)
Acquisition of treasury shares	(37,608)	(19,140)
Disposal of treasury shares	6,978	2,897
Dividends paid during the year	(9,866)	(9,732)
Change in other liabilities	30,413	
Net cash from/(used in) financing activities (f)	46,686	(21,202)
Change in cash and cash equivalents (d+e+f)	(376)	297

KEY CONSOLIDATED FIGURES

KEY CONSOLIDATED FIGURES

	2008	2009	2010	2011	2012	2013
Number of shares (as of 31 December 2013)*						
Ordinary shares	99,200,000	99,200,000	104,691,588	104,691,588	96,691,588	106,517,314
AFV (preferred shares)						
Total	99,200,000	99,200,000	104,691,588	104,691,588	96,691,588	106,517,314
Free float	40.38%	20.09%	20.93%	20.79%	48.08%	48.44%
Per share data (in €)						
Net dividend (on ordinary shares)	0.05	0.06	0.07	0.08	0.08	0.09
Gross dividend (on ordinary shares)	0.06	0.08	0.09	0.10	0.10	0.12
Payout rate (a)	32%	37%	31%	42%	21%	24%
Recurring operating profit	0.26	0.29	0.45	0.62	0.78	0.90
Operating profit	0.25	0.29	0.39	0.44	0.74	0.76
Profit before tax	0.25	0.28	0.39	0.33	0.69	0.70
Profit/(loss) for the year	0.19	0.21	0.28	0.21	0.48	0.46
Consolidated cash flow	0.33	0.36	0.36	0.57	0.86	0.82
Equity attributable to owners of the parent company	0.85	0.85	1.33	1.30	1.60	2.44
Price/earnings (b)	8	13	9	19	12	18
Price/cash flow (b)	5	7	7	7	7	10
Net yield (c)	2.80%	2.22%	2.60%	1.93%	1.26%	1.08%
Gross yield (c)	3.72%	2.90%	3.50%	2.57%	1.68%	1.45%
Stock market data (in €)						
Average share price	1.81	1.78	2.63	3.50	4.46	6.20
As of 31 December	1.61	2.59	2.50	3.84	5.95	8.32
High	2.19	2.67	3.06	4.29	5.95	8.35
Low	1.26	1.15	2.25	2.51	3.56	5.08
Annual return (at end December) (d)	- 11.85%	66.29%	- 1.32%	58.10%	57.00%	41.01%
Annual market return (e)	- 47.56%	24.63%	7.08%	- 9.76%	31.25%	26.28%
Annual trading volume (in units)	12,086,564	16,414,764	12,657,460	15,258,628	19,746,496	22,486,790
Average daily trading volume	47,400	66,188	49,252	59,836	77,437	84,938
Annual trading volume, in absolute value (in € millions)	21.7	30.14	33.65	52.9	88.8	147.2
Market capitalisation as of 31 December (in € millions)	160	257	262	407	575	886
Listing market (f)	TC	TC	TC	TC	TC	TC
Number of employees as of 31 December	2,318	2,266	3,664	3,610	3,700	8,195

* After the four-for-one share split.

(a) Payout rate = gross dividend/consolidated profit from ordinary activities after tax and before amortisation of goodwill attributable to the Group.

(b) Share price as of 31 December/cash flow.

(c) Net or gross dividend/share price as of 31 December.

(d) Annual return = change in share price as of 31 December relative to 31 December of the previous year plus net dividend/share price as of 31 December of the previous year.

(e) Return index (Belgian All Shares and Belgium Total Market) of Euronext Brussels.

(f) Listing market = Brussels. SM = Second Marché from 9 June 1988; CSF = Marché au Comptant Simple Fixing from 13 December 1996.

CDF = Marché au Comptant Double Fixing from 11 March 1998; and TSC = Marché à Terme semi-continu from 11 March 1999.

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

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The Econocom Group 2013 annual report is available in French and English
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