



Registration Document 2017

including the Annual Financial Report

Limited company with a capital of 2,662,782 Euros
Tour Gallieni II
36, Avenue du Général de Gaulle
93170 BAGNOLET



This document was filed with the French Financial Markets Authority on April 27, 2018, in compliance with Article 212-13 of its general regulations. It may be used in support of a financial transaction when accompanied by a transaction note approved by the French Financial Markets Authority. This document was prepared by the Issuer and engages the responsibility of its signatories.

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MESSAGE FROM THE CHAIRMAN

Madame, Sir,
Dear stockholder,

In 2017, Infotel recorded a revenue of €209.3 million, for an entirely organic growth of 9.9% compared to 2016.

In a global market of IT services showing growth of 3.4% in 2017 according to Syntec Numérique, revenue from the Services activity stands at €201.2 M for an increase of 10.6% due to very strong activity with in particular digitalization projects that represent a significant growth vector. The banking sector remains the top contributor (34.8% in the Services activity), followed by Industry (26.5% in the Services activity). New reference listings continue to grow with the recent addition of the Caisse des Dépôts. The recruitment policy took shape in the integration of 476 new employees over the year.

Software product revenue records a decrease of 5.9% with €8.1 M. This decrease is due to the wait-and-see attitude on the part of clients and to the weak dollar. The startup of sales of distributed products such as Correlog and zCost did not completely make up for the downturn in this activity. The IBM announcement of the new z14 computers should have a positive impact on royalties over the next few quarters.

The current operational income stands at €23.4 M over €21.8 M for the previous year, representing an operating profitability of 11.2%. The continuation of this profitability is the result of good cost controls: personnel costs represented 46.1% of revenue for the fiscal year 2017 and sub-contracting costs stood at 33.3% of revenue in 2017. The inter-contract rate remained very weak for the year, around 1.7%.

The net income (Group share) comes to €15.8 M (7.5% of revenue). The increase in net income for the year generated a significant increase in cash resources: with cash flow before taxes of €26 M, working capital requirements and controlled investment, Infotel increased its cash by €12.9 M in 2017. Infotel's financial situation as of December 31, 2017 is thus further strengthened with €81.6 M in equity, no debt and cash of €64.3 M at the end of the fiscal year. We were thus able to pay a dividend of €1.15 per share representing just under half of the net income.

Bernard Lafforet
Chairman of the Board

1. PERSONS RESPONSIBLE

1.1. REGISTRATION DOCUMENT MANAGER

Michel Koutchouk
Executive Officer.

1.2. STATEMENT FROM THE REGISTRATION DOCUMENT MANAGER

I hereby declare, having taken every reasonable precaution, that the information provided in this document is, to my knowledge, true and free of omissions that would affect its import.

I hereby declare that, to the best of my knowledge, all accounts have been prepared in accordance with applicable accounting standards and are an accurate reflection of the assets, financial position and profit or loss of the Company, and all the companies included in the consolidation, and the Management Report, (including the elements that appear in Chapters 4, 7, 8, 9, 11, 12, 17, 18 and 21) presents a true and fair view of the business developments, income and financial position of the Company and all the companies in the consolidation as well as a description of the main risks and uncertainties that they face.

I have received a letter of completion from the statutory auditors in which they confirm that they have verified the information regarding the financial position and the Financial Statements provided in this document and that they have read this Registration Document in its entirety.

The historical financial information presented in this Registration Document was the subject of Statutory Auditors' reports, which appear on page 124.

2. STATUTORY AUDITORS

2.1. PRINCIPLE STATUTORY AUDITORS

Audit Consultants Associés
29 rue d'Astorg
75008 Paris
Represented by Mr. Sarkis Canli
First appointed on: December 7, 2011

Constantin Associés
185, Avenue du Général de Gaulle
92524 Neuilly-sur-Seine Cedex
Represented by Mireille Berthelot
First appointed on: May 26, 2010

2.2. SUBSTITUTE STATUTORY AUDITORS

RBB Business Advisors
133^{bis} rue de l'Université,
75007 Paris
Represented by Thierry Bretout
First appointed on: December 7, 2011

CISANE
185, Avenue du Général de Gaulle
92524 Neuilly-sur-Seine Cedex
Represented by José-Luis Garcia
First appointed on: May 26, 2010

2.3. STATUTORY AUDITORS' FEES

In €k	Audit Consultants Associés		Constantin Associés		Audit Consultants Associés		Constantin Associés	
	2017		2017		2016		2016	
	Amount (excl. taxes)	%	Amount (excl. taxes)	%	Amount (excl. taxes)	%	Amount (excl. taxes)	%
Audit								
- Statutory audit, certification and review of the individual and consolidated financial statements								
- Issuer	48	48	67	52	49	48	57	54
- Wholly consolidated subsidiaries	53	52	40	34	54	52	39	37
- Services other than the statutory auditor								
- Issuer								
- Wholly consolidated subsidiaries								
<i>Sub-total</i>	101	100	107	91	103	100	96	91
Other Services Provided by the Networks to Wholly Consolidated Subsidiaries								
- C.S.R			10	9			10	9
- Other (to be specified if > 10% of audit fees)								
<i>Sub-total</i>	0	0	10	9	0	0	10	9
TOTAL	101	100	117	100	103	100	106	100

3. SELECTED FINANCIAL INFORMATION

For each of the fiscal years ending December 31, 2015, 2016 and 2017, the annual financial information described below was extracted from the Company's consolidated financial statement prepared in accordance with IFRS standards as adopted by the European Union, audited and included in this Registration Document in Chapter 20.

3.1. HISTORICAL INCOME STATEMENTS

In €k	2017	2016	2015
Revenue	209,316	190,541	174,630
Purchases	(153)	(89)	(135)
Personnel costs	(96,557)	(87,921)	(78,972)
External costs	(81,577)	(73,732)	(69,915)
Taxes	(4,105)	(3,475)	(2,710)
Depreciation, Amortization	(3,508)	(3,533)	(3,134)
Provisions	(76)	(4)	77
Other income from operations and expenses	11	10	(37)
CURRENT OPERATING INCOME	23,351	21,797	19,804
Other operating income and expenses	(79)	(459)	38
NET OPERATING INCOME	23,272	21,338	19,842
Financial income	107	139	317
Financial Costs	(43)	(9)	(65)
FINANCIAL INCOME	64	130	252
Income tax	(7,349)	(7,567)	(7,050)
Share of profits of entities accounted for by the equity method	0	4	4
NET INCOME FOR THE PERIOD	15,988	13,905	13,048
Group share	15,800	13,719	12,944
Non-controlling interests	188	186	104
Basic earnings per share - Group share	2.37	2.06	1.94
Diluted earnings per share - Group share	2.37	2.06	1.94

3.2. FINANCIAL POSITION INDICATORS

Additional indicators in €k	2017	2016	2015
Stockholders' equity	81,585	72,482	65,568
Loans and other financial debts	0	0	0
Cash	64,267	51,327	46,988
Cash flow before taxes	25,961	24,487	22,360
Working capital requirements	(4,789)	(2,872)	(2,169)
Investments	2,181	3,149	2,656

4. RISK FACTORS

Investors should take into account the risk factors described below, in addition to other information and consolidated company financial statements, to evaluate **Infotel** and its activities before deciding to invest in **Infotel** stock.

Certain risk factors impacting the IT service provision sector also apply to **Infotel**. These factors include:

- Increased competition in services, with aggressive price strategies due to the appearance of competitors from emerging countries and increased growth on the part of fixed-price services with respect to revenue;
- The use by customers of new technologies to create their IT applications;
- New technology purchasing strategies based on free or open-source programs.

Each of these factors can have a negative impact on operating income and the financial position of the Company. There cannot be any guarantee that the risks described in this Registration Report will not generate problems significantly affecting the financial situation of its activity or the price of its stock. The Company has carried out a review of the risks listed above, which could have an unfavorable effect on its activity, financial position, profit or loss or capacity to complete the objectives and considers that there are no other significant risks other than those described. Additional risks or uncertainties not presently known to the Company or that it considers insignificant may also impair its business and operations.

4.1. BUSINESS RISKS

4.1.1. Specific Business Risks (Including Reliance on Suppliers, Customers, Sub-contractors, Manufacturing Processes, etc.)

Customers

Given the quality of the customer companies of the **Infotel** Group and the history of **Infotel**'s relationship with its customers, there is little appreciable customer risk: **Infotel** works with the IT management of large French and international groups, at times customers that date back more than 30 years, for whom IT is a strategic tool and who sub-contract to sustainable companies only.

Business clientele is broken down by economic sector in the paragraph "Distribution of Infotel's Activities" on page 33 of this document.

The Services revenue of the **Infotel** Group is made up of cost-plus services and fixed-price services. The breakdown of the revenue between these modes of service provision over the past three fiscal years is shown here:

(as a percentage)	2017	2016	2015
Cost-plus services	33.4	33.6	32.4
Fixed-rate services and service desks	66.6	66.4	67.6

During the fiscal year ending December 31, 2017, the risks related to reliance rose slightly. **Infotel**'s largest customer represents only 16.9% of consolidated revenue, as opposed to 16.5% for the previous fiscal year. The second largest client represents 10.7% of revenue, over 10.3% in 2016. As for the five largest clients, they represent a total of 49.2% of consolidated revenue over 51.0% for the previous year. The majority of services provided for these customers are performed by service desks, subject to multi-year contracts.

Suppliers

There are no risks linked to suppliers that would have an impact on the execution of the financial or technical business activities of the **Infotel** Group. The Group's Quality charter, drawn up for its ISO 9001 certification, states its motto: "*Searching for excellence through what we do well and doing what we do well*": **Infotel** has always aimed to take responsibility for its technical choices, and relies only on its management skills and those of its internal teams, and never on external suppliers.

Dependence on Key Personnel

The Company is dependent on its Senior Managers, whose departure could impact its outlook. However, it is progressively implementing a middle management structure aimed at taking up Senior Management positions in the Company in the long term.

Sub-contracting

Sub-contracting represented 33.3% of revenue in 2017 (33.5% in 2016). The risk of reliance on sub-contractors is low given their high level of segmentation.

Fixed-Price Services

The services carried out by the Company are invoiced on a fixed-price or cost-plus basis.

For fixed-price invoicing, as the price is negotiated in advance with the customer, there is a risk of under-valuing costs, difficulties linked to the project and additional requests from the customer.

To manage this risk, the Group has implemented a managerial policy aimed at training and supporting its project managers in estimating costs and managing customers during the contractual period (ISO).

4.1.2. Technological Risks

The main technological risk faced by **Infotel** concerns changes in technological data on the market that could impact the Group's position in both of its business sectors.

It should be noted that the Group is specialized in management IT sectors, linking mainframes to the Web and using very large databases. Experts do not foresee their rapid disappearance in terms of a significant market. The Group has demonstrated that it can take on board other technologies adopted by its customers, while remaining their principal supplier and also winning new customers.

4.1.3. Fall in Prices

The Group may be subject to price pressure.

It must nonetheless be noted that the Group, in the past, has succeeded in avoiding this type of risk and that the type and quality of its services—with high added value and targeted to the vital IT activity of large companies to ensure their growth—is an important factor in reducing the impact of this risk.

4.1.4. Emergence of New Competitors

The Group may have to face the appearance of new competitors in a sector undergoing continual technological change. It should nonetheless be noted that:

- Its software publishing activity addresses a niche market occupied by companies that have acquired past specialization in z/OS and DB2; it has succeeded in renewing and expanding its range to regain market share from its competitors;
- The Group succeeded in the past in coping with the consequences of the frequent arrival of new competitors in its service provision activity, and is now a major player.

4.1.5. Difficulty in Managing Growth

Infotel predicts growth in the coming year, especially in exports.

Difficulties linked to this growth are likely to arise in the sales, technical and administrative sectors.

In the past, **Infotel** has successfully addressed this type of difficulty. It should be noted that international expansion takes place in conjunction with the growth of major customers.

4.2. INSURANCE – RISK COVERAGE

Insurance subscribed to by the **Infotel** Group with a view to covering any risks to which the issuer might be exposed concerning:

- Civil liability;
- All tangible assets;
- Rented premises;
- Retirements;
- Senior managers.

All of these contracts were taken out with well-known insurance companies, in consultation and with the expertise of the broker in charge of the **Infotel** Group account.

The table below describes the level of coverage of the main potential risks as of December 31, 2017 as well as the amount of premiums paid in 2017.

Risks	Level of coverage (€k)	Premium amount 2017 (€k)
General civil liability	10,000	43
Pensions	135	0
Tangible and intangible damages (all-inclusive)	4,277	14

All risks are reassessed every year by the Executive Management and each contract is updated according to inventories or revenue or other elements affecting the contracts.

Operating loss is not guaranteed, as an accident on its premises would result in almost no operating disturbance. All critical data, such as software sources in particular, is subject to regular backups located in different physical venues and stored in fireproof cabinets.

There are no risks insured internally.

4.3. MARKET RISKS

4.3.1. Foreign Currency Exposure

(thousands USD)	Amount
Assets	2,035
Liabilities	848
Net balance	1,187

The net balance before management corresponds to the difference between foreign currency assets and liabilities.

The parent company assumes the currency risk on intra-group billing and IBM royalties. It has not taken steps to cover this risk until now, apart from the occasional use of forward currency transactions held on account. In 2017 the parent company did not need to resort to forward currency transactions held on account.

Foreign subsidiaries of **Infotel** invoice their services in local currency. They also bear commercial costs in local currency.

The share of 2017 revenue of the **Infotel** Group that may be affected by a fluctuation in the US dollar is €5,893 k, or 2.5% of revenue (as opposed to €5,893 k in 2016 for 3.1% of global revenue. The sensitivity of the pound sterling had little impact. The revenue in this currency represents 0.8% of the revenue for 2017, for €1,592 k.

A change in the US dollar rate of about 10% would impact the financial result by about €99 k.

4.3.2. Interest Rate Risk

At this time, the Group has no significant financial debt, and does not hold financial assets other than cash mutual funds. Interest rate risk is thus marginal.

The Company and the Group have no need for financial tools to address interest rate risk.

4.3.3. Liquidity Risk

Infotel has carried out a specific review of its liquidity risk, which it considers to be nil due to the lack of any loans and its excess cash resources. As a result, it considers itself able to deal with future obligations.

4.3.4. Equity Risk

The management policy of the Group's funds is extremely prudent: it consists of placing liquid assets into mutual funds and fixed term deposits, so that these sums attract payment and remain readily available. The exposure of the Company to equity risk is confined to mutual funds and treasury stock. The Company does not bear equity risks in unconsolidated entities because it does not invest in equity.

The portfolio of marketable securities and treasury stock, as it appears in the consolidated accounts of the **Infotel** Group, is broken down as follows:

- Treasury stock: €155 k
- Mutual funds: €4,000 k

No provisions are allocated to these assets.

4.3.5. Country Risk

As the activity of the Group is essentially carried out in Western Europe and the United States, country risk is considered marginal.

4.4. LEGAL RISKS

The legal risks management policy consists of allocating sums to certain disputes, up to the estimated risk amount for the Group. The allocation for risk amounts to €90 k (this amount corresponds to a provision for employment tribunal risk for **Infotel Conseil**).

The details of disputes are described in the annex to the consolidated accounts in section 20.2.6.6 "Notes on the financial position" on page 99.

4.4.1. Specific Legislation

Infotel's activity is not contingent upon legal, legislative or administrative authorizations, or approval procedures.

4.4.2. Confidentiality

Almost all documents given to the Company by its customers are subject to confidentiality agreements. The risk exists of disclosure of confidential information by the Company concerning the projects of a customer company. The Company has, however, established ethical standards that apply to its personnel, with a view to avoiding this risk.

4.4.3. Reliance on Intellectual Property Rights

It should be noted that computer programs developed by **Infotel** are not patentable inventions.

At this time, the Group has not commenced, nor is it a party to, any litigation in this domain.

Infotel does not rely on software emanating from third parties; the sale of software, whether direct or indirect, concerns mainly software developed by **Infotel**, which does not lead to the payment of license fees.

4.4.4. Non-Compliance with Performance Obligations

The Group could face a risk of not meeting its obligations of result for its fixed-price contracts. It should be noted, however, that if this risk cannot be avoided, the Group has prior experience in managing this risk.

4.4.5. Exceptional Events and Disputes

The Company has no knowledge of any exceptional events or disputes that could have or have had, in the recent past, a significant impact on the activity, assets or financial position of **Infotel**.

4.4.6. Assets Used as Collateral

None of the assets of the **Infotel** Group are used as collateral security.

4.5. INDUSTRIAL AND ENVIRONMENTAL RISKS

Infotel performs an intellectual activity that is non-polluting. The Company has implemented a selective waste-collection system (mainly for printer ink cartridges) and makes all its personnel aware, from the time of their recruitment, of environmental values.

Even though the provision of Group services has little impact on the environment, **Infotel** nevertheless endeavors to limit the impact of its activity on the environment through the measures described in Chapter "Report on Corporate Social and Environmental Responsibility (CSR) - Environmental Information" on page 41 of this document.

In particular, the **Infotel** Group has been ISO 14001 certified since July 29, 2011.

In the absence of any direct environmental and/or industrial risk, the Group's companies have not made any provision nor entered into any guarantee for pollution risk.

4.6. INTERNAL CONTROLS

4.6.1. Definition and Goals of Internal Controls

Internal control procedures in effect at **Infotel** are designed to:

- Ensure that management procedures and operation execution, as well as the conduct of personnel, are in keeping with the corporate framework of Company activities, as defined by the Executive Management, by applicable laws and regulations and in keeping with the values, standards and internal rules of the Company;
- Ensure that the accounting, financial and management information communicated to Management accurately reflect the Company's operations and financial position;
- Monitor the effectiveness of the internal processes of the Company, especially those relating to preserving assets.

One objective of the internal control system is to prevent risks arising from company activities and risks of error or fraud, especially in the areas of accounting and finance.

As with all control systems, it cannot provide an absolute guarantee that these risks will be totally eradicated.

These objectives are compatible with the definition of C.O.S.O (Committee of Sponsoring Organizations of the Treadway Commission). C.O.S.O has defined internal control as a process implemented by the Corporate and Executive Management bodies of a company to obtain a reasonable assurance of achieving efficient and smooth operations and reliable financial reporting, in compliance with applicable laws and regulations.

4.6.2. Overall Organization of Internal Control Procedures

Infotel is the parent company of the group founded in 1979.

As of December 31, 2017, the Group was made up of its French subsidiaries, **Infotel** Conseil, Archive Data Software and Infotel Business Consulting, with 100%, 33.33% and 75% held by **Infotel** respectively. The Infotel Group is also present internationally through its foreign subsidiaries in the United States, Germany and Monaco, the companies Infotel Corporation, Insoft Infotel Software GmbH and Infotel Monaco, with 100% holding, and its UK subsidiary, Infotel UK Consulting Ltd with 51% holding.

Internal Control Bodies

The Board of Directors is responsible for the Company policy for evaluating risks, implementing appropriate internal control and monitoring its effectiveness. This policy corresponds to legal and financial management controls and procedures.

As part of its Audit Committee responsibilities, the Board of Directors is responsible for preparing financial information, monitoring the effectiveness of internal control and risk management processes, monitoring the legal control of the annual and consolidated accounts by the auditors and monitoring the independence of the auditors.

Infotel's operational subsidiaries are wholly owned (except Infotel Business Consulting, which is 75% held, Archive Data Software, which is 33.33% held and Infotel UK Consulting Ltd. which is 51% held), and the internal control of the Group is carried out laterally across all entities.

Infotel is centrally organized. As a result, the subsidiaries are managed by the **Infotel** Chief Executive or the Executive Officers who perform most operational control activities.

Management of Major Risks

The risk management policy consists of anticipating significant impacts of business activity on the assets and revenue of the Company. In the **Infotel** Group, these preventive actions are the responsibility of the Executive Management. A detailed study of the risk factors weighing on **Infotel** was drawn up in **Infotel's** 2017 Registration Document. Below is a summary of the main risk factors studied by **Infotel**.

Market Risks (Liquidity, Interest Rate, Currency, Stock Portfolio)

Interest Rate Risk

Exposure to currency rate risk is detailed in paragraph 4.3.2 of this Registration Document.

Foreign Exchange Risks

Exposure to foreign exchange risks is detailed in paragraph 4.3.1 of this Registration Document.

Liquidity Risks

Exposure to liquidity risks is detailed in paragraph 4.3.3 of this Registration Document.

Equity Risks

Exposure to equity risks is detailed in paragraph 4.3.4 of this Registration Document.

Clients

Exposure to client risks is detailed in paragraph 4.1.1 of this Registration Document.

Suppliers

Exposure to supplier risks is detailed in paragraph 4.1.1 of this Registration Document.

Dependence on Key Personnel

Exposure to reliance risks is detailed in paragraph 4.1.1 of this Registration Document.

Technological Risks

Exposure to technological risks is detailed in paragraph 4.1.2 of this Registration Document.

Fall in Prices

Exposure to risk of lower prices is detailed in paragraph 4.1.3 of this Registration Document.

Emergence of New Competitors

Exposure to risks of arrival of new competitors is detailed in paragraph 4.1.4 of this Registration Document.

Growth Management

Exposure to management difficulty risks is detailed in paragraph 4.1.5 of this Registration Document.

Legal Risks

Exposure to all legal risks is detailed in paragraph 4.4 of this Registration Document.

Specific Legislation

Exposure to special regulation risks is detailed in paragraph 4.4.1 of this Registration Document.

Confidentiality

Exposure to confidentiality risks is detailed in paragraph 4.4.2 of this Registration Document.

Reliance on Intellectual Property Rights

Exposure to reliance risks with respect to intellectual property rights is detailed in paragraph 4.4.3 of this Registration Document.

Non-Compliance with Performance Obligations

Exposure to non-compliance of obligations risks is detailed in paragraph 4.4.4 of this Registration Document.

Exceptional Events and Disputes

Exposure to exceptional events and dispute risks is detailed in paragraph 4.4.5 of this Registration Document.

Assets Used as Collateral

None of the fixed assets of the **Infotel** Group are used as collateral security.

Industrial and Environmental Risks

Infotel performs an intellectual activity that is non-polluting. The Company has implemented a selective waste-collection system (mainly for used printer ink cartridges and batteries) and makes all its personnel aware, from the time of their recruitment, of environmental values.

Given the nature of the business of the Company and its subsidiaries, no environmental policy has been implemented.

In the absence of any direct environmental and/or industrial risk, the Group's companies have not made any provision nor entered into any guarantee for pollution risk.

Climate Risks

In compliance with Article 173 of the French Energy Transition law, as of the fiscal year 2016, **Infotel** is required to disclose financial risks linked to climate change and measures taken by the company to reduce them by implementing a low-carbon strategy in all areas of its activity.

Taking Climate Risks into Account

Given the location of its facilities, exclusively in Europe, the **Infotel** Group has low exposure to the risks linked to climate change, with respect to both its operation and in the performance of its activities. Certain extreme climate phenomena are nonetheless likely to impact **Infotel's** premises in Europe (e.g. storms, heat waves, overflowing of the Seine, etc.).

Low Carbon Strategy

Infotel is committed to minimizing the negative impacts on the environment, in particular through a policy of limiting its CO² emissions. The Group's greenhouse emissions are essentially linked to Infotel employee travel. Business trips are few in number due to the extensive use of public transportation systems from employees' homes to the customer site. In addition, most employee vehicles do not belong to the Group. The impact of business travel on greenhouse gas emissions is thus, for the most part, indirect. The Group has a fleet of vehicles that includes 19 cars and 6 motorcycles. Emissions are very low due to the small size of the fleet. The Group has also implemented a video conferencing system to limit business travel.

In spite of an increase in the number of employees, the change in CO² emissions is minimal, reflecting good management of electricity consumption.

Quality

Infotel has published a Group Quality Charter, which is the foundation for its commitments to its customers.

Infotel Conseil has obtained ISO 9001:2015 certification for activities concerning the design, execution, maintenance and support of software, with performance obligations, for the Paris (Neuilly-sur-Seine and Bagnole), Toulouse (Blagnac and Balma), Bordeaux (Pessac), Lyon (Ecully), Rennes, Nantes (Saint-Herblain), Le Mans, Brest, Niort, Aix-en-Provence, Mougins, Lille (Lezennes) sites. Our certification number: 1998/ 10031.10.

Infotel Conseil has obtained ISO 14001:2015 certification for environmental activities renewed in 2017 for the Paris (Neuilly-sur-Seine and Bagnole), Toulouse (Blagnac and Balma), Bordeaux (Pessac), Lyon (Ecully), Rennes, Nantes (Saint-Herblain), Le Mans, Brest, Niort, Aix-en-Provence, Mougins and Lille (Lezennes) sites. Our certification number: 2001/40997.3.

Infotel Conseil has obtained ISO 27001:2013 certification for activities concerning the security of information for **the provision of IT services** in 2017 for the Rennes, Brest, Le Mans, Orléans, Bordeaux (Pessac), Niort, Mougins and Nantes (Saint Herblain) sites. Our certification number: 2017/77710.1

The **Infotel** policy relating to the environment is described in chapter 8.2.1 "General Environmental Policy" on page 41 of this document.

Organization of the Executive Authority

Major operations requiring the approval of the Executive Committee or Executive Management are as follows:

- Written offers relating to actions that carry a major risk are subject to the opinion of the Executive Committee;
- Important decisions concerning research and development;
- Actions affecting the IT system of the Group.

The integration of subsidiaries, on both the legal and operational levels, is described above. Subsidiaries are managed by the Executive Management.

Description of Internal Control Procedures

The internal control procedures are described below.

Infotel's operational subsidiaries are wholly owned (except Infotel Business Consulting, which is 75% held, Archive Data Software, which is 33.33% held and Infotel UK Consulting Ltd. which is 51% held), and the internal control of the Group is carried out laterally across all entities.

The Group is thus divided over a number of divisions, each of which provides their own level of specific controls.

An Executive Committee, under the authority of the Chairman and including the managers and regional division heads, is responsible for the operational management of the Group. It meets weekly.

1) Executive Management

The Executive Management of the Group is responsible for defining strategy, overall policy, objectives and action plans. It also directs organizational functions and special assignments not covered by operational management.

A number of meetings take place periodically to review the major objectives of the Group, the medium and long-term strategy and the values on which the Group relies to meet these objectives.

2) Operational Management

The operational department is responsible for designing, marketing and ensuring profitability for all fixed-price (service desks) and cost-plus based services, technical support and training adapted to customers' needs according to their geographical locations, and for the design, development, maintenance and technical support of the Software.

Two Executive Officers are responsible for this department.

3) Financial Department

The Financial Department is responsible, for the Group as a whole, for managing the cash resources, supervising the accounting management and producing the necessary information for management control, especially financial performance indicators and margin calculations.

It also coordinates financial communication and takes part in meetings along with the Executive Management in information meetings with financial analysts on the publication of six-monthly and annual reports.

This department is headed by an Executive Officer.

4) HR Department

The HR department is responsible for all the employees of the Group. Its duty is to define the standards and regulations, administer personnel, manage HR relations, participate in recruitment procedures and career decisions, set salaries, monitor the consistency of the pay policy and manage relations with bodies representing employees. This department reports to operational management under the leadership of an Executive Officer.

5) Communications

Executive Management is responsible for communications.

4.6.3. Internal Controls Relating to Financial and Accounting Information

As at the operational level, **Infotel**'s financial information is centralized.

1) Managing cash resources and delegating signing authority

Expenditure in the French companies of the Group shall not be instituted except by or with the consent of the Chief Executive Officer or Deputy Executive Officers of **Infotel**.

For its foreign subsidiaries, only a small part of operational expenditures can be undertaken by the local managers. Customer payments take place exclusively via bank transfer to accounts dedicated to payments. Only the Chief Executive Officer or the Executive Officers are authorized to perform expenditures of funds from those accounts.

2) Preparing corporate financial statements

The accounts of all the Group's entities are held or monitored by chartered accountant firms, under the control of **Infotel**'s Executive Management.

These firms also prepare the corporate financial statements.

The chartered accountant of the parent company holds the office of accounting manager for the Group.

3) Preparing the consolidated financial statements

The chartered accountant firm of the parent company prepares the six-monthly and annual consolidated financial reports under the control of **Infotel**'s Executive Management.

The Executive Management also performs a follow-up of off-balance sheet items and assets.

Improving Internal Control Procedures

Infotel operates in a context of ongoing improvement of its internal control procedures.

The financial control system (budget/reporting), in place for a number of years, is operational. The tools on which it is based appear to be suitable to our needs but must be adapted in the event of significant growth.

Executive Management ensures the proper application of rules. Depending on how the company size evolves, **Infotel** will strengthen, in a pragmatic fashion, this function (strengthened management control, fine-tuning of the organization and systems).

Infotel will periodically audit its risk management procedures, either internally or externally, and formalize regular action plans for improvement.

Compliance with the Laws and Regulations in Effect

The **Infotel** organization is also centralized within the framework of compliance procedures with laws and regulations in effect, which fall under the authority of the Executive Management and the Executive Officers.

It is noted that in the preparation, implementation and description of its internal control and risk management system, the Company relies on a "*Reference Framework for Internal Control: Implementation Guide for Midcaps*" offered by the Financial Markets Authority and that the use of this guide did not lead to the identification of failures or inadequacies in the internal control system implemented in the **Infotel** Group.

5. INFORMATION ABOUT THE ISSUER

5.1. HISTORY AND GROWTH OF THE COMPANY

5.1.1. Corporate Name and Trade Name of the Company

Infotel

5.1.2. Address and Registration Number

RCS: Bobigny 317 480 135.

APE – NAF Code (French classification of activities): 5829A (software system and network publishing).

5.1.3. Date and Term of Incorporation

Infotel was incorporated on December 31, 1979, for an initial term of 99 years, i.e. until December 30, 2078 unless it is dissolved early or extended by law.

5.1.4. Headquarters, Legal Structure and Applicable Legislation

Infotel

36, Avenue du Général de Gaulle

Tour Gallieni II

93175 Bagnole Cedex

Telephone: +33 (0)1 48 97 38 38

French public limited company with a Board of Directors governed by the French Commercial Code.

5.1.5. History

5.1.5.1. Creation of the Company: Database and Real-Time Experts (1979 – 1988)

The **Infotel** Group was created at the end of 1979 by a team of experts: Bernard Lafforet, a mathematics researcher at CNRS and a renowned specialist in solving complex programming problems requiring the construction of sophisticated algorithms; Michel Koutchouk, head of applications development with the IT Department at Air France; and Alain Hallereau, Project Manager at Cap Gemini. They were subsequently joined by Josyane Muller, who had been Branch Manager at Cap Gemini.

They foresaw that databases and real-time movement were to become the two main pillars in the IT growth of major software accounts and decided that **Infotel** would specialize in these areas by offering services, training and software packages.

The services activity of the Group started with a number of large companies and spread to a range of customers attracted by the highly professional reputation of its founders.

The first projects were carried out on a fixed-price basis for major customers, and the Group's expertise and research led to innovative achievements, such as the first electronic document processing of incoming physical mail for a large insurance company.

With the increase in sales of its first software packages, the **Infotel** Group was organized into a number of entities, encouraging the legal separation between software publishing and service activities.

With the success of its software (and in particular, Infopak, a database compression software package) with an international clientele, the Group decided to open a branch office in the United States and bolster **Infotel's** reputation with respect to its growth capacity and software research.

5.1.5.2. Growth of the Company: Grassroots Software and Services for Relational Databases (1989 – 1998)

The services and training activity pursued its growth based on technologies used by major customers: **Infotel** became the specialist in relational databases with the appearance of DB2, and integrated customer techniques. Regional expansion started in 1989 with the opening of the Toulouse branch.

Infotel strengthened its investment policy in the services sector to meet a strong demand linked to the diversification of software technologies.

During this period, the Group also undertook the development and launching of new ranges of utility software for databases.

As of 1996, **Infotel** foresaw changes in large software systems, which would lead to the arrival of new technologies such as the Internet and Java.

The Group carried out its first external growth phase in 1998, and obtained its ISO 9001 certification the same year.

5.1.5.3. Web-To-Database Expansion (1999 – 2008)

On January 21, 1999, with the introduction of the New Market section of the Paris Stock Exchange, **Infotel** entered the next phase in its development and obtained the means to finance its own new growth projects. The Group then accelerated its acquisition policy by taking over SI2 in December 1999 and Sporen and Innovaco Formation the following year.

In 1999, **Infotel** took a strategic position: Web-To-Database, the concept of a global technological service offering to meet the needs of growth and assist companies in expanding their information systems. The Group then expanded and strengthened its sales force, both in its Services activity where **Infotel** put forward the results of its technological watch, notably in Java, and in its Software activity. Here the technical talents of the teams were put to use in developing in-house software ranges and developing and adapting DB2 utilities sold by IBM, after a first agreement was signed in 1999.

The Group then multiplied its service provision skills: in Services, with new activities such as TPAM (Third-party Application Maintenance), decision-making and archiving, in the Software sector with the development of High Performance Unload for DB2 for Linux, UNIX and Windows for IBM, which easily and rapidly optimizes data unloading onto distributed environments.

The Group based its strategy on three fronts: remaining close to large customers, achieving the growth to constantly maintain the size required to reply to calls for tender, and maintaining the quality of services and their added value. **Infotel** pursued its external growth strategy with the acquisition and subsequent integration, starting in 2006, of the Odaxys group, based in Rennes and Nantes, a major player in the IT software services in the Greater West area of France.

Regional expansion was pursued with the opening of local branch offices (Lyon, Bordeaux, Le Mans, Niort).

5.1.5.4. The “Ambitions 2012” plan (2009 – 2012)

The growth has confirmed the accuracy of **Infotel**'s positioning: in Software, where IBM royalties reflect the efficiency of fast database unloading utilities created by **Infotel**; in Services, where the rise in service desks and TPAM, fixed-price services and service provisions combining software and services, especially based on archiving and Arcsys software, show that customers consider **Infotel** to be a key partner.

The aim of becoming a world-class player on an equal footing with the major players on the French IT scene has been attained. The quality of the **Infotel** Group's services and software means it is recognized as a major player by its customers, often making **Infotel** the first choice as their supplier.

In an increasingly difficult economic environment, **Infotel** persevered in its growth strategy. The “Ambitions 2012” plan defined two strategic avenues for growth:

- Service desks, where the software applications of our customers are developed, maintained and tested. Located close to customers and operating on a fixed-price basis, they will be key to future growth;
- Electronic document processing software that is at the heart of customer concerns.

The aims of the plan have been reached, despite the slowdown in the economy. Over this time, growth has exceeded 50% (for an annual average growth of over 9.2%, higher than the market).

The Group's scope has expanded in three directions:

- Firstly, geographically: The acquisition of Addax at the start of 2010 created a presence in the Nice region (Sophia Antipolis), in Aix-Marseille and Monaco, and the acquisition of Empeiria at the start of 2012 created a presence in the Lille region;

- Secondly, core business-wise: Participation in the successive creations of Harwell Management and Infotel Business Consulting expanded the services of the Group to include consulting and project management;
- Last but not least, with respect to software: Investment in creating Archive Data Software added a new distribution channel for our Arcsys software, and the acquisition at the end of June 2011 of the German software firm Insoft Software GmbH added new software to our service offering.

5.1.5.5. The Performance 2016 Plan (2013 – 2016)

The **Infotel** Group continued its growth with the strategic “Performance 2016” plan, which is based on four main strategic directions:

- Pursuing a growth strategy with major accounts through the creation of service desks;
- Assisting the IT departments of major accounts in their path to mobility;
- Help major accounts manage vast amounts of Big Data;
- Increasing its internationalization.

With this plan, **Infotel** aimed to grow and secure margins, with a revenue in the order of €200 million with acquisitions. The increases in revenue and margins were achieved. However, given the low probability of an acquisition by the end of 2016, **Infotel** made it known on September 14, 2016 that the goal of €200 million in revenue could not be reached in 2016. However, **Infotel**'s performance which translates into a revenue of €190.5 M in 2016 and €209.3 M in 2017 is very good as it took place without external growth.

5.1.5.6. 2017: A New 5-year Strategic Plan

On March 15, 2017 **Infotel** announced a new strategic plan, described on page 26, setting out the goal of doubling the company size within five years by integrating acquisitions and continuing to outperform in the market, and maintaining a good level of operational profitability.

This document will outline how the **Infotel** offer has changed over time, both in services and software, to remain at the core of its customers' needs.

5.2. INVESTMENTS

The investment policy of the Group reconciles ambition and reason. Ambition, when it comes to developing the Group's services, especially in software, or when seizing opportunities for external growth. And Reason, because **Infotel**, always mindful of its profitability and independence, favors investments that offer a rapid return on capital investments.

5.2.1. Main Investments

Current investments of the Group are comprised of, for the most part, IT equipment, software, transport and office equipment, fixtures and fittings and facilities.

(thousand EUR)	2017	2016	2015
Fixtures and fittings, facilities	305	492	203
IT and office equipment	527	952	662
Transport equipment	13	11	47

These investments are amortized on a straight-line basis according to the following terms:

Fixtures and fittings	4 to 10 years
Furniture and office equipment	3 to 8 years
IT equipment	3 years
Transport equipment	4 to 5 years

Current annual investment budgets represent, for the most part, the renewal of existing equipment and are in line with the growth of the Company.

Ongoing investments concern overall renewal of fixtures and fittings, facilities and IT and office equipment. These investments are self-financed, and no individual investment attracts any commentary.

Investments in research and development are described in Chapter 11 on page 49.

5.2.2. Main Ongoing Investments

For the 2017 accounts, the Group pursued the renewal of its tangible assets in line with the growth of its activities.

The main investment of the Group is evident in research and development, as described in Chapter 11 “Research and Development, Patents and Licenses” page 49.

6. OVERVIEW OF ACTIVITIES

The change in revenue and earnings by operational sector are also outlined in the annex to the consolidated accounts, in section 20.2.6.8 “Segment reporting” on page 108.

6.1. OVERVIEW

Infotel is both an IT service company and a software publisher:

- With its consulting, analysis, IT system audit and TPAM (Third-party Application Maintenance) services, Infotel can design, create, maintain and update, as a fixed-price or cost-plus based service, within the service desks, projects implementing the most advanced methods and technical services, from terminals connected to the Web to large databases. With its personalized training, Infotel meets the changing needs of the skills of its IT engineers.
During the fiscal year, the IT services activity represented a revenue of €201,176 k and a net profit of €12,936 k;
- **Infotel** has developed software to assist companies in such areas as operational support for large relational databases (security, performance, management), archiving, data management and application quality and performance.
During the fiscal year, the software publishing activity represented a revenue of €8,140 k and a net profit of €3,062 k.

6.2. STRATEGY

The **Infotel** Group was successful in its growth over the last three decades because it remained true to its basic values, while adapting them to an ever-changing context.

The **Infotel** values are embodied in a number of concepts:

- **Excellence:** Being among the best in its practices, in its core businesses, alongside its customers, in the technologies the Group has chosen to focus on, such as Web technologies and databases;
- **Proximity:** Remaining close to its customers, attentive to their concerns in order to provide the best solution for their issues; staying close to employees, ensuring the best growth possible;
- **Respect:** Showing respect for its customers and employees, respect for rules, deadlines, commitments and the environment;
- **Agility:** Knowing how to evolve, understanding new technologies, improving our core business, procedures and management and continuously adapting while remaining true to our other values (excellence, proximity, respect).

6.2.1. The Infotel Model

6.2.1.1. Making IT a Powerful Tool...

Infotel's core business is to design, develop and maintain powerful and efficient IT systems, and market them within the context of service offerings and/or as autonomous software packages. **Infotel** builds IT applications for its users, above and beyond the compartmentalized notions of software publishers or IT service companies.

6.2.1.2. ...For its Biggest Users...

All of **Infotel**'s customers base their growth on highly performing IT systems. For them, IT is key. It is often their production tool (this is the case for banks, insurance companies, pension institutions). Their IT systems also contribute to their competitive advantage, as is the case for companies in the transport or aeronautic sectors.

As it is not their core business, these companies look for specialists to manage their IT, particularly within service desks: **Infotel**'s goal is to be a reliable and sustainable partner for these companies and administrations, from the design of program tools to development and maintenance.

6.2.1.3. ...In the Interest of Growth

It is through the growth of its customers and their IT needs that **Infotel** achieves its own growth. This growth is multi-dimensional:

- Vertical growth, with expertise in customer core businesses and constraints and its continuous application from high-level consultancy to development and maintenance;
- Horizontal and geographical growth: Everywhere its customers are found, in France, in all its national and international branch offices, irrespective of their economic sector;
- Technical and functional growth, open to new techniques and new core businesses to develop the skills to ensure tomorrow's growth.

6.2.1.4. An Overview: The Quality Charter

To satisfy its customers' needs, **Infotel** undertakes to:

- Listen to their needs, and anticipate future requirements with ongoing R&D in leading-edge technologies;
- Manage their projects functionally and technically;
- Go beyond their expectations in terms of advice, deadlines and performance.

To satisfy its employees, **Infotel** undertakes to:

- Bring out their potential through basic and further training;
- Encourage development with ongoing coaching from management;
- Drive career advancement through rewarding tasks.

To respect its environment, **Infotel** undertakes to:

- Comply with regulations and internal guidelines;
- Continue its efforts to save resources;
- Encourage environmentally friendly behaviour among its employees and subcontractors.

In summary, *“Searching for excellence in what we do well, and doing what we do well”*

6.2.2. 2017: A New 5-year Strategic Plan

To drive its growth, in 2017 **Infotel** defined a new 5-year growth plan.

This plan is based on three basic pillars:

- **Innovation:** since the creation of **Infotel**, innovation, whether technical, methodological or business-oriented, has always been a major part of the company's identity. Infotel has always remained at the cutting edge, integrating technologies and methods that did not exist at the time of its creation. With this new plan, **Infotel** intends to:
 - Direct the growth of the application assets of its customers;
 - Become a guiding force of IT transformation;
 - Strengthen collaboration between the technical and business aspects of its customers;
 - Drive the switchover to the digital era;
 - Continually innovate by adapting to Agile methods and means;
- **Ambition:** remaining one of the leading partners for our customers ensures the growth of the Group and fulfilling careers for our employees;
- **Continuity:** as the results demonstrate, we have developed a winning model. Over the five years of this new plan, Infotel will:
 - Pursue a growth strategy with major accounts through the creation of service desks;
 - Assisting the IT departments of major accounts in their path to mobility;
 - Help major accounts manage vast amounts of Big Data;
 - Increase internationalization.

This plan addresses three goals:

- Outperform the market;
- Maintain a good level of operating profitability;
- Double the size of the company in five years by integrating acquisitions.

The actions taken to achieve these goals will be discussed later on in this document.

6.2.2.1. Service Desks

The context of the relationship between major contractors and service companies has changed; they are no longer looking for resources, but a total commitment. **Infotel**, which was at the fore of this change, wants to base its growth on fixed-price services in service desks.

The service desk consists of taking complete charge of a company's IT developments and maintenance, along with specific commitments (service quality, prices, deadlines, etc.).

These last few years were witness to the spread of this operating mode which now makes up almost all of **Infotel's** service provision offering in its various forms:

- Fixed-price services consist of taking complete charge of application development, from design to implementation. These can be unitary fixed-price services, obtained following a response to a call for tender for a new customer, or fixed-price services for development within the service desk of an existing customer. In any case, it is the technical culture of teams who know how to assess loads and risks, and follow deadlines, as well as the expertise in developments and tests that constitute the Infotel competitive advantage;
- TPAM and TPSV:
 - TPAM (Third-party Application Maintenance) consists of sub-contracting all upgrades of one or more application or sub-system;
 - TPSV (Third-party Software Validation) consists of sub-contracting, for one or more applications or sub-systems, all test and acceptance operations, functionally, technically, for performance, etc.
- The location of service desks: The service desk is efficient if it is close, geographically and culturally, to the customer. Infotel continues to give priority to this approach of proximity through its branch offices, rather than turn to distant offshore solutions that have only offer short-term gains with respect to labor costs.

6.2.2.2. Mobility

The switch-over to mobility represents a major challenge in the digitization of IT systems for major accounts. Having integrated users connected to the Web via PC-type computers, we must now offer services and applications for these new types of terminals that include smartphones and tablets.

According to IDC, the sales of smartphones dropped slightly by 0.1% to 1,472 billion units in 2017. The firm nonetheless believes a growth trend growth should remain steady over the next few years with an annual average growth estimated at 3% between 2017 and 2021. Another trend that is becoming more pronounced is the increasing share of phablettes (5.5 to 7 inches) in sales. Growth in this category surpasses that of the entire market. IDC nonetheless previously predicted a slight rise in the world market over the last year. Consumer demand during the 4th quarter of 2017 led it to revise its assessments. The downturn during the festive period reached 6.3% with 403.5 million smartphones, including -4.4% for Samsung.

Mobile terminals seem to be a driving force for growth in the coming years and **Infotel's** goal is to support the IT departments of major accounts in the switch to mobile communications. This requires technical and functional skills (capability to manage different platforms, operating with systems such as Android, and iOS), transforming all the applications on these platforms while remaining attentive to user demands.

The **Infotel** teams have proven their skills (for example, with the development of banking applications for both iOS and Android) and will rise to this challenge.

6.2.2.3. Big Data

IDC forecasts that by 2025, worldwide data will reach 163 zettabytes (i.e. a trillion gigabytes). This is ten times the 16.1 zettabyte figure generated in 2016. This data is the raw material for IT: it needs to be input, stored, archived, managed; its content needs to be analyzed to extract its meaning; and any performance problems that these large volumes generate must be addressed.

Since its creation, **Infotel** has specialized in databases for large volumes, even before the term “big data” came into use. For this new plan, **Infotel**'s hope is to help major accounts in managing big data, and it has the advantage of in-depth knowledge of complex databases.

This consideration of big data covers a number of dimensions:

- Continuing and extending its relationship with IBM in marketing powerful utility software aimed at large databases;
- Developing Infotel software ranges for archiving, database management, quality and performance;
- Developing tools and associated services, such as e-vaults and business intelligence;
- Researching and developing new algorithms to create tomorrow's software.

6.2.2.4. Internationalization

During the period covered by this plan, **Infotel**'s goal is to increase the share of its business abroad by making the most of its global customers and software.

To achieve this objective, the Group will use a number of channels that:

- Cover the service needs of our customers abroad (such as, for example, Airbus, the European Patent Office, BNP Paribas, etc.);
- Expand the distribution of our software internationally, by using the skills of the Insoft Infotel Software GmbH subsidiary in Germany and its network of distributors, as well as those offered by our subsidiaries Infotel Corp in the USA and Infotel UK Consulting Ltd, in the UK; ;
- Develop references for our Arcsys software internationally, by continuing the work done in Belgium and Luxembourg, and growing the sales of our Orlando framework with airline companies the world over.

6.3. SERVICES: CUSTOM SOLUTIONS FOR CUSTOMERS

In this activity, **Infotel**'s services consist of consulting, researching and carrying out the complex and innovative solutions integrating the most cutting-edge technologies.

Infotel has its own notion of service. To **Infotel**, service means:

- Becoming a privileged partner for companies wishing to upgrade their IT systems by offering them high-quality services based on our skills and the technical edge of our Group's teams;
- Anticipating on an ongoing basis the demands and needs of our customers by remaining on the leading edge of emerging technologies to assist our customers in taking these technologies on board and using them to their best advantage;
- Consolidating and strengthening the loyalty of our major customers (Infotel's first customers are today among our biggest customers) by continuing to remain attentive to their needs and to market developments;
- Positioning ourselves, with our service desks, as a player close to our customers and their concerns, their problems, their culture, their geographical facilities, and their teams.

6.3.1. The Infotel Difference

Technical Skills

The **Infotel** expertise covers all company IT system layers, from workstations to central servers:

- At the client workstation level (front-end), with browsers, languages such as HTML, XML, JavaScript, Java, techniques such as Ajax and Rich Client, and the integration of mobile terminals (smartphones, tablets, etc.) and connected objects (watches, for example) as essential components for client-oriented IT systems;
- At the intermediate server level (middle-end), with expertise in middleware, network and firewall layers, operating systems such as Windows or Unix and variants such as Linux, application servers such as WebSphere or Tomcat, Java (JEE) and EJBs, etc.;
- At the central server level (back-end), with a recognized expertise in operating systems such as z/OS, real time monitors (CICS, IMS), relational database management systems (IMS, DB2, Oracle and Hadoop, etc.), languages and applications.

At **Infotel**, technical skills, whether they are well established or emerging, are at the heart of our core businesses.

Expertise in all Our IT Service Activities

Infotel covers the entire application lifecycle, from their initial design to their development and beyond deployment.

Infotel teams are present:

- During the analysis phase, at the level of architecture decisions, methodological choices, specifications and design;
- During the development phase, by taking partial or complete responsibility (on a fixed-price contract basis) for building applications and carrying out tests and third-party application acceptance;
- During operational functioning, ensuring application maintenance (in service desks with TPAM and TPSV activities), performance audits and optimization initiatives that make the most of investment.

For all phases in the application lifecycle, the **Infotel** experience is a guarantee of quality.

Client Proximity

Infotel has facilities that cover the needs of its customers:

- Offices in the Paris area, in Bagnole, Neuilly-sur-Seine and Nanterre;
- Coverage in the South West of France with its Toulouse agency;
- Offices in the West and in the Center, including Rennes, Nantes, Le Mans, Niort, Bordeaux, Orléans and Brest;
- Offices in the South East in Lyon, Dijon, Nice, Aix-Marseille;
- and in the North and East with Lille and Strasbourg.

An Adapted Organization and Resources

To best serve its customers, **Infotel** has human and equipment resources:

- The management team is made up of true professionals who have all worked in IT service;
- A R&D section whose goal is to maintain a technological watch on a permanent basis to guarantee technical excellence;
- Technical platforms with the hardware and software necessary to anticipate training needs for staff and project execution.

6.3.2. Some of the Infotel Group's World-class References

In its service activity, **Infotel** operates in four key markets:

- **Banking/Finance:** Banque de France, Groupe BNP Paribas, Groupe Banques Populaires / Caisse d'Épargne, Natixis, Groupe Crédit Agricole, CACIB, Groupe Crédit Mutuel, Société Générale, Fortuneo, La Banque Postale, Oney, ProCapital, Boursorama, HSBC, CACF (Sofinco), Virgin Money, etc.
- **Insurance/Pensions:** Allianz, AGIRC ARRCO, AG2R, APB, Aviva, AXA, Europ Assistance, GENERALI, Groupama GAN, GMF, Humanis, KLESIA, Lybernet, MAAF, MAIF, MACIF, Malakoff Médéric, MGEN, Covea, NOVALIS TAITBOUT, PRO BTP, SCOR, SMABTP, SMACL, Swiss Life, Systalians, Verspieren, etc.
- **Industry:** Airbus, Airbus Defence and Space, Airbus Helicopters, ATR, Safran, Groupe PSA (Peugeot, Citroën), Siemens, Sun, Groupe Total, Fromageries Bel, LDC, Daunat, Coopagri, Roquette, Sanders, Nissan, etc.
- **Transport / Services / Telecommunications / Distribution / Administration:** Air France KLM, Bouygues Télécom, CGEA, EDF, Éducation Nationale (CINES, CNOUS, CROUS, Rectorats), EPO (European Patent Office), Euroclear, ERDF, ENGIE, ENEDIS, Gefco, Groupe Accor, Groupe Leclerc, La Poste, Lyra Networks, Nouvelles Frontières, Orange, Semvat, SNCF, Sysmedia, Yves Rocher, Système U, Groupe Barrière, Veritas, Ouest France, Isocel, Cdiscount, Vinci Autoroutes, Cegedim, Virgin Atlantic, etc.

6.4. SOFTWARE: LARGE IT SYSTEM TOOLS

6.4.1. Designing and Marketing Leading Software

Databases are a vital resource for companies. Efficient tools are needed to best manage databases and ensure operational optimization and sustainability.

Since its inception, **Infotel** has developed software improving the operation of large IT systems, such as Infopak, leader in database compression.

This software is developed by **Infotel** teams based in its laboratories in Paris and Toulouse.

They are marketed in France and in French-speaking Europe by its sales teams, and in the rest of the world by distributors or by IBM for software subject to distribution agreements.

6.4.2. Software that Meets the Needs of Large IT Sites

Infotel designs, develops, markets and maintains software, which is upgraded, added to and fine-tuned over time. The common area is big data management in all its dimensions.

Infotel software packages are divided into three product lines:

Digital archiving

Arcsys software provides a global solution to all organizations wishing to implement a sustainable and secure archiving platform for their electronic data. **Arcsys** guarantees the retention of all information and provides search and restore functions for data years later.

Intelligent Database Management

iDBA-Online is an intelligent management solution for administering and maintenance operations for DB2 databases. The software optimizes practical tasks such as reorganizations and back-ups, according to business constraints and their impact on application costs.

Quality Application Testing

Infoscope provides a global solution to any organization wishing to implement a control process for the quality of its application set. Based on a modular architecture, the platform covers all software quality control processes, from checking source code to performing functional tests.

The Infoscope range is being restructured to integrate functionalities from the DB/IQ range.

Other Software

In addition to these three product lines, **Infotel** continues to support older software (such as InfoPak, InfoVic, and InfoUtil) and develop new lines, either marketed directly or via its branch offices and partners. **Infotel** also distributes software written by other partners (such as zCost, SQData, DataKinetics, Hostbridge, etc.) that complements its offering.

A partnership was set up with Correlog (security monitoring software), on a subject that is at the heart of current concerns and that opens up possibilities in Germany and Europe.

Agreements with IBM

In March 1999, **Infotel** and IBM signed an initial worldwide sales distribution agreement. This agreement gave IBM the right to sell a DB2 mainframe data unload software developed by **Infotel** under the name "DB2 High Performance Unload for z/OS". A new agreement was signed at the start of 2002 for a multi-platform fast unload software program now called "InfoSphere Optim High Performance Unload for DB2 for Linux, UNIX and Windows".

In 2011, a new software developed by **Infotel**, "DB2 Merge Backup for Linux UNIX and Windows", was added to the range.

These agreements led to the payment of royalties that contribute significantly to the profitability of the Software activity.

6.4.3. Technical support

Infotel provides technical support 24/7 for customer questions. On product purchase, a direct telephone number is made available to customers to put them in contact with the support service, for technical assistance in French or English, at any time.

6.5. MAJOR MARKETS

6.5.1. The Market for Software and Services in France

Syntec Numérique, in its memo of December 7, 2017, analyzed the French software and services market as follows:

[Growth rate for the sector*: acceleration in 2018.

"We are proud to announce an increase of 3.4% in 2017 for the software and services sector. A record rate since 2011, upheld by digital transformation projects which are becoming increasingly numerous. In particular, we note SMACS with more than 16% growth and projects ensuring compliance with data protection regulations which represented 670 million euros in 2017 in expenses in software and services. With 19,000 net job creations in 2016, the challenge for this sector over the next months will deal with the transformation of core businesses and the training to meet the recruitment needs of companies and their difficulty in finding adequate skills. "

- Syntec Numérique revised its 2017 growth figures: +3.4%
- Growth expected for 2018 will accelerate to reach +3.6%

The sector increased in 2017 by +3.4%, growth that was revised upwards with respect to the announcements of the six-monthly conference of March 2017:

- Consultancy and services + 2.9%;
- Software publishing + 4.4%;
- Technology consultancy + 4.2%;
- Sector + 3.4%.

Growth was supported by digital transformation projects, notably SMACS which grew from + 16.2% in 2017 for 1.3 billion euros of net growth. In 2018, SMACS will achieve 22.6% of the software and services market and growth of + 15%.

Projects ensuring regulatory compliance are also opportunities for the sector. Data protection framework compliance represents, in 2017, 670 million euros in software and services expenses and close to 1 billion in 2018.

(Source Estimations IDC France, November 2017).

The companies in the sector have a positive outlook for 2018: 64% of companies foresee an increase in their order taking. The sector will show a growth of + 3.6% in 2018, for a high level of growth not seen since 2011:

- Consultancy and services + 3%;
- Software publishing + 4.7%;
- Technology consultancy + 4.5%;
- Sector + 3.6%.

(Source IDC / Syntec Numérique).

Consultancy and services: + 2.9% in 2017, + 3% in 2018

72% of digital services companies will see their revenue grow in 2017. This stands at 80% in the 3rd quarter of 2017, with a stable or positive ratio between new orders (bookings) and pending invoices (book-to-bill), showing that the market continues to grow.

The growth of new service offers and new skills domains (IoT, Big Data, Mobility, Devops, etc.) will bring activity to the digital services companies market.

SMACS will increase by +16% in 2018, representing 14% of the digital services companies market.

The "Banking Insurance Finance", "Commerce – Distribution" and "Industry" sectors contribute to the growth of Consultancy and services.

- Consultancy: 2017 +5.7% 2018 +5.6%;
- Integration: 2017 +4.1% 2018 +4.4%;
- Development & technical assistance: 2017 +1.7% 2018 +1.8%;
- Training and support: 2017 +1.4% 2018 +1.7%;
- Application system management: 2017+4.5% 2018 +4.6%;
- Infrastructure information management: 2017+0% 2018 +0.1%.

(Source IDC / Syntec Numérique).

Software publishing: + 4.4% in 2017, + 4.7% in 2018

71% of software publishers increased their revenue in 2017, notably due to new software offers, to the development of the SaaS model offered by 2/3 of software editors in the 3rd quarter, and to the growth in international sales.

In 2017, SaaS represented 18.5% of the software publishing market, that is 2,2 billion euros, and in 2018 will reach 21.5% for 2.7 billion euros.

The average commitment duration of recurring revenue is greater than or equal to 36 months in the 3rd quarter of 2017 for 79% of publishers.

The "Industry", "Commerce – Distribution" "Banking - Insurance – Finance", "Industry" and "Health" sectors contributed to the growth in the software sector.

- Infra software/tools; 2017 +3.4% 2018 +3.9%;
- Application software: 2017 +5.3% 2018 +5.4%;
- Embedded software: 2017 +4.1% 2018 +4.3%.

(Source IDC / Syntec Numérique).

Technology consultancy: + 4.2 % in 2017, + 4.5% in 2018

The impetus of consulting in technologies depends on the size of the enterprise: 59% of medium-size players increased their revenue, 87% for major players.

Drivers for growth for technology consulting companies are changes in the economic model, new offers linked to the Internet of objects, robotics, cybersecurity, as well as international sales.

The main client sectors contributing to growth in technological consultancy activities are automobile, aeronautics, energy and transport.

- 2014 -1.5%;
- 2015 +1.6%;
- 2016 +3%;
- 2017 +4.2%;
- 2018 +4.5%.

(Source IDC / Syntec Numérique)

Employment

With more than 19,000 net job creations in 2016, the software and services sector created employment for the 7th year in a row, bringing the number of employees in the sector to 447,000.

According to Apec, the employment market in 2017 in the sector remains highly recruitment oriented with a larger volume of hirings, despite hirings deemed difficult by companies.

The difficulty in recruiting skills is the main challenge in 2018. Training staff, EOPs, internships and professionalization are all ways of adapting skills to company needs and recruiting talent including from the female public.]

Infotel's Position

Infotel ranked 24th in the TOP 2017 ranking of French digital service companies in terms of Global Consolidated Revenue for 2016, published by i-Logiciels&Services on June 7, 2017. In the same publication, on the revenue achieved in France in 2016, **Infotel** is number 27.

6.5.2. Distribution of Infotel's Activities

More detailed information on the breakdown of **Infotel's** activity is provided below:

Breakdown by activity

€k	2017		2016		2015	
	Amount	%	Amount	%	Amount	%
Services	201,176	96.1	181,892	95.5	166,996	96
Software	8,140	3.9	8,649	4.5	7,634	4
<i>including IBM royalties</i>	4,600		5,341		4,172	
Total	209,316	100	190,541	100	174,630	100

Breakdown by geographical zone

€k	2017		2016		2015	
	Amount	%	Amount	%	Amount	%
France	186,552	89.1	169,182	88.8	154,792	88.6
Europe (Excluding France)	17,547	8.4	15,466	8.1	15,037	8.6
United States	5,217	2.5	5,893	3.1	4,801	2.7
Total	209,316	100	190,541	100	174,630	100

Service activity breakdown by economic sector

	% revenue 2017	% revenue 2016	% revenue 2015
Banking, Finance	34.8%	34.2%	33.9%
Insurance/Pensions	13.1%	13.7%	14.3%
Industries	26.5%	27.4%	28.2%
Services/Transport/Telecommunications	23.8%	23.1%	22.3%
Administration	1.8%	1.5%	1.3%

Breakdown of the revenue of the ten largest customers of the Services activity

Revenue per Customer (€k)	2017	% revenue 2017	2016	% revenue 2016	2015	% revenue 2015
Client No. 1	35,359	16.9%	31,460	16.5%	30,210	17.3%
Client No. 2	22,350	10.7%	19,640	10.3%	17,120	9.8%
Client No. 3	16,448	7.9%	16,954	8.9%	15,687	9.0%
Client No. 4	14,635	7.0%	15,300	8.0%	14,883	8.5%
Client No. 5	14,212	6.8%	13,758	7.2%	12,780	7.3%
Client No. 6	12,517	6.0%	10,264	5.4%	10,369	5.9%
Client No. 7	11,219	5.4%	9,890	5.2%	9,592	5.5%
Client No. 8	9,983	4.8%	9,843	5.2%	7,852	4.5%
Client No. 9	5,421	2.6%	5,182	2.7%	5,260	3.0%
Client No. 10	4,536	2.2%	5,140	2.7%	4,598	2.6%

The difference in revenues and profit/loss by sector is described in section 20.2.6.8 "Segment reporting" on page 108.

Competition in Services

For its Service activities, **Infotel** encounters, according to contract type, a number of players:

- International players (such as Cap Gemini, Tata, and Atos) for customers seeking suppliers that ensure them coverage that exceeds the territory; **Infotel** is able to address this competition by driving or participating in consortiums that can offer its customers business and territorial coverage meeting their needs;

- National players representing the largest service companies such as Sopra, GFI Informatique, etc.; **Infotel** is able to compete with these competitors in calls for tender that are often awarded to **Infotel** thanks to the relevance of its responses and the quality of its solutions;
- Local or specialized players with specific skills in software, solutions, functional domains or particular customers.

Infotel's wide ranging areas of activity mean that the Company does not always come up against the same competitors, and the professionalism of its teams often places **Infotel** at the top of customers' preferred suppliers.

Competition in Software

In its Software Publishing activity, **Infotel's** two main competitors are large American publishers: Computer Associates and BMC Software, who are also IBM adversaries in their strategy to conquer the utility software segment for relational databases.

For archiving and digitization, **Infotel** encounters both hardware suppliers and integrators, such as, for example, EMC (who bought out Documentum and Legato), and IBM (who bought out FileNet), and smaller companies seeking to take advantage of the dynamism of this market segment. **Infotel's** double skills set (software publishing and IT service provider) is an asset, as customers prefer a single point of contact capable of customizing and implementing solutions.

6.5.3. Infotel's Position as Software Publisher

Infotel ranked 98th in the TOP 2017 ranking of French software publishing companies in terms of Global Consolidated Revenue for 2016, published by i-Logiciels&Services on May 31, 2017. In the same publication, on the revenue achieved in France in 2016, **Infotel** is number 137.

6.6. EXCEPTIONAL EVENTS

There have been no exceptional events during the year ending December 31, 2017.

6.7. INTELLECTUAL AND INDUSTRIAL COPYRIGHT

Infotel owns the industrial and intellectual copyright for its software. **Infotel** has implemented procedures aimed at protecting its rights, notably by imposing a confidentiality agreement on personnel with access to the Company's legacy information, and by restricting access to the Company's software source codes. **Infotel** complies with the regulations concerning commercial secrets and authors' rights, which nonetheless provide limited protection to ensure the protection of its software products and documentation and miscellaneous written media. **Infotel** may take measures to protect its industrial proprietary and intellectual rights based on the laws concerning authors' rights and trademark and product applications, commercial secrets, confidentiality agreements and contract terms and conditions.

The **Infotel** trademark and that of its products are registered in Europe, North America and in a number of Asian countries.

Infotel sells licenses, **Infotel** intellectual property in exchange for the payment of fees.

The software source codes have been filed in France with the Agency for the Protection of Programs.

6.8. COMPETITIVE POSITION

The competitive position of the **Infotel** Group is described in section 6.5 "Major Markets".

7. ORGANIZATION OF THE GROUP

On December 31, 2017 **Infotel** directly held 100% of the capital stock of its French subsidiary **Infotel Conseil**, 33.33% of its French subsidiary **Archive Data Software**, 75% of its French subsidiary **Infotel Business Consulting**, 51% of its British subsidiary **Infotel UK Consulting Ltd.** and 100% of its four foreign subsidiaries.

Infotel is the lead holding company for the Group, and performs training, design and software sales activities. It also carries out software research and development for the Group. **Infotel** owns the intellectual copyright for its software.

The Executive Committee is shared by **Infotel** and its main IT service subsidiary **Infotel Conseil**, whose weight in the economic activity of the Group is the largest of all the subsidiaries.

Infotel's income appears in section 20.3 "Corporate Financial Statements" on page 112.

The scope of the Group, as well as the percentages of control and interest are described on page 98 in section 20.2.6.5 "Statement of facts and scope of consolidation".

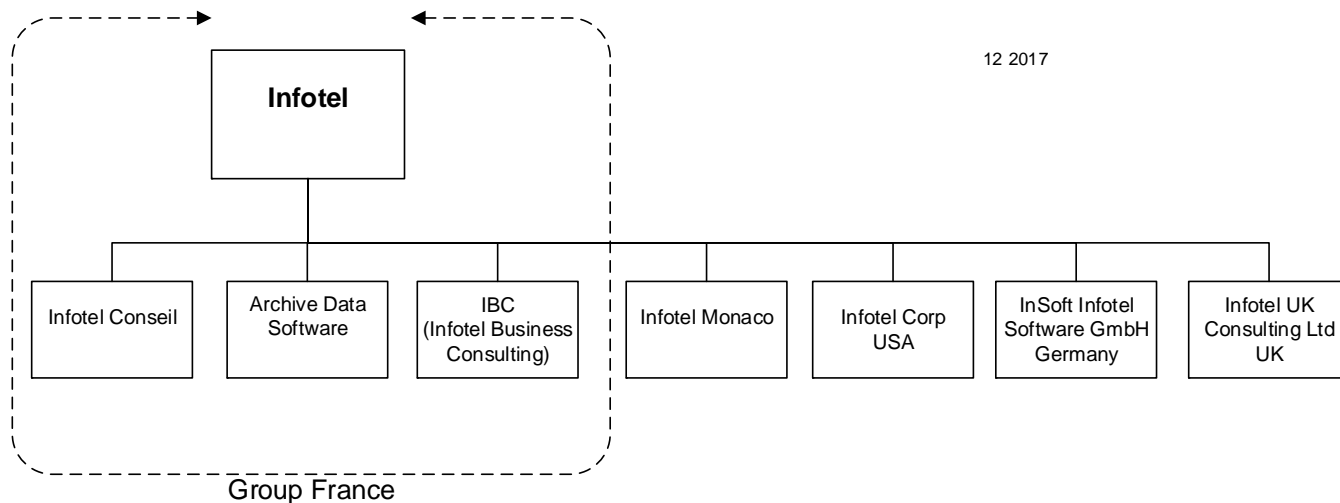
7.1. INFOTEL'S POSITION WITHIN THE GROUP

7.2. SUBSIDIARIES

7.2.1. Description and Activities of Subsidiaries

Infotel is the parent company of the Group, including as of December 31, 2017 the French subsidiaries **Infotel Conseil**, **Infotel Business Consulting**, **Archive Data Software**, and four subsidiaries abroad.

The stockholders and the control of the Group is described in section 18 "Major Stockholders" on page 81.



Infotel Conseil performs the service provision activities of the Group. It is based in Neuilly-sur-Seine, and carries out its activity in the Paris area; in the west and center of France from its offices in Rennes, Nantes, Le Mans, Orléans, Niort, Brest and Bordeaux; in the south west from its site in Toulouse; in the south east from its offices in Lyon, Dijon, Aix-Marseille and Nice; and in the north east from its offices in Lille and Strasbourg.

The company **Infotel Business Consulting** is based in Neuilly-sur-Seine and provides operational consultancy for companies in the financial, banking, insurance and industrial sectors.

The company **Archive Data Software** is based in the Lyon area and specializes in digital archiving.

The company **Infotel Monaco** based in the Principality of Monaco performs IT service activity.

The company **Infotel UK Consulting Ltd** (Newcastle) performs IT service consultancy activities in the UK.

Other subsidiaries abroad distribute software developed by **Infotel** for export:

- **Infotel Corp.** (Tampa - Florida) provides technical support in the United States and manages certain distributors;
- **Insoft Infotel Software GmbH** (Düsseldorf) designs, develops and markets technical software in the IBM DB2 sector.

7.2.2. Infotel Conseil Activity

Revenue for **Infotel Conseil**, 100% owned, reached €194,771 k for the fiscal year 2017 compared to €177,893 k for the previous year, showing an increase of 9.49%.

Operating costs increased by 8.80%. This rose from €161,155 k in 2016 to €175,332 k in 2017.

Operating income was €19,567 k, representing 10.05% of revenue for the fiscal year 2017, whereas operating income for the previous year stood at €16,926 k and represented 9.51% of revenue.

The financial result showed a profit of €19 k compared to €117 k for the previous fiscal year.

After €4,369 k tax on profits (given a research tax credit of €746 k and tax on profits of €5,114 k) and after deducting employee profit-sharing for an amount of €2,188 k, the net profit/loss stood at €13,003 k compared to €11,277 k for the previous year.

7.2.3. Infotel Business Consulting Activity

Infotel Business Consulting, 75% owned by **Infotel** and 25% by its Director, Jean-Philippe Lamy, achieved a revenue of €7,006 k for the fiscal year 2017 compared to €5,699 k for the previous year, representing an increase of 22.94%.

Operating costs increased by 23.98%. They went from €4,977 k in 2016 to €6,171 k over the past fiscal year.

Operating income was at €835 k, representing 11.92% of revenue for the fiscal year 2017, whereas operating income for 2016 stood at €729 k and represented 12.79% of revenue.

After deduction of tax on profits for an amount of €258 k, net profit/loss stood at €453 k compared to €504 k for the previous fiscal year.

7.2.4. Archive Data Software Activity

Archive Data Software, 33% held by **Infotel**, showed a revenue in 2017 of €857 k increasing by 0.94% and a net profit/loss of €1 k.

7.2.5. Infotel Corporation Activity (USA)

Infotel Corporation (USA), 100% owned, provides technical support for software in the United States and manages relations with certain distributors.

It showed, in 2017, a revenue of €740 k, an increase of 37.04% (€540 k in 2016) and a loss of €42 k.

7.2.6. Infotel Monaco Activity (Monaco)

Infotel Monaco (Monaco), 100% owned, achieved a revenue of €2,350 k in 2017 compared to €2,229 k for the previous year, showing an increase of 5.43%. Revenue from this activity showed a profit of €431 k compared to a profit of €301 k for the previous fiscal year.

7.2.7. Insoft Infotel Software GmbH Activity (Germany)

Insoft Software GmbH (Germany), 100% owned, achieved a revenue of €1,246 k in 2017, up 9.20% (€1,141 k in 2016). Revenue from this activity showed a profit of €261 k compared to €214 k for the previous fiscal year.

7.2.8. Infotel UK Consulting Ltd Activity

The activity of **Infotel UK Consulting Ltd** (United Kingdom) started up in 2016. It is 51% owned and showed a revenue of €1,682 k for an increase of 149.2% (€675 k for its first fiscal year in 2016). Revenue from this activity showed a profit of €130 k compared to €118 k for the previous fiscal year.

7.2.9. Other Information Related to Subsidiaries

Additional information on the subsidiaries, in particular their revenue and profit/loss, is provided below.

€k	Infotel Conseil	Infotel Monaco	Infotel Corporation	Infotel Business Consulting	Archive Data Software	Insoft Infotel Software GmbH	Infotel UK Consulting Ltd
Capital	20,000	150	0.70	60	150	50	0.13
Stockholder's equity (excluding capital stock and earnings)	30,005	153	213	1,031	0	836	6
Holding	100%	100%	100%	75%	33%	100%	51%
Book value 12/31/2017	6,269	128	0.87	446	50	2,000	0.07
Loans and advances granted	0	0	0	0	0	0	28
Guarantees in favor of subsidiaries	0	0	0	0	0	0	0
Revenue before tax	194,771	2,350	740	7,006	857	1,246	1,682
Profit/loss	13,003	431	(46)	453	1	261	130
Dividends received from the subsidiary	6,000	300	0	450	0	0	0

Financial flows existing between the parent company and its subsidiaries are as follows:

Management fees	€2,700 k	Invoiced by Infotel to Infotel Conseil
Sub-contracting and personnel made available by Infotel Conseil to Infotel	€3,465 k	Invoiced by Infotel Conseil to Infotel
Infotel Corporation royalties	€477 k	Invoiced by Infotel to Infotel Corp
Insoft Infotel Software GmbH costs	€6 k	Invoiced by Insoft Infotel Software GmbH to Infotel Corp
Civil liability insurance costs	€41 k	Invoiced by Infotel to Infotel Business Consulting
Infotel UK Consulting Ltd management fees	€24 k	Invoiced by Infotel Conseil to Infotel UK Consulting Ltd

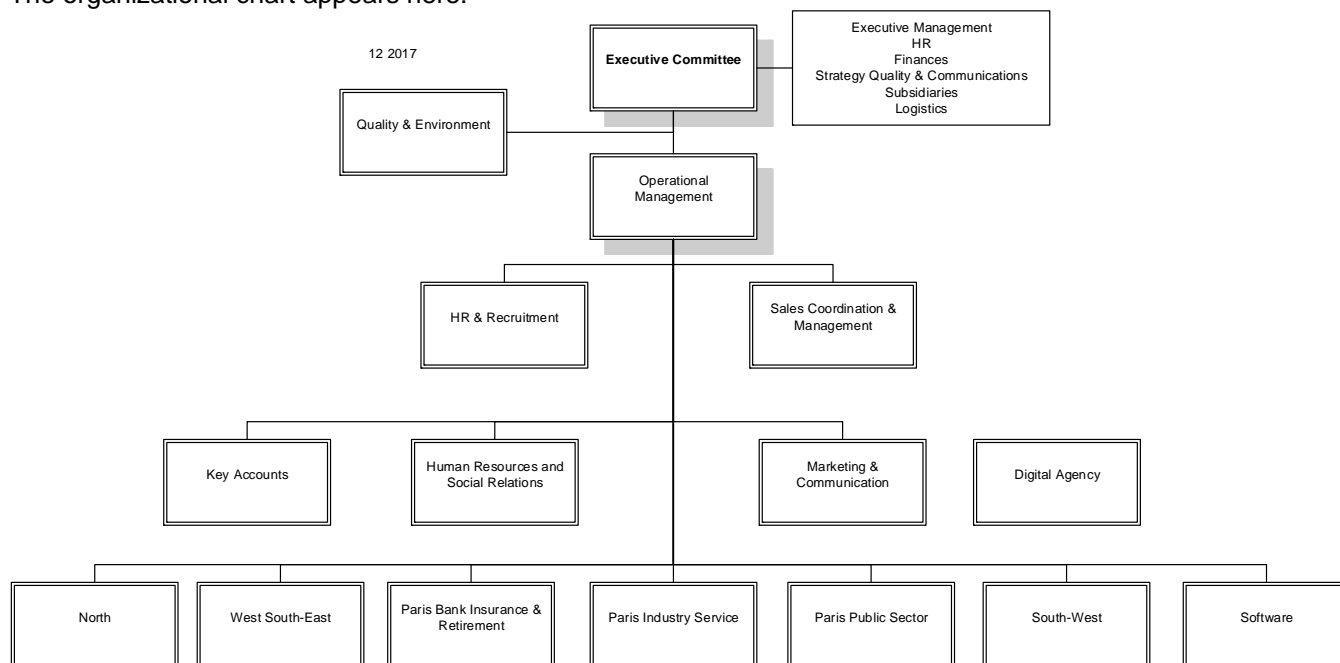
Overview of parent company-subsidary relationship				
Consolidated items (excluding dividends) in €k	Infotel Conseil	Other subsidiaries	Infotel	Consolidated total
Fixed assets (including goodwill)	12,775	1,158	5,841	19,774
Debt ex. group	0	0	0	0
Cash on balance sheet	51,836	3,568	8,863	64,267
Total net cash flow	11,785	577	578	12,940

7.3. FUNCTIONAL ORGANIZATIONAL AND HUMAN RESOURCES

The Group's organization note, an element of the **Infotel** Quality system, describes the Group's organization and operation. The management bodies of the Group carry out functional roles and Operational Management manages departments responsible for establishing and carrying out a set of operations in compliance with the defined strategy and objectives.

7.3.1. Organizational chart

The organizational chart appears here:



7.3.2. Operations

The Executive Committee

The Executive Committee is the decision-making body for the Group.

Its major roles are to:

- Study the measures concerning the Group's operations and their application;
- Perform a monthly assessment of the summary activity report, a quarterly assessment of the detailed report of operational departments, and make decisions leading to the achievement of goals;
- Check the progression of decisions;
- Coordinate the actions of different entities;
- Summon, where appropriate, the persons necessary to manage dossiers and make decisions.

The Executive Committee for the Group is made up of six members, each with a functional activity:

- Bernard Lafforet, Chairman – Chief Executive Officer;
- Michel Koutchouk, Vice-President, Strategy, Communications and Quality;
- Ms. Josyane Muller, Vice-President, Finance;
- Jean-Marie Meyer, Vice-President, Human Resources and subsidiaries;
- Éric Fabretti, Vice-President, Sales;
- Jean-François Castella, Vice-President, Software.

The members of the Executive Committee share Executive Management, Personnel Management, Financial, Strategy, Quality and Communications Management, Subsidiary Management and Logistics functions. Thus, it works closely with the Financial Department, which is responsible for managing the Group's accounting and cash resources, and performs a management control function. These tasks are performed directly or with the assistance of outside firms.

Operational Management

This management team is responsible, via the regional divisions that it coordinates, for designing, marketing and ensuring profitability for all services with a commitment to results (service desks), technical support and training adaptable to customer needs as well as software.

It is also responsible for implementing the sales policy for the Group, and ensuring that it is followed consistently by all relevant divisions.

It carries out functions that include managing personnel and recruitment as well as operations and subsidiaries.

Infotel's management places special importance on human relations. In Services and an economic context noted for an increasingly demanding customer base, it is essential that **Infotel** carries out an ongoing recruitment strategy to attract high-quality and committed personnel. **Infotel** achieves this with a HR policy based on the following major elements:

- Motivation of its staff members to whom the Company provides the training necessary for their work with customers, and a career plan that allows them to grow within the Group and carve out a career path. This means the Group's employees stay on in the company longer than the employees of other players in the sector, thus preserving the most important investment for a service company: Human investment;
- Technical skills required at all hierarchical levels to allow each staff member, whether beginner or advanced, to efficiently carry out assignments for the customer, under the Company's watchful eye;
- Accessibility of all managers, approachable by all employees for any technical, personal or working relationship issue.

Regional divisions and Software division

The regional divisions are the operational bodies of the Group. A regional division carries out, autonomously, all or part of the functions and core businesses of the Group. The overall goal of the regional division is to design, market, develop and ensure the profitability of all TPAM and TPSV, training and technical assistance services and adapt them to customers' needs in a specific territory. The Software division is responsible for the design, development, maintenance and technical support of Software.

There are currently seven divisions:

- The Paris Banking, Insurance & Retirement division;
- The Paris Service Industry division;
- The Paris Public Sector division;
- The West - South-East division;
- South-West
- The Northern division;
- Software

The sales engineers are attached to the divisions.

8. PROPERTY, FACTORIES AND EQUIPMENT, ENVIRONMENT, SUSTAINABLE DEVELOPMENT

8.1. PREMISES USED BY THE GROUP

Premises	Surface in m ²	Type of premises	Annual rent €	Rent per m ²	Owner or Agent
Infotel 36, Avenue du Général de Gaulle 93170 Bagnolet					
*Headquarters – 11 th floor	1,076	Offices	190,604	177	SCI NASTHEL II
* 7 th floor	1,076	Offices	166,421	155	SCI PAGESTI
Infotel Conseil 13 rue Madeleine Michelis 92200 Neuilly-sur-Seine					
* Headquarters – 1 st and 2 nd floor	800	Offices	336,207	420	Société Michelis
* Rennes	844	Offices	141,837	168	SCI MABILAND
* Blagnac le Millénaire	4,427	Offices	626,768	142	EUROSIC
* Balma	1,209	Offices	221,216	183	BP Occitane
* Bordeaux – Pessac	326	Offices	43,367	133	SCI Physalis/Segeinvest
* Nanterre	623	Offices	197,683	317	SCI Nanterre Etoile Park
* Nantes-Saint Herblain	758	Offices	122,415	161	PFO2
* Lyon - Écully	312	Offices	46,545	149	SCI BAPTISTE
* Le Mans	512	Offices	93,413	182	Foncière Lelièvre
* Mougins	550	Offices	106,580	194	SC ALBORE/ SCI PFO2
* Aix-en-Provence	498	Offices	76,438	153	SCI SAPHI/SCI MAJ/Unidelta
* Brest	403	Offices	58,635	145	Groupe Baraine
* Brest	100	Offices	16,200	162	SCI WYZ
* Lille-Lezennes	657	Offices	85,617	130	TOLEFI
* Niort	454	Offices	36,000	79	SC MK2
* Dijon	-	Physical address	1,224	-	LBA Business Center
* Strasbourg	-	Physical address	13,560	-	Regus
* Orléans	224	Offices	33,053	148	SCI JOPI
Infotel Business Consulting 1 rue Garnier 92200 Neuilly-sur-Seine Cedex Headquarters	110	Offices	58,204	529	NEXITY

No equipment was acquired through capital lease arrangements as of December 31, 2017.

For subsidiaries abroad, premises are in business centers or not significant.

There is no direct or indirect capital-based link between the Company and its managers and the owners or agents of rented premises.

8.2. REPORT ON CORPORATE SOCIAL AND ENVIRONMENTAL RESPONSIBILITY (CSR) - ENVIRONMENTAL INFORMATION

Pursuant to the provisions of Article L. 225-102-1 paragraph 5 of the French Commercial Code, the stipulations relating to the way in which the **Infotel** Group takes into account the environmental consequences of its activity is described below.

Infotel's commitment to promoting sustainable development is also described.

8.2.1. General Environmental Policy

The Company and Environmental Issues

Infotel performs an intellectual activity that is non-polluting.

Infotel is, nonetheless, aware of the impact of its activities on the environment. In this way, the Group endeavors to reduce the negative impact in the sectors that concern it, comply with environmental legislation and standards, and improve in an ongoing manner the environmental performance of its activities. The carbon footprint of the Group is, for the most part, due to the energy consumption of its facilities and, in particular, its IT equipment.

In addition, the concern of the **Infotel** Group for the environment has been formalized in a structured procedure, which culminated in ISO 14001 certification on July 29, 2011 and its renewal on August 8, 2017.

Commitments towards a Circular Economy

One of **Infotel's** main challenges is to reduce its environmental footprint in its service provision. The Group's environmental policy is based on actions such as providing training, implementing means for reducing energy consumption, and establishing a selective waste collection system, as described below.

Training and Employee Initiatives for Environmental Protection

On hiring, all employees are made aware of our environmental values. In addition to the company's welcome booklet that describes its values, guides are developed to raise the awareness of new employees: "Quality at Infotel", "Corporate and Environmental Responsibility Guide", "Recycling and Maintenance of Your Workplace". Within the framework of ISO 14001 certification, the Group asks each of its partners to adopt an eco-responsible approach and gives priority to relationships with suppliers with eco-labels.

Resources for Preventing Environmental Risks and Pollution

Within the framework of ISO 14001 certification, the Group has implemented an Environmental Management System (EMS) inspired by the requirements of the standard, which is aimed at continuously improving its environmental performance. The Group has implemented an environmental policy designed to reduce its paper and energy consumption. Our goal is to not exceed 2014 consumption levels of paper and energy.

Amount of Provisions and Guarantees for Environmental Risks

In the absence of any environmental risks, the Group companies have not made any provision for pollution risk.

No environmental issues impact the use made by the issuer of its tangible assets.

8.2.2. Pollution

Measures for Preventing, Reducing or Repairing Emissions in Air, Water and Soil that Seriously Impact the Environment

The activity of the companies in the **Infotel** Group does not represent a risk to the environment in a way that seriously impacts the air, water or ground, and is therefore not affected by any prevention or reduction measures to this effect.

8.2.3. Waste Prevention and Management

Measures for Preventing, Recycling and Eliminating Waste

The company has put in place a system for selective sorting of waste (paper, electronic waste). The quantity of paper and cartons generated by our activity for the 2016 was 5.9 tons compared to 6.7 tons in 2015. A new reporting system is being implemented to have a quicker and more complete view of waste collection, and in particular for electronic waste. The D3E quantity for 2017 stood at 1.2 tons.

Sound Pollution and any Other Type of Pollution Specific to an Activity

Within the framework of its activities, the company does not emit sound pollution.

Generally speaking, **Infotel** is not affected by any form of pollution specific to its activity.

Measures for Food Waste Prevention

Actions against food waste have not been put in place, as the diversity of the facilities and their size prevented the installation of private company restaurants. Given the nature of Infotel activities, this topic is not deemed relevant.

8.2.4. Sustainable Use of Resources

The Group measures the energy consumption in its offices and service desks on a daily basis and analyzes opportunities for increased efficiency.

All company departments are required to reduce their electrical consumption.

Each renovation or opening of new facilities must serve as an opportunity to plan for and adopt efficient technology systems for energy savings.

Environmental information	2017	2016	2015
Water consumption	2,679 m ³	2,737 m ³	2,888 m ³
Electricity consumption	1,288 MWh* (83 T CO ₂)*	1,166 MWh (95.6 T CO ₂)	1,463 MWh (120.0 T CO ₂)
Consumption of raw materials	None	None	None
Consumption of other energy	None	None	None

- * Data from Le Mans site has not been taken into account

To evaluate the CO₂ equivalent in electricity consumption, it was decided that 1 kWh = 0.0647 kilograms of CO₂ equivalent (energy mix in France in 2016; source ADEME).

Given the nature of Infotel activities, the theme of the use of soil was not deemed relevant and is not discussed in this report.

8.2.5. Climate Change

The main sources of greenhouse emissions due to the company's activity, in particular through the use of the goods and services that it produces

The main direct sources of greenhouse emissions identified by **Infotel** currently are the energy of the buildings that the Group occupies, that used by the IT hardware required for the activity, and travel for professional reasons. However, as the fleet held by the Group is small (19 cars and 6 motorcycles), the impact of most travel is thus indirect (professional travel) and a video-conferencing system has been implemented to limit travel.

Greenhouse gas emissions linked to Group employee business travel are low due to the extensive use of public transportation systems from employees' homes to the customer site.

Given the Group's activities (mainly IT consultancy), Scope 3 emissions are not deemed to be very high. Scope 3 emissions were calculated in 2017 for air and rail travel. The quantity of CO₂ is 188 tons.

In spite of an increase in the number of employees, the change in CO₂ emissions is minimal, reflecting good management of electricity consumption.

Adapting to the Consequences of Climate Change

This theme is not deemed relevant given **Infotel's** activities.

8.2.6. Protecting Biodiversity

Given the nature of its activities, **Infotel** has not implemented a biodiversity plan.

8.3. REPORT (CRS) ON CORPORATE COMMITMENT TO SUSTAINABLE DEVELOPMENT

Infotel wants to contribute to the quality of life and the environment wherever the Group does business.

The Group places sustainable development at the heart of its strategy, and expresses this in its Quality Charter. The Group's policy is in line with a sustainable growth procedure that is based on the conviction that its long-term growth depends in part on the way in which **Infotel** accepts its responsibility in social and environmental areas.

Territorial, Economic and Social Impact on the Company's Activity

With respect to employment and regional growth, **Infotel** is highly committed to the local economy via its facilities throughout France:

- In the Paris region, via its sites in Neuilly-sur-Seine, Bagnolet and Nanterre;
- In the North of France, via its sites in Lille and Strasbourg;
- In the West of France, via service desks in Rennes, Nantes, Le Mans, Orléans, Niort, Brest and Bordeaux;
- In the South West of France, via its service desk in Toulouse;
- In the South East of France, via service desks in Lyon, Dijon, Aix-Marseille and Nice.

In its capacity as a French company, **Infotel** is pursuing a grassroots strategy to remain close to its customers and also to provide quality of life for its employees.

With respect to the territorial, economic and social impact on the local population, the Group has made regional growth part of its strategy, thus contributing to the territorial impact of its activities with respect to employment. **Infotel** is very involved in the local economy and is generally committed to a "nearshore" policy, meaning national players (or nearby countries) as opposed to "offshore": **Infotel** therefore has no interest in the use of remote labor, even at low cost.

While **Infotel** may not have specific partnership projects with schools and universities, the Group is committed to a dynamic recruitment policy for young people: **Infotel** hires many young graduates without previous work experience, who benefit from in-house training. **Infotel** participates regularly in forums held by schools and universities.

Relations with Persons or Organizations Interested in the Company's Activity

Given the nature of the Group's activity, **Infotel** does not undertake privileged relationships or sponsorship activities or partnerships with associations combating social exclusion, environmental defense, consumer protection or with local inhabitants.

Infotel is, however, particularly committed to training, and maintains close relationships with IT training establishments, and builds partnerships that lead to apprenticeships, internships and training programs.

In terms of governance, the Executive Management is responsible for implementing the Group's sustainable growth policy.

Sub-contracting and Suppliers

Infotel's use of sub-contractors outside of France is marginal. It represents less than 0.5% of total sub-contracting.

No specific action was taken to consider CRS criteria in relationships with suppliers and sub-contractors, as the risk was limited given the Group's activities and geographical presence (Europe and USA).

Fair Trade Practices

Infotel is not affected by provisions dealing with the health and safety of consumers given its IT service provision activities with companies. The Group does not house individual data belonging to its customers.

Given **Infotel's** activity, no particular anti-corruption initiatives need be implemented.

The Group has implemented anti-discrimination and equal opportunity initiatives.

Other Initiatives Undertaken to Promote Human Rights

Infotel is pursuing its growth while respecting basic human and social rights and the environment in all the territories where it operates.

The countries in which **Infotel** operate do not contravene basic human and social rights.

In terms of equality, **Infotel** takes care to have an equal number of women and men on its teams. As of January 1st, 2017 the law relating to equal representation of women and men on Boards of Directors imposed representation of each sex of 40% on Boards of Directors (Law No. 2011-103 of January 27, 2011 called the "Copé-Zimmermann" law). Well before this date, the **Infotel** Board of Directors already had an equal number of female and male directors.

The CSR strategy for 2018 plans to strengthen the dialog between stakeholders with the purpose of implementing CSR issues in our activities and, in particular, on the subject of human rights.

Henceforth, particular attention will be paid to the working conditions of all of the Group's employees, as well as those of its sub-contractors. An article published in Capital magazine in February 2018 ranked **Infotel** in the top 500 of best employers in France, 24th for High Tech companies for the quality of the working conditions in the company.

9. REVIEW OF THE COMPANY'S FINANCIAL POSITION AND PROFIT/LOSS

9.1. FINANCIAL POSITION

Over the last two fiscal years, the Group has financed its operational activity and its investments mainly using cash flow from operations.

At December 31, 2016 and 2017, the Group held cash and cash equivalents in the amount of €51.3 k and €64.3 k, respectively. In 2017, cash and cash equivalents held was €217.1 k in US Dollars, €93,2 k in Sterling pounds and €63,990 k in euros.

The activity has generated a positive net cash flow of €12,940 k due to an increase in revenue and good management. This cash flow was used to purchase fixed assets of €2,181 k.

Cash flow linked to financing transactions concerns mainly the distribution of dividends for €6,654 k after elimination of treasury stock.

9.2. PROFIT/LOSS

9.2.1. Group

Revenue for the Group reached €209,316 k for the fiscal year 2017, compared to €190,541 k for the previous year, showing an increase of 9.85%.

2017 was driven by strong growth in the Services activity (96.11% of revenue), which increased by 10.60% from €181,892 k to €201,176 k, and saw a rise in the Software activity of 5.88%, from €8,649 k to €8,140 k.

Current operating costs increased by 10.20%. They rose from €168,744 k in 2016 to €185,965 k in 2017.

Current operating income amounted to €23,351 k and represented 11.16% of revenue, whereas it stood at €21,797 k in 2016 and represented 11.44% of revenue, a slight drop of 0.28 points.

The financial result showed a profit of €64 k compared to €130 k for the previous fiscal year.

After deduction of tax on profits for an amount of €7,349 k, the consolidated net income (Group share) comes to €15,800 k, compared to €13,719 k for the previous fiscal year.

9.2.2. Parent Company

The **Infotel** parent company creates, develops and sells software in France and abroad.

As the lead holding company for the Group, it obtains its revenues in the form of the granting of software rights in accordance with its distribution agreement with IBM, dividends from its subsidiaries, and its share of financial income resulting from the Group's cash management.

Revenue for the fiscal year 2017 stands at €9,543 k, down 3.64% compared to the previous fiscal year.

Operating costs remain stable with respect to the previous year. They rose from €9,573 k in 2016 to €9,627 k in 2017.

Operating income went from €2 284 k to €1,732 k, and financial income stands at €6,776 k compared to €6,367 k for the previous fiscal year.

Current income amounts to €8,499 k compared to €8,651 k for the previous fiscal year.

Exceptional income is nil as in 2016.

Income tax stands at €58 k.

Last but not least, profit for the fiscal year ending December 31, 2017 amounts to a sum of €8,441 k compared to €7,653 k for the previous fiscal year.

Growth in the activity of the **Infotel** parent company, corresponding to software publishing, is described in section 6.5.2 “Distribution of Infotel’s Activities” on page 33, as well as in paragraph 20.2.6.8 “Segment reporting” on page 108.

9.2.3. Governmental Strategies or Factors

Infotel is not aware of any governmental, economic, budgetary, monetary or political strategies or factors that could have a significant influence, directly or indirectly, on the operations of the Group.

9.3. STOCKHOLDERS' EQUITY

Equity – Group share amount was €81,121 k on December 31, 2017.

A change in the Group’s equity position of €9,118 k is explained by the following elements:

- Profit/loss 2017: + €15 800 k;
- Distribution of dividends of the assembly of May 29, 2017: - €6,654 k;
- Change in capital: none;
- Change in additional paid-in capital: none;
- Change in translation reserve: - €28 k;
- Accounting of stock-based payments: none;
- Impact of movements on treasury stock: - €13 k;
- Change in scope of consolidation + €13 k;
- Other changes: none.

10. LIQUIDITY AND CAPITAL RESOURCES

Activities related to finance capital acquisition generated in 2017 €2,181 k in cash outflows, compared to €3,149 k in 2016, as well as a distribution of dividends granted by the parent company of €6,654 k in 2017, against €6,655 k in 2016.

The Group deems that it has enough working capital to meet its short-term commitments. The Company is not in debt and is not planning on incurring debts.

Detailed information on stockholders' equity and cash flow appear in Chapter 20 "Financial Information regarding the Issuer's Holdings, Financial Position and Results" on page 84.

Information relating to payment deadlines for the company Infotel SA is outlined in the table below:

Invoices received and issued unpaid on the closing date of the fiscal year that fell due (dedicated table in I of article D. 441-4 of the Commercial Code)

	Article D. 441-4 I.-1°: Invoices <u>received</u> unpaid on the closing date of the fiscal year that fell due					
	0 day (for information purposes)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 day and more)
(A) Late payment ranges						
Number of invoices concerned						1
Total amount of invoices concerned (taxes included)		6,738				6,738
Percentage of the total amount of purchases for the fiscal year (taxes included)		0.10%				0.10%
(B) Invoices excluded from (A) relating to debts and contested and unrecorded claims						
Number of invoices excluded			0			
Total amount of excluded invoices (specify: before taxes or taxes included)			0			
C) Reference payment deadlines used (contractual or legal deadline - article L. 441-6 or article L. 443-1 of the commercial code)						
Payment deadlines used to calculate late payments	Contractual deadlines: Legal deadlines: 45 days					
	Article D. 441-4 I.-2°: Invoices <u>issued</u> unpaid on the closing date of the fiscal year that fell due					
	0 day (for information purposes)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 or more days)
(A) Late payment ranges						
Number of invoices concerned						40
Total amount of invoices concerned (taxes included)		0	75,912	30,744	373,559	480,215
Percentage of the revenues for the fiscal year (before taxes)			1.34%	0.54%	6.59%	8.47%
(B) Invoices excluded from (A) relating to debts and contested and unrecorded claims						
Number of invoices excluded			0			
Total amount of excluded invoices (taxes included)			0			
C) Reference payment deadlines used (contractual or legal deadline - article L. 441-6 or article L. 443-1 of the commercial code)						
Payment deadlines used to calculate late payments	Contractual deadlines: 60 days Legal deadlines:					

Invoices received and issued that experienced a delay in payment during the fiscal year
(dedicated table in II of article D. 441-4 of the Commercial code)

	Article D. 441-4 II: Invoices <i>received</i> that experienced a delay in payment during the fiscal year					
	0 day (for information purposes)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 or more days)
(A) Late payment ranges						
Total number of invoices concerned						79
Total amount of invoices concerned (taxes included)		537,268	-125	-1,719	3,209	538,633
Percentage of the total amount of invoices received in the year (taxes included)		7.73%	0%	-0.02%	0.05%	7.76%
(B) Invoices excluded from (A) relating to debts and contested and unrecorded claims						
Number of invoices excluded						0
Total amount of excluded invoices (taxes included)						0
(C) Reference payment deadlines used (contractual or legal deadline - article L. 441-6 or article L. 443-1 of the commercial code)						
Payment deadlines used to calculate late payments	Contractual deadlines: Legal deadlines: 45 days					
	Article D. 441-4 II: Invoices <i>issued</i> that experienced a delay in payment during the fiscal year					
	0 day (for information purposes)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 or more days)
(A) Late payment ranges						
Total number of invoices concerned						16
Total amount of invoices concerned (taxes included)		688,495	344,300	0	26,915	1,059,709
Percentage of the total amount of invoices issued in the year (taxes included)		12.15%	6.07%	0%	0.47%	18.70%
(B) Invoices excluded from (A) relating to debts and contested and unrecorded claims						
Number of invoices excluded						0
Total amount of excluded invoices (taxes included)						0
(C) Reference payment deadlines used (contractual or legal deadline - article L. 441-6 or article L. 443-1 of the commercial code)						
Payment deadlines used to calculate late payments	Contractual deadlines: 60 days Legal deadlines:					

11. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

During 2017, the **Infotel** Group has engaged in research and development efforts for its Software and Services activities.

For software, research and development costs focused on innovative software:

- Arcsys (archiving technology platform), including:
 - Continued research linked to search engines and their integration in Arcsys;
 - Design of new search modules for document content and metadata in a big data context and with high performance constraints;
 - Studies of algorithms for optimizing file writing on magnetic tape;
 - Study of new Arcsys modules for automatic format recognition and validation of multiple formats separate from archiving types used and incorporating strong security measures;
 - Research linked to the optimized transformation of document formats;
 - Studies and research into encoding and encrypting algorithms as well as their implementation;
 - Studies linked to the use of Infotel software in encrypted DB2 environments;
- Continued research and development on other products in the **Infotel** range.

For this activity, in 2017, development costs stood at €1,802 k registered as assets.

For Services, research and development costs focused on a number of elements including:

- Continued research associated with designing a technical documentation processing framework for high volumes, supported by big data concepts and adhering to ATAiSpec 2200, ATA2300 and S1000D standards;
- Continued research linked with designing algorithms and processing tools for non-textual information in unstructured PDF documents;
- Continued research on a semantic engine based on an indexing system used to locate data and documents in high volume archiving systems with high performance constraints;
- Undertaking research based on “Voice banking” and blockchain security;
- Research concerning optimization within the framework of migrating complex algorithms from Hadoop Map Reduce to Spark, as well as XML extractions of complete databases using Spark distributed calculations.

For these service activities, research costs were €1,638 k, corresponding only to the personnel costs used in the CIR calculation.

The table below summarizes the R&D costs over the last three years:

In €k	2017	2016	2015
Capitalized development costs	1,802	1,950	2,058
Development costs recorded as expenses	1,638	1,624	1,370
Total cost of research and development	3,440	3,574	3,428

12. TRENDS FOR 2018

12.1. TRENDS SINCE THE END OF THE FISCAL YEAR 2017

The start of 2018 followed in the same vein as the end of 2017.

As *Syntec Numérique* announced in its press release of December 7, 2017, the “Technology Consultancy, Software Publishing, Consultancy and Services” sectors are expected to grow by 3.6% in 2018, with 4.5% growth for technology consultancy, 3% for consultancy and services, and 4.7% for software publishing.

Infotel has taken advantage of its position at the heart of strategic systems for major customers with its service desks, leading to a high level of recurring business from one year to the next, and from the movement to digitization leading to new developments in all sectors. The inter-contract rate remains very low (in the order of 1.7%). Recruitment efforts continue, with an objective of 600 new hires (employees in the sector are estimated at 447,000). Sales teams are in the field to consolidate our position with existing customers and transform prospective customers into new customers.

As described in section “Financial calendar” on page 141, the information on revenue and trends for the first quarter of 2018 will be released on the evening of May 31.

12.2. TRENDS FOR THE FISCAL YEAR 2018

Infotel has excellent assets in both of its business sectors, and the Group can approach the fiscal year 2018 with firm optimism.

The Services activity has been given impetus by a strong demand to move towards digitization which should not take place to the detriment of maintaining vital systems and security in good working order. The Software activity must return to a growth path, and has a number of advantages to do so: new software versions for ultra-fast downloading sold by IBM, distribution agreements for software in France and abroad. The main concerns is the difficulty in recruiting sufficient numbers of trainee or experienced IT personnel.

Confident in the forecast for the year underway, the **Infotel** group confirms an activity level that is growing and a continued good level of operational profitability.

In the long term, within the framework of its strategic plan defined in paragraph 6.2.2 “2017: A New 5-year Strategic Plan” on page 26, the Group has set itself a number of goals:

- To continue to outperform the market;
- To maintain a growth of approximately 10% on average over the next four years by integrating both organic and external growth;
- To maintain a good level of operating profitability.

13. EARNINGS FORECAST OR ESTIMATED

The Company does not provide a forecast or estimate of its future results.

14. ADMINISTRATIVE, MANAGEMENT, SUPERVISORY AND EXECUTIVE MANAGEMENT BODIES

14.1. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

14.1.1. Membership of Administrative and Management Bodies

The administration of the Company is entrusted to a Board of Directors consisting of four members. Directors are elected for a six-year term and may stand for re-election. The Board of Directors met a total of seven times over the fiscal year 2017. The attendance rate of those meetings was 100 %, accounting for participants with the right to vote.

As of December 31, 2017 the Board of Directors was composed as follows:

First and last name of member	Date of first appointment	Expiry date of term	Main position held within the Company	Main position held outside the Company	Other terms of office and positions held in any company
Bernard Lafforet	December 31, 1979	Stockholders' Meeting called to approve the financial statements for fiscal year 2017	Chairman - Chief Executive Officer	None	"Chairman - Director" of Infotel Corp. "Chairman – Executive Officer" of Infotel Monaco
Michel Koutchouk	June 3, 1982	Stockholders' Meeting called to approve the financial statements for fiscal year 2017	Executive Officer	None	"Director" of Infotel Corp.
Josyane Muller	May 23, 2006	Stockholders' Meeting called to approve the financial statements for fiscal year 2017	Executive Officer	None	Chairperson of Infotel Conseil,
Hélène Kermorgant	May 20, 2015	Stockholders' Meeting called to approve the financial statements for fiscal year 2017	None	None	None

The Group's management team consists of five members:

- Bernard Lafforet, Chairman-Chief Executive Officer, graduated in mathematics from the French École Normale Supérieure, founded Infotel after ten years in research with the CNRS; his term expires after the General Stockholders' Meeting called to approve the financial statements for the fiscal year ending December 31, 2017;
- Michel Koutchouk, Director and Executive Officer, graduated from IEP Paris and engineer of the Arts et Métiers, joined Mr. Lafforet to create Infotel after ten years with the IT Department at Air France; his term expires after the General Stockholders' Meeting called to approve the financial statements for the fiscal year ending December 31, 2017;
- Ms. Josyane Muller, Executive Officer, graduated from ISIN-ESSTIN in Nancy, joined Infotel in 1985 after 18 years with IT service companies including nine with Cap Gemini as Branch Manager; her term expires after the General Stockholders' Meeting called to approve the financial statements for the fiscal year ending December 31, 2017;
- Jean-Marie Meyer, Executive Officer, graduated from ENSEEIHT in Toulouse, joined Infotel in 1985 after four years in electronics and IT; his term expires after the General Stockholders' Meeting called to approve the financial statements for the fiscal year ending December 31, 2017;
- Éric Fabretti, Executive Officer, with a Masters in IT from Paris V, joined Infotel in 1996 after 12 years in the IT service field, including two for Sopra and ten as a consultant; his term expires after the General Stockholders' Meeting called to approve the financial statements for the fiscal year ending December 31, 2017.

The experience and skills of H  l  ne Kermorgant are described in Chapter "The Board of Directors" on page 58.

For the purpose of fulfilling their professional duties, these persons are domiciled at the Company's Headquarters.

The management expertise and experience of these individuals is a result of previous salaried positions and/or management positions previously held and/or still held in other companies or various bodies.

There are no family ties between the people in this list.

Over the past five years, none of the people mentioned in Chapter 14, page 52 held offices in companies other than those of the Group which are, for some, no longer part of the Group or have been absorbed.

Bernard Lafforet acted as a permanent representative of **Infotel** in Infotel Conseil, before its transformation as a simplified joint stock company. He is also "Chairman-Executive Officer" of Infotel Monaco and "Chairman-Director" of Infotel Corporation.

Michel Koutchouk holds the office of "Director" with Infotel Corporation. He was also Chairman of Harwell Management until the transfer of its company stock on June 28, 2013.

Josyane Muller holds the position of "Chairperson" of Infotel Conseil.

  ric Fabretti holds the position of Chairman of Infotel Business Consulting. He is director of Infotel UK Consulting Ltd.

Jean-Marie Meyer holds the position of Chief Executive Officer of Infotel Conseil, Director of Infotel Monaco and Managing Director of Insoft Infotel Software GmbH.

During the previous five years, no member of the Executive Committee has been convicted of fraudulent offences, has been involved in bankruptcy, receivership or liquidation proceedings, has been subject to a prohibition to manage, or has been subject to official public incrimination and/or sanctions imposed by other public authorities.

14.2. CONFLICTS OF INTEREST

With the exception of a large number of shares held by the persons mentioned in paragraph 14.1.1, to the Company's best knowledge, there are no existing or potential conflicts of interest between it and these persons.

There are no service contracts linking the members of the administrative or management bodies to the Company or its subsidiaries and from which a member may derive economic benefits.

15. SALARIES AND PENSIONS

15.1. EXECUTIVE SALARIES

All remunerations paid during the past three accounting periods, to each company officer, are as follows, on a gross pre-tax basis:

In Euros	2017	2016	2015
Bernard Lafforet	216,000	216,000	216,000
Michel Koutchouk	196,064	196,064	195,983
Josyane Muller	192,000	192,000	192,000
Jean-Marie Meyer	210,000	210,000	210,000
Éric Fabretti	210,000	210,000	210,000

All above remunerations are allocated to a company officer.

Michel Koutchouk received, over the course of the last three accounting periods, a benefit in kind in the form of the use of a vehicle.

For accounts ending on December 31, 2015, 2016 and 2017, no proportional, variable or exceptional remuneration or fee was made to any executive.

It is noted that no company officer received any other remuneration or any sort of benefit in kind from the companies controlled by **Infotel**, as per Article L. 233-16 of the French Commerce Code.

No stock subscription or purchase options, or any instrument providing access to capital, were granted to the company officers.

No loans, nor any guarantees, were accorded in favor of the company officers.

There are no arrangements, of any kind, made by the Company in favor of the company officers, and which may correspond to any form of remuneration, provision of service, compensation or benefits due or liable to be due upon or after assuming, leaving or changing their position.

“Special Report from the Statutory Auditors regarding the regulated agreements and commitments” covered in section 20.4.3 on page 130 does not mention any regulated agreements.

15.2. PENSIONS AND OTHER EMPLOYEE BENEFITS

Provisions are made for legal and contractual indemnities for each employee present from December 31, 2017 calculated according to how long, theoretically, they would have worked at the day of their retirement, and in accordance with the projected credit unit method.

The commitment to pay a bonus for ten years of service is also provided for under the same conditions as of January 1, 2004.

Pensions, including the seniority bonus, are calculated using the following criteria:

- Turnover of employees under 56 years:
 - 10% for employees of Infotel Conseil;
- Turnover of employees over 56 years:
 - 0.4% for the Group's entire workforce;
- Discount rate: 1.45% for pensions (1.42% in 2016) and 1.12% for the 10-year seniority bonus (1.06% in 2016);
- Retirement age: 65 years;
- Rate of increase in salaries for employees under 56 years: 2.5%;
- No increase in salaries is planned for employees over 56 years;
- Rate of employer's contribution: 45%.

As of December 31, 2016 and 2017, the total provisions for retirement bonuses for the Group had risen to €2,398 k and €2,726 k respectively, including social security taxes. As of December 31, 2016 and 2017, these commitments were subject to insurance cover for €165 k and €135 k respectively.

As of December 31, 2016 and 2017, the provisions relating to the ten-year service bonus had risen to €521 k and €499 k respectively

16. OPERATION OF ADMINISTRATION AND MANAGEMENT BODIES

16.1. TERMS AND SERVICE CONTRACTS

The expiry dates of directors' terms are indicated in section 14.1.1 on page 52.
No service contracts connect the members of the administrative and management bodies with the issuer.

16.2. CORPORATE GOVERNANCE AND COMMITTEES

This information is described in section 16.5 "Report of the Board of Directors on Corporate Governance" on page 57.

16.3. RESTRICTIONS TO THE POWERS OF THE CHIEF EXECUTIVE OFFICER

No restriction on the powers of the Chief Executive Officer is provided for, either in the Articles of Incorporation or by the Board of Directors. As a result, the Chief Executive Officer is invested with extensive powers, within the confines of the corporate purpose, to act in the name of the Company.

16.4. ADDITIONAL INFORMATION ON CORPORATE GOVERNANCE

In addition to the information above, the following details are added:

- Number of independent directors: 1.
- Number of directors elected by employees: None.
- Attendance fees: €3 k was paid to the independent administrator, in compliance with recommendation No.10 of the Middlednext Code.
- Audit committee: Board members carrying out the Audit Committee assignments.
- Remunerations committee: None.
- Gender equality: Two women and two men.

The Company complies with the corporate governance regime in force in France, as it refers to in the Middlednext Code, for which the application procedures are laid out in the internal control report.

16.5. REPORT OF THE BOARD OF DIRECTORS ON CORPORATE GOVERNANCE

**Board of Director's report on corporate governance
as provided for in Article L. 225-37 of the Commercial Code
with respect to the fiscal year ending December 31, 2017**

(Directive 2017-1162 of July 12, 2017 and decree 2017-1174 of July 18, 2017, pursuant to the law 2016-1691 of December 9, 2016 called the Sapin 2 law)

Introduction: Review of Legal Obligations

In accordance with the provisions of Article L. 225-37 (limited company with a Board of Directors) or L. 225-68 (for limited companies with a Management Board and CS) of the French Commercial Code, the aim of this report is to document the preparation and organization conditions of the work of the board, the limitations to the Chief Executive Officer's powers.

The purpose of this report is to replace the previous report of the Chairman on internal control procedures following the entry into force of the Sapin 2 law. The information in the former report relating to internal control procedures have been moved to the management report and to paragraph 4.6 of this document.

This report has been prepared with the support of the financial departments, and was approved by the Board of Directors at its meeting of March 14, 2018.

Infotel will henceforth refer to the December 2009 Middlednext Code of Corporate Governance for Midcaps, available at the following website: http://www.middlednext.com/IMG/pdf/Code_de_gouvernance_site.pdf, hereinafter the Reference Code.

At its meeting of March 10, 2010, the Board of Directors decided to change the Reference Code for corporate governance and adopt the Middlednext Code, which is more in keeping with the Group's issues and size, the make-up of its management team and the high level of involvement of its members (managers-stockholders).

The Board took note of the contents of the Middlednext Code's "vigilance points".

Regarding the remuneration of its executive officers, an important point in the Reference Code, it should be noted that **Infotel** has always adopted an exemplary policy of remuneration and benefits for its officers-directors. Officers-directors do not benefit from either proportional, variable or exceptional remuneration, or advantages such as: attendance fees, stock-option purchases, instruments providing access to capital, free stock or severance pay.

Pursuant to the provisions of paragraph 7 of Article L.225-37 of the French Commercial Code, this report sets out the provisions of the Middlednext Code that have been omitted and the reasons why.

Corporate Governance

The Management Team

The Group management team consists of five members:

- Bernard Lafforet, Chairman – Chief Executive Officer, a graduate of the French École Normale Supérieure in mathematics. He founded Infotel after 10 years of research at the CNRS;
- Michel Koutchouk, Director and Executive Officer, a graduate of the IEP Paris and engineer of the Arts et Métiers. He joined Mr. Lafforet to create Infotel after ten years with the IT department at Air France;
- Ms. Josyane Muller, Executive Officer, a graduate of the ISIN-ESSTIN in Nancy. She joined Infotel in 1985 after 18 years in the IT consulting industry, including nine at Cap Gemini as Branch Manager;
- Jean-Marie Meyer, Executive Officer in charge of human resources and subsidiaries, graduate of the ENSEEIHT of Toulouse, non-director;
- Éric Fabretti, Executive Officer in charge of commercial activity, holder of a Masters in IT from Paris V, non-director.

The Board of Directors

The Board of Directors is comprised as follows:

- Bernard Lafforet, Chairman – Chief Executive Officer;
- Michel Koutchouk, Director and Executive Officer;
- Ms. Josyane Muller, Director and Executive Officer;
- Ms. Hélène Kermorgant, Director.

Graduate of the French École Supérieure de Gestion, Hélène Kermorgant is currently partner at RSM Paris, chartered accountant and statutory auditor. During her career, she has acted as Statutory Auditor and chartered accountant, notably as Financial Director for a mixed economy company from 1994 to 1999 and from then on as Director then partner at COREVISE -RSM Paris. She has lectured at the University Paris Dauphine and is a trainer at the French National Auditing Authority (Compagnie Nationale des Commissaires aux Comptes).

Minutes of the Board of Directors

During the fiscal year ending December 31, 2017, the Board of Directors of **Infotel** met on seven occasions (with an average attendance rate of 100%) with the following agendas and dates:

- January 24, 2017, company strategy (n° 1), an overview of the stock and financial markets;
- March 15, 2017, closing of 2016 accounts and preparation for the Combined Stockholders' Meeting;
- April 19, 2017, company strategy (n° 2), an overview of the stock and financial markets;
- May 31, 2017, launch of the repurchase program;
- July 26, 2017, company strategy (n° 3), an overview of status and financial markets; modification to the internal regulations with respect to the Middenext Code 2016;
- September 20, 2017, closing of accounts of first half of 2017; modification to the management fee agreement;
- October 23, 2017, company strategy (n° 4), an overview of the stock and financial markets;

In any event, the Board of Directors meets whenever the Company requires.

Internal Rules of Procedure of the Board of Directors

On January 26, 2011, the **Infotel** Board of Directors opted for an Internal Regulation. This can be viewed on the Company's website.

These Rules of Procedure outline the various duties of the members of the Infotel Board of Directors and complete the legal, regulatory and statutory rules thus specifying the working methods of the Board of Directors, and integrating the five sections set out in recommendation R6 of the Middenext Code 2016:

- Role of the Board;
- Composition of the board/criterion for members' independence;
- Duties of members (ethics: loyalty, non-competition, disclosure of conflicts of interest and duties of abstention, confidentiality, etc.);
- Board operations (frequency, convening, member information, use of video-conferencing and telecommunications) and the audit committee;
- Rule for determining the remuneration of members.

The Internal regulations were updated at the board meeting of July 26, 2017 in compliance with the new Middenext Code.

Provisions Regarding Directors – Presence of an Independent Director

The qualities that should apply to a director are competence, experience and respect for the corporate interest of the company.

Although the size of the Group and the significant involvement of the three members of the board performing their executive functions (officers-stockholders)—highly involved in the key management processes of the Group, and concerned at all times for the corporate interest of the company—do not require the presence of an independent director, the Board of Directors of **Infotel** considers, in compliance with Recommendation R8 of the Middenext Code, that the fourth director, M^s Hélène Kermorgant, is independent, insofar as she does not maintain any financial, contractual or family ties with the other three directors that could affect her unbiased judgment.

It is further noted that, in compliance with this recommendation, M^s Kermorgant is neither a customer nor a supplier nor a banker of the company, and has no family ties to any corporate officer or major stockholder, and has not been an auditor of the company.

Ms Kermorgant is not subject to any commitment to preserve the conditions that qualify her as an independent director, and does not maintain any business relationship with **Infotel**.

Conflicts of Interest

With a view to avoiding conflicts of interest, **Infotel** has adopted the MEDEF criteria (in its guide "preventing and managing conflicts of interest"), which identify such conflicts: a conflict of interest exists when a significant interest (be it sentimental, familial, financial, associative, cultural, sporting, political, charitable, religious, trade union, philosophical, etc.) that is external to the company managed by the director may interfere in the positions or decisions he or she may take while carrying out his or her executive duties.

A conflict of interest is seen when an individual risks losing his or her objectivity and intellectual independence, and finds him/herself weakened in carrying out their responsibilities.

Managing conflicts of interest within the board relies on voluntary disclosure by each Director according to the internal regulation of the board. An absence of information is interpreted as an absence of any conflict of interest. Where a conflict of interest arises after a Director is appointed, he/she must inform the board, abstain from voting or participating in discussions and, if necessary, resign.

Board Relationships with Third Parties

In fulfilling their duties attributed by the law to the Audit Committee, the Board of Directors monitors the information provided to stockholders as well as to the market. It examines the press releases distributed by the Company to inform market players of key events concerning the **Infotel** Group.

Pursuant to Article L.225-238 of the French Commercial Code, auditors are summoned to board meetings that examine interim accounts (six-month consolidated financial statements) as well as annual accounts (company and consolidated).

Audit Committee

The Board of Directors, through Executive Management and the firm of internal chartered accountants that supports the Group in its work, performs the audit functions for the Group.

Infotel has elected to exempt itself from the obligation of setting up an Audit Committee as provided for in Article L 823-20 4° of the French Commercial Code regarding individuals and entities with a body fulfilling the functions of a specialist committee mentioned in Article L 823-19, provided that this body, which may be the administrative body, is identified.

Infotel's Board of Directors is identified, in the conditions laid down in the text, as the body responsible for performing audit committee functions as mentioned in the law.

In accordance with the duties of the audit committee, the Board of Directors, in fulfilling the functions of the audit committee, thus ensures the:

- Financial reporting processes;
- Efficiency of internal control and risk management systems;
- Legal control of annual and consolidated accounts by the auditors;
- Independence of the auditors.

At its meeting of January 26, 2011, the Board of Directors specified, in its Rules of Procedure, the working rules of the Board of Directors in its capacity of audit committee, and the responsibilities it will bear.

There is no requirement for the presence within the Board of a member competent in accounting and financial practices.

Nevertheless, M^s Kermorgant, the independent director, embodies all the financial expertise required to chair the Board when it meets as the Audit Committee:

M^s Kermorgant is Chair of the Board when it meets as the Audit Committee, as decided at the board meeting of May 20, 2015.

To promote efficient and frank debate, the Chairman – Chief Executive Officer, however, attends when the Board meets as the Audit Committee.

Assessment of the Board of Directors

In line with recommendation R 15 of the Middledenext Code of Governance and incorporated in Article 4 of the Rules of Procedure, once a year the members of the Board are asked by the Chair to give their views on Board of Directors operations and work preparation. This discussion is recorded in the minutes of the Board of Directors meeting.

It is also noted that the Company encourages self-monitoring by the Directors with respect to their capacity to assess the relevance of the operations of the Board of Directors, and the Directors are regularly asked to give their opinion on Board operations and work preparation.

At the last meeting of the Board on March 14, 2018 relating to the 2017 accounts, the Directors gave their views on the assessment of the work of the Board.

It emerged from this debate that the Directors consider that the Board is functioning in a satisfactory manner and in the best interests of the Company.

Further to the nomination of M^{rs} Hélène Kermorgant as a Director, at the general assembly of May 20, 2015, the Board consists of two women and two men and hence, is in perfect compliance with the diversity principles of Law no. 2011-103 of January 27, 2011 on gender equality and boards of directors.

The Board has also improved on the independence criteria required by the Middlenext Code and attributed to the independent director position held by Hélène Kermorgant, who has considerable ability in financial matters.

Administration and Management Bodies

First name, last name of the Directors and Executive Officers	Positions occupied in other companies
Directors	
Bernard Lafforet, Chairman – Chief Executive Officer	“Chairman - Director” of Infotel Corp. Chairman – Executive Officer of Infotel Monaco
Michel Koutchouk	Director of Infotel Corp.
Hélène Kermorgant	None
Josyane Muller	Chairperson of the S.A.S. Infotel Conseil
Executive Officers	
Michel Koutchouk	See above
Josyane Muller	See above
Jean-Marie Meyer	Chief Executive Officer of Infotel Conseil Director Infotel Monaco Managing Director of Insoft Infotel Software GmbH
Éric Fabretti	Chairman of Infotel Business Consulting Director of Infotel UK Consulting Ltd.

Executive Committee

The Executive Committee consists of:

- Bernard Lafforet, Chairman – Chief Executive Officer;
- Michel Koutchouk, Executive Officer;
- Ms. Josyane Muller, Executive Officer.
- Jean-Marie Meyer, Executive Officer;
- Éric Fabretti, Executive Officer;
- Jean-François Castella, Vice-President, Software.

This Committee falls under the authority of the Chief Executive Officer and consolidates the management and duties of department heads. The Executive Committee studies the forecasts and the revenue in terms of achievement for all entities of the Group on a monthly basis.

The Executive Committee studies the income for all parts of the Group, on the basis of quarterly statements.

Part 2: Restrictions to the Powers of the Chief Executive Officer

No restriction on the powers of the Chief Executive Officer is provided for, either in the Articles of Incorporation or by the Board of Directors. As a result, the Chief Executive Officer is invested with extensive powers, within the confines of the corporate purpose, to act in the name of the Company.

Part 3: Executive Salaries

In compliance with the Articles L 225-37-2 para. 2 and L 225-82-2 para. 2 of the Commercial Code, the report of the Board of Directors on corporate governance is also intended to present the remuneration elements of the Chairman – Chief Executive Officer and the Executive Officers and outline the resolution project established by the Board of Directors relating to the approval of these remunerations.

The payment of variable and exceptional remuneration elements for each Executive Corporate Officer, due or granted with respect to the ended fiscal year, must be presented to the Combined Annual General Stockholders' meeting of May 31 to be put to an advisory vote.

I. REMUNERATION ELEMENTS DUE OR GRANTED FOR THE FISCAL YEAR 2017

The table below and the explanations that follow provide an overview of the remuneration of the Executive Management of the Infotel group, with respect to the ended fiscal year for the opinion of stockholders within the framework of the “say on pay” policy.

All remunerations paid during the past three accounting periods, to each company officer, are as follows, on a gross pre-tax basis:

In Euros	2017	2016	2015
Bernard Lafforet	216,000	216,000	216,000
Michel Koutchouk	196,064	196,064	195,983
Josyane Muller	192,000	192,000	192,000
Jean-Marie Meyer	210,000	210,000	210,000
Éric Fabretti	210,000	210,000	210,000

All above remunerations are allocated to a company officer.

The policy for determining remuneration is established on the basis of the following criteria:

- The level and difficulty of responsibilities;
- Experience in the position;
- Seniority in the Group and
- the practices identified in companies performing similar activities.

Michel Koutchouk received, over the course of the last three accounting periods, a benefit in kind in the form of the use of a vehicle.

For accounts ending on December 31, 2015, 2016 and 2017, no proportional, variable or exceptional remuneration or fee was made to any executive.

It is noted that no company officer received any other remuneration or any sort of benefit in kind from the companies controlled by **Infotel**, as per Article L. 233-16 of the French Commerce Code.

No stock subscription or purchase options, or any instrument providing access to capital, were granted to the company officers.

No loans, nor any guarantees, were accorded in favor of the company officers.

There are no arrangements, of any kind, made by the Company in favor of the company officers, and which may correspond to any form of remuneration, provision of service, compensation or benefits due or liable to be due upon or after assuming, leaving or changing their position.

We point out that the payment of variable and exceptional remuneration elements are subject to a positive *ex post* vote (taking place this year in 2018) and an identification of these elements. It is nonetheless pointed out that the remunerations for the Infotel Chairman – Chief Executive Officer and the Executive Officers are made up of a fixed element.

II. PRESENTATION OF THE RESOLUTIONS OF THE COMBINED STOCKHOLDERS' MEETING OF MAY 31, 2018 WITHIN THE FRAMEWORK OF THE EX ANTE VOTE

At the Combined Stockholders' Meeting for the approval of the accounts for the fiscal year ending December 31, 2017 and within the framework of the advisory vote relating to the remuneration of the executive management, the stockholders of the Infotel Group will decide on the remuneration elements of the Chairman – Chief Executive Officer and the Executive Officers within the framework of the following resolutions:

- SIXTH RESOLUTION -

The Stockholders' Meeting, consulted in application of article L. 225-37-2 of the Commercial Code, issued a favorable opinion on the remuneration elements due or granted with respect to the fiscal year 2017 to Mr. Bernard Lafforet, Chairman – Chief Executive Officer, as presented in the report of the Board of Directors in compliance with article L.225-102-1 of the Commercial Code.

- SEVENTH RESOLUTION -

The Stockholders' Meeting, consulted in application of article L. 225-37-2 of the Commercial Code, issued a favorable opinion on the remuneration elements due or granted with respect to the fiscal year 2017 to Mr. Michel Koutchouk, Director – Executive Officer, as presented in the report of the Board of Directors in compliance with article L.225-102-1 of the Commercial Code.

- EIGHTH RESOLUTION -

The Stockholders' Meeting, consulted in application of article L. 225-37-2 of the Commercial Code, issued a favorable opinion on the remuneration elements due or granted with respect to the fiscal year 2017 to Ms. Josyane Muller, Director – Executive Officer, as presented in the report of the Board of Directors in compliance with article L.225-102-1 of the Commercial Code.

- NINTH RESOLUTION -

The Stockholders' Meeting, consulted in application of article L. 225-37-2 of the Commercial Code, issued a favorable opinion on the remuneration elements due or granted with respect to the fiscal year 2017 to Mr. Jean-Marie Meyer, Director – Executive Officer, as presented in the Board of Director's report in compliance with article L.225-102-1 of the Commercial Code.

- TENTH RESOLUTION -

The Stockholders' Meeting, consulted in application of article L. 225-37-2 of the Commercial Code, issued a favorable opinion on the remuneration elements due or granted with respect to the fiscal year 2017 to Mr. Eric Fabretti, Director – Executive Officer, as presented in the report of the Board of Directors in compliance with article L.225-102-1 of the Commercial Code.

- ELEVENTH RESOLUTION -

The Stockholders' Meeting, familiar with the report an set out by article L. 225-37-2 of the Commercial Code, approved the principles and remuneration, distribution and granting criteria for fixed, variable and exceptional elements making up the total remuneration and advantages of all kinds presented in this report and attributable, given their mandate, to the Chairman – Chief Executive Officer and Executive Officers.

III. REMUNERATION ELEMENTS DUE OR GRANTED FOR THE FISCAL YEAR 2017

In application of article L. 225-37-2 of the Commercial Code, the principles and determination, distribution and granting criteria of fixed, long-term variable and exceptional elements making up the total remuneration and advantages of all types, attributable to the Chairman – Chief Executive Officer and the Executive Officers in performing their mandate for the fiscal year 2017 and making up the remuneration policy concerning them have been submitted for the approval of the stockholders and approved at the Stockholders' Meeting for the Company on May 31, 2017 under the sixth to eleventh resolutions.

In compliance with article L. 225-100 of the Commercial Code, the amounts resulting from the implementation of these principles and criteria are subject to the approval of the stockholders at the Stockholders' Meeting approving the accounts for the fiscal year 2017, within the framework of an *ex post* vote.

Part 4: Agreements concluded between an executive and a major shareholder and a subsidiary

In application of articles L.225-37-4, 2, it is noted that no agreement took place, directly or by an intermediary person, between, on the one hand, one of the company officers or one of the stockholders with a fraction of voting rights greater than 10% for a company, and on the other hand, another company of which the first holds directly or indirectly more than half of the capital, with the exception of agreements dealing with current operations and concluded under normal conditions.

Part 5: Table of delegations

AGM	Delegation type	Amount granted	Date	Amount exercised
May 31, 2017	Stock options and securities issued	1,300,000 Euros	July 31, 2019	0
May 31, 2017	Stock repurchase	10% of the capital of the Company calculated on the purchase decision date, deducted from the stock resold as part of this authorization	November 30, 2018	0

Part 6: Elements likely to have an impact in the event of a takeover bid

1st The capital structure of the company

→ This is outlined in chapter 18 of the Registration Document.

2nd Statutory restrictions on exercising voting rights and agreement clauses dealing with the knowledge of the company in application of article L. 233-11

→ These are outlined in paragraphs 21.2.3 to 21.2.8 of the Registration Document.

3rd Direct or indirect investments in the capital of the company of which it has knowledge in virtue of articles L. 233-7 and L. 233-12

- These are outlined in chapter 18 and paragraph 21.2.7 of the Registration Document.

4th The list of stockholders of any securities with special control rights and their description

- There are no securities including special control rights, with the exception of a double voting right for the benefit of stockholders registered for at least two years (paragraph 21.2.3 of the Registration Document).

5th The control mechanisms stipulated in a possible personnel share scheme, when the control rights are not exercised by the latter

- There are no control mechanisms foreseen in a possible personnel share scheme with control rights that are not exercised by the latter

6th The agreements between stockholders of which the company is aware and can result in restrictions in the transfer of shares and in the exercise of voting rights

- There are no agreements between stockholders of which the company is aware and that can result in restrictions in the transfer of shares and in the exercise of voting rights

7th The rules applicable to the nomination and the replacement of members of the Board of Directors as well as the modification of the company statutes

- The nomination and revocation rules of members of the Board of Directors are the legal and statutory rules set out in article 16 of the statutes. The modification of the Company statutes takes place in compliance with the legal and regulatory stipulations.

8th The powers of the Board of Directors, in particular with respect to the issuance or purchase of stock

- With respect to the Board of Directors, the delegations underway are described in the table of existing delegations, appearing in "Part 5: Table of delegations" of this report.

9th The agreements concluded by the company that are modified or terminated in the event of a change of control of the company, except in the event of a legal obligation to divulge, would significantly impair its legal interests

- There are no agreements concluded between the Company that are modified or that are terminated in the event of a change of control of the Company.

10th Agreements setting out damages for the members of the Board of Directors or the employees, if they resign or are made redundant without real and serious cause or if their employment terminates due to a public takeover or swap bid

- There are no arrangements, of any kind, made by the Company in favor of the company officers, and which may correspond to any form of remuneration, provision of service, compensation or benefits due or liable to be due upon or after assuming, leaving or changing their position.

Tables Recommended by the Financial Markets Authority on the Remuneration of Corporate Officers

Table 1: Summary of remunerations and options and stock granted to each Corporate Officer

Bernard Lafforet, Chairman	2015 (Fiscal year N-2)	2016 (Fiscal year N-1)	2017 (Fiscal year N)
Remuneration due for the fiscal year (<i>as itemized in table 2</i>)	€216 k	€216 k	€216 k
Valuation of the options granted during the fiscal year (<i>as itemized in table 4</i>)	None	None	None
Valuation of the performance stock granted during the fiscal year (<i>as itemized in table 6</i>)	None	None	None
TOTAL	€216 k	€216 k	€216 k

Michel Koutchouk, Executive Officer	2015 (Fiscal year N-2)	2016 (Fiscal year N-1)	2017 (Fiscal year N)
Remuneration due for the fiscal year (<i>as itemized in table 2</i>)	€196 k	€196 k	€196 k
Valuation of the options granted during the fiscal year (<i>as itemized in table 4</i>)	None	None	None
Valuation of the performance stock granted during the fiscal year (<i>as itemized in table 6</i>)	None	None	None
TOTAL	€196 k	€196 k	€196 k

Josyane Muller, Executive Officer	2015 (Fiscal year N-2)	2016 (Fiscal year N-1)	2017 (Fiscal year N)
Remuneration due for the fiscal year (<i>as itemized in table 2</i>)	€192 k	€192 k	€192 k
Valuation of the options granted during the fiscal year (<i>as itemized in table 4</i>)	None	None	None
Valuation of the performance stock granted during the fiscal year (<i>as itemized in table 6</i>)	None	None	None
TOTAL	€192 k	€192 k	€192 k

Jean-Marie Meyer, Executive Officer	2015 (Fiscal year N-2)	2016 (Fiscal year N-1)	2017 (Fiscal year N)
Remuneration due for the fiscal year (<i>as itemized in table 2</i>)	€210 k	€210 k	€210 k
Valuation of the options granted during the fiscal year (<i>as itemized in table 4</i>)	None	None	None
Valuation of the performance stock granted during the fiscal year (<i>as itemized in table 6</i>)	None	None	None
TOTAL	€210 k	€210 k	€210 k

Éric Fabretti, Executive Officer	2015 (Fiscal year N-2)	2016 (Fiscal year N-1)	2017 (Fiscal year N)
Remuneration due for the fiscal year (<i>as itemized in table 2</i>)	€210 k	€210 k	€210 k
Valuation of the options granted during the fiscal year (<i>as itemized in table 4</i>)	None	None	None
Valuation of the performance stock granted during the fiscal year (<i>as itemized in table 6</i>)	None	None	None
TOTAL	€210 k	€210 k	€210 k

Table 2: Overview of remuneration for each executive director

Bernard Lafforet, Chairman	2015 (Fiscal year N-2)		2016 (Fiscal year N-1)		2017 (Fiscal year N)	
	Amounts due	Amounts paid	Amounts due	Amounts paid	Amounts due	Amounts paid
Base remuneration	€216 k	€216 k	€216 k	€216 k	€216 k	€216 k
Variable remuneration	None	None	None	None	None	None
Multi-annual variable remuneration	None	None	None	None	None	None
Exceptional remuneration	None	None	None	None	None	None
Attendance fees	None	None	None	None	None	None
Benefits in kind	None	None	None	None	None	None
TOTAL	€216 k	€216 k	€216 k	€216 k	€216 k	€216 k

Michel Koutchouk, Executive Officer	2015 (Fiscal year N-2)		2016 (Fiscal year N-1)		2017 (Fiscal year N)	
	Amounts due	Amounts paid	Amounts due	Amounts paid	Amounts due	Amounts paid
Base remuneration	€192 k	€192 k	€192 k	€192 k	€192 k	€192 k
Variable remuneration	None	None	None	None	None	None
Multi-annual variable remuneration	None	None	None	None	None	None
Exceptional remuneration	None	None	None	None	None	None
Attendance fees	None	None	None	None	None	None
Benefits in kind	€4 k	€4 k	€4 k	€4 k	€4 k	€4 k
TOTAL	€196 k	€196 k	€196 k	€196 k	€196 k	€196 k

Josyane Muller, Executive Officer	2015 (Fiscal year N-2)		2016 (Fiscal year N-1)		2017 (Fiscal year N)	
	Amounts due	Amounts paid	Amounts due	Amounts paid	Amounts due	Amounts paid
Base remuneration	€192 k	€192 k	€192 k	€192 k	€192 k	€192 k
Variable remuneration	None	None	None	None	None	None
Multi-annual variable remuneration	None	None	None	None	None	None
Exceptional remuneration	None	None	None	None	None	None
Attendance fees	None	None	None	None	None	None
Benefits in kind	None		None		None	
TOTAL	€192 k	€192 k	€192 k	€192 k	€192 k	€192 k

Jean-Marie Meyer, Executive Officer	2015 (Fiscal year N-2)		2016 (Fiscal year N-1)		2017 (Fiscal year N)	
	Amounts due	Amounts paid	Amounts due	Amounts paid	Amounts due	Amounts paid
Base remuneration	€210 k	€210 k	€210 k	€210 k	€210 k	€210 k
Variable remuneration	None	None	None	None	None	None
Multi-annual variable remuneration	None	None	None	None	None	None
Exceptional remuneration	None	None	None	None	None	None
Attendance fees	None	None	None	None	None	None
Benefits in kind	None		None		None	
TOTAL	€210 k	€210 k	€210 k	€210 k	€210 k	€210 k

Éric Fabretti, Executive Officer	2015 (Fiscal year N-2)		2016 (Fiscal year N-1)		2017 (Fiscal year N)	
	Amounts due	Amounts paid	Amounts due	Amounts paid	Amounts due	Amounts paid
Base remuneration	€210 k	€210 k	€210 k	€210 k	€210 k	€210 k
Variable remuneration	None	None	None	None	None	None
Multi-annual variable remuneration	None	None	None	None	None	None
Exceptional remuneration	None	None	None	None	None	None
Attendance fees	None	None	None	None	None	None
Benefits in kind	None		None		None	
TOTAL	€210 k	€210 k	€210 k	€210 k	€210 k	€210 k

Table 3: Attendance fee table

Board members	Amounts paid during the year N-2	Amounts paid during the year N-1	Amounts paid during the year N
Bernard Lafforet	None	None	None
Michel Koutchouk	None	None	None
Josyane Muller	None	None	None
Hélène Kermorgant	None	None	€3 k
TOTAL	None	None	€3 k

Table 4: Stock options granted to each Executive Officer by the issuer and any other Group company

Name of the Executive Corporate Officer	Plan n°. and date	Type of options (purchase or subscription)	Valuation of the options according to the method selected for the consolidated financial statements	Number of options granted during the fiscal year	Exercise price	Fiscal year period
Bernard Lafforet	None	None	None	None	None	None
Michel Koutchouk	None	None	None	None	None	None
Josyane Muller	None	None	None	None	None	None
Jean-Marie Meyer	None	None	None	None	None	None
Éric Fabretti	None	None	None	None	None	None
TOTAL	None	None	None	None	None	None

Table 5: Stock options exercised during the fiscal year by each Executive Corporate Officer

Name of the Executive Corporate Officer	Plan n°. and date	Number of options exercised during the fiscal year	Exercise price
Bernard Lafforet	None	None	None
Michel Koutchouk	None	None	None
Josyane Muller	None	None	None
Jean-Marie Meyer	None	None	None
Éric Fabretti	None	None	None
TOTAL	None	None	None

Table 6: Performance stocks granted to each Executive Corporate Officer

Performance stocks granted during the fiscal year to each Executive Corporate Officer by the issuer and any other Group company (list of names)	Plan n°. and date	Number of options granted during the fiscal year	Valuation of the options according to the method selected for the consolidated financial statements	Acquisition date	Vesting date	Performance conditions
Bernard Lafforet	None	None	None	None	None	None
Michel Koutchouk	None	None	None	None	None	None
Josyane Muller	None	None	None	None	None	None
Jean-Marie Meyer	None	None	None	None	None	None
Éric Fabretti	None	None	None	None	None	None
TOTAL	None	None	None	None	None	None

Table 7: Performance stock vested for each Executive Corporate Officer

Performance stocks vested for each Executive Corporate Officer	Plan n°. and date	Number of shares vested during the fiscal year	Acquisition date	Vesting date	Acquisition terms
Bernard Lafforet	None	None	None	None	None
Michel Koutchouk	None	None	None	None	None
Josyane Muller	None	None	None	None	None
Jean-Marie Meyer	None	None	None	None	None
Éric Fabretti	None	None	None	None	None
TOTAL	None	None	None	None	None

Table 8: Employment contracts, top-up pension schemes, benefits or payments due or likely to fall due owing to the termination of or change in an appointment, compensation under a non-compete clause

	Employment contract		Top-up pension scheme		Benefits or payments due or likely to fall due owing to the termination of or change in an appointment.		Compensation under a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Executive Corporate Officers								
Bernard Lafforet Chief Executive Officer		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
Michel Koutchouk Executive Officer		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
Josyane Muller Executive Officer		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
Jean-Marie Meyer Executive Officer		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>
Éric Fabretti Executive Officer		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>

Table 9: History of stock options granted

INFORMATION ON STOCK OPTIONS	
	Plan
Meeting date	None
Date of Board of Director's Meeting	None
Total number of shares that can be taken up or purchased, <i>Including the number that can be taken up or purchased by the corporate officers</i>	None
- Bernard Lafforet, Chief Executive Officer	None
- Michel Koutchouk, Executive Officer	None
- Josyane Muller, Executive Officer	None
- Jean-Marie Meyer, Executive Officer	None
- Éric Fabretti, Executive Officer	None
First stock option exercisable date	None
Expiration date	None
Issue or offer price	None
Terms of exercise (where the plan includes several tranches)	None
Number of shares taken up as of December 31, 2017	None
Total number of stock options cancelled or lapsed	None
Stock options remaining at the end of the fiscal year	None

Table 10: Stock options granted for the top 10 non-executive officer employees and options exercised

	Total number of stock options	Weighted average price	Plan
Stock options granted during the fiscal year by Infotel and any company within the scope of granting stock options, to the ten employees of Infotel and any company including in this scope, for which the number of options granted is the highest	None	None	None
Stock options held for Infotel and previously authorized companies, exercised during the fiscal year by the top Infotel employees, of which the number of options purchased or fully paid-up is the highest	None	None	None

Table 11: History of assignment of free shares

INFORMATION ON STOCK GRANTED FREELY	
	Plan
Meeting date	None
Date of Board of Director's Meeting	None
Total number of shares that can be taken up or purchased, including the number that can be taken up or purchased by the corporate officers	None
- Bernard Lafforet, Chief Executive Officer	None
- Michel Koutchouk, Executive Officer	None
- Josyane Muller, Executive Officer	None
- Jean-Marie Meyer, Executive Officer	None
- Éric Fabretti, Executive Officer	None
Vesting date of shares	None
End of lock-in date for shares	None
Number of shares taken up as of December 31, 2017	None
Total number of shares cancelled or lapsed	None
Free shares remaining at the end of the fiscal year	None

17. EMPLOYEES AND WORKFORCE

17.1. WORKFORCE

The changes in the workforce are shown in the table below:

	2017	2016	2015
Voluntary departure rate (in %)	12.8	12.5	10
Average workforce in the Group	1,580	1,421	1,304
Average annual salary in the Group (€k)	41.2	40.9	41.7
Apprenticeships	1	17	14
Average permanent workforce	1,551	1,404	1,290
Executive management	6	6	6
Sales personnel	74	62	49
Administration personnel	28	44	40
Engineers	1,406	1,274	1,179
Technicians	41	18	22

This table does not include subcontracting.

The inter-contract rate in the Service activity is defined in days with regard to the potential activity time (excluding vacations, unpaid leave and reduced working hours) of employees that is directly chargeable.

	2017	2016	2015
Inter-contract rate	1.7%	2.1%	1.8%

17.2. EMPLOYEE PROFIT-SHARING AND INCENTIVE PLANS

Year	2017	2016	2015	2014	2013
Employee profit-sharing for the fiscal year of Infotel Conseil	€2,188,303	€1,813,961	€2,066,525	€1,447,300	€1,168,825

The company Infotel Conseil has calculated, for several years, employee profit-sharing according to a formula defined in agreement with employee representatives and based on the calculation methods allowed by the French Administration and recognized in the marketplace.

A ruling of the Council of State of March 20, 2013 has amended the profit-sharing calculation method as regards the recognition of tax credits. The position of the Council of State indicated in this ruling for the calculation of employee profit-sharing has been taken into account since 2014.

As Infotel Business Consulting exceeded the threshold of 50 employees during the fiscal year, profit-sharing has been calculated according to the legal rules.

17.3. EQUITY INVESTMENT

In compliance with the terms of Article L. 225-102 of the French Commercial Code, profit sharing of Infotel Conseil employees in the company on January 19, 2017, through the company's saving scheme, is 48,210 shares representing 0.78% of the capital stock of Infotel.

Pursuant to the same article, it should be noted that no employees of the **Infotel** Group hold shares issued in the following conditions:

- Acquired in accordance with profit sharing, including those that are no longer in a period of non-transferability;
- Acquired following a privatization operation;
- Resulting from free allocations within the context of Article L. 225-197-1 of the French Commercial Code;

- Taken up at the time of increases in capital reserved for employees within the context of Article L. 225-187 of the French Commercial Code before its repeal by the French law of February 20, 2001, on employee savings.

Equity investment among executive management is detailed in paragraph 18.1 “Changes in the Breakdown of Capital Stock over the Last Three Years” on page 81.

17.4. STOCK OPTION PLAN

There is currently no stock option plan implemented in the Company.

Allocations and options exercised in 2017 by the top 10 non-executive officer employees

Stock options granted for the top 10 non-executive officer employees and options exercised	Total number of stock options	Weighted average price	Plan
Stock options granted during the fiscal year by Infotel for which the number granted is the highest	None	None	None
Stock options held for Infotel and previously authorized companies, exercised during the fiscal year by the top Infotel employees, of which the number of options purchased or fully paid-up is the highest	None	None	None

17.5. REPORT ON CORPORATE SOCIAL AND ENVIRONMENTAL RESPONSIBILITY (CSR) – CORPORATE SOCIAL INFORMATION

17.5.1. Summary

Corporate Social Information	2017	2016
Total workforce at December 31 ⁽¹⁾	1,659	1,486
Hires (permanent and professional training contracts)	464	383
Contract staff	0	0
Departures (permanent and professional training contracts)	291	230
Redundancies (economic and other reasons)	6	4
Additional contract hours	100 per year or 2.75 per week according to function	100 per year or 2.75 per week according to function
External labor	None	None
Staff restructuring plan	None	None
Work time organization	Annualization of working time at 90%	Annualization of working time at 90%
Work time duration	37.20 or 37.75 hours per week	37.20 or 37.75 hours per week
Part time duration (average)	30 hours per week	31 hours per week
Absenteeism reasons and rate	Sickness, maternity: 2.5%	Sickness, maternity: 2.4%
Average pay including bonuses (excluding executives)	€41,222/year	€40,872/year
Change in individual base pay during the year	+3.4% on average	+2.3% on average
Social security costs	43% of wages	43% of wages
Incentive plans	None	None
Profit sharing (Infotel Conseil)	4/7 coefficient	4/7 coefficient
Company savings plan	Yes, included in shareholding	Yes, included in shareholding
Gender equality: average salary ⁽²⁾	2.5% more for men	2.9% more for men
Equality: middle qualification (C2.2) salary	Difference not significant	Difference not significant
Collective bargaining agreements ⁽³⁾	Reduction of work time	Reduction of work time
Health and safety	4 health & safety committees, occup. illness : none	4 health & safety committees, occup. illness : none
Work accidents and commuting accidents with absence from work	18	12
Training	€1 837 k, 3% of salaries	€1,858 k, 3% of salaries
Disabled employees	6	3
Company welfare service	€177 k (Works Committee)	€61 k (Works Committee)
Sub-contracting	42% of total positions + subcontracting rate	43 % of total positions + subcontracting rate
Territorial impact	None	None
Relationship with associations	None	None
Sub-contracting abroad	<0.5%	<0.5%
Impact on local development abroad	None	None

(1): The difference between the Group's employees in France and employees worldwide, less than 2%, is not significant and justifies their exclusion from the data mentioned in this chapter. The data presented in this table includes France only.

(2): This very slight difference is deemed non significant.

(3): A company agreement relating to reducing and organizing work time was signed on March 3, 2009, with the Works Committee for an indeterminate period of time.

17.5.2. Combating Discrimination in the Workplace

Pursuant to the provisions of Articles L225-102-1 sub-paragraph 5 and R225-105-1 of the French Commerce Code, this section contains the Company's commitments to providing equal opportunities and promoting diversity in the workplace. They are in line with French legislation and concern 98% of the Group's employees: Thus, issues such as the freedom of association and the right to collective bargaining, the elimination of forced labor and the abolition of child labor, have not been dealt with as the Infotel Group is located in countries that represent little risk concerning these points.

As the table above illustrates, equality between men and women has been respected. Furthermore, the Group has defined an employment policy on age and implemented an action plan.

17.5.3. Training Policy

Following an assessment of individual interview reports for 2017, a training plan was set up for each site of the Group and validated by Management. This plan is reassessed every six months using performance indicators for each division.

The number of internship hours fulfilled for 2017 was 39,211.

17.5.4. Health and Safety Policy

All employees are made aware of safety guidelines on their arrival and a dedicated notice is placed in the booklets given out on employee arrival and in the various documents displayed in the buildings.

No specific agreement relating to health and safety was signed in 2017.

With respect to occupational illness, the main risk factor identified concerns posture at employee workstations and the use of screens.

17.5.5. Organizing Social Dialog, Notably Employee Information and Consultation Procedures and Employee Negotiations

The **Infotel** Group has committees that represent the employees (Works Committee, European Works Committee). In 2017, meetings with these committees were organized on a regular basis.

17.6. METHODOLOGICAL NOTE ON CORPORATE, ENVIRONMENTAL AND SOCIAL INFORMATION

17.6.1. Scope of CSR Reporting

The scope of corporate reporting covers the employees of the Infotel Group in France and Monaco registered on December 31, 2017 with Infotel Conseil (95%), Infotel Business Consulting (3%) and Infotel Monaco (1%) employees.

The scope of environmental reporting covers the sites in France, representing 98% of employees.

Given that the employees of subsidiaries abroad represent less than 2% of the Group's total employees, their impact is deemed not significant and as a result they are not integrated in the reporting as both corporate and environmental in this report.

17.6.2. CSR Indicators

In line with the provisions in the French Grenelle II Law and its main principles, the Infotel Group endeavors to provide the greatest degree of transparency in its non-financial disclosures. In compliance with the *comply or explain* rule set out in the text of the law, the Infotel Group recognizes, however, that a limited amount of information is not contained in this document: the freedom of association and the right to collective bargaining, the elimination of forced labor and the abolition child labor. The main reasons could be the current lack of reliable indicators on these issues or the proven lack of stake involved in certain issues with respect to the activities, size and geographical location of the Group. The selected CSR indicators therefore meet a materiality criterion and a logic of relevance in link with Infotel Group activities.

17.6.3. Specific Points by Indicator

Energy consumption: this is the quantity of energy bought directly by the entity (*excluding Le Mans site whose data is not available*).

Total workforce and distribution by gender, age and geography: this means all the employees in the workforce at the end of the fiscal year, irrespective of type of work contract (excluding interns, temporary staff and sub-contractors).

Total intake: this is the total number of hires during the fiscal year for the company. The eligible population is that used in the "total employees" indicator.

Total departures: this is the total number of departures during the fiscal year for the company. The eligible population is that used in the "total employees" indicator.

Number of accidents: this is the total number of accidents:

- Counted as a work accident, any accident arising suddenly from or during the course of work and giving rise to official justification;
- Accidents arising during travel for business reasons or during the commute regularly used by the employee between home and work are recognized as "commuting accidents".

Absenteeism: this is the total number of working days of absence during the fiscal year for the following reasons:

- Absences for family or parental reasons: maternity leave, parental leave, leaves authorized for family events (marriages, funerals, etc.);
- Absence for personal reasons: company creation; sabbaticals, unpaid leave;
- Absence due to illness or non-work related accidents;
- Absence for "occupational diseases" or "commuting accidents".

Internship hours: excluding training performed by Infotel employees for Infotel employees.

17.6.4. Verification of information

Pursuant to article L225-102-1 of the French Commercial Code, Infotel has appointed Deloitte et Associés as an independent third-party organization in charge of verifying the CSR information for 2017 published in the Management Report.

The report of the independent third party concerns the presence and sincerity of the CSR information published will appear on **Infotel's** website.

17.7. INDEPENDENT AUDITORS' REPORT ON CSR INFORMATION

Report by an independent third-party body for accounts, appointed by an independent third-party on Corporate Social and Environmental Responsibility (CSR) - Environmental Information

Fiscal year ending December 31, 2017

To the stockholders,

In our capacity of independent third-party, approved by the French National Accreditation Body (COFRAC) under the number 3-1048¹ and a member of the Deloitte network and as well as Constantin & Associés, one of the statutory auditors for the company, we hereby present you with our report on the consolidated corporate, environmental and social information for the fiscal year ending December 31, 2017 (hereafter called "CSR Information"), presented in the Management Report pursuant to the provisions set out in Article L.225-102-1 of the French Commercial Code.

Responsibility of the Company

The Board of Directors is responsible for preparing a Management Report including the CSR information in accordance with the provisions of Article R.225-105-1 of the French Commercial Code, prepared in accordance with the reporting protocols used by the company (hereafter the "Reporting Protocols"), a summary of which is presented in the Management Report and available for consultation at the headquarters of the company.

Independence and Quality Control

Our independence is defined by regulatory texts, the profession's Code of Ethics as well as by the provisions set forth in Article L.822-11 of the French Commercial Code. Furthermore, we have set up a quality control system that includes documented policies and procedures designed to ensure compliance with the rules of ethics, professional standards and applicable legal texts and regulations.

Responsibility of the Independent Third-Party

Based on our work, our responsibility is to:

- Attest that the required CSR Information is presented in the Management Report, or in the event of omission, is explained pursuant to the third paragraph of Article R.225-105 of the French Commercial Code (Statement of completeness of the CSR Information);
- Express limited assurance on the fact that, taken as a whole, the CRS Information is presented fairly, in all material aspects, in accordance with the Reporting Protocols (Formed opinion on the fair presentation of the CSR Information).

It is not our responsibility however to decide on compliance with other legal applicable stipulations where appropriate, in particular those set out in article L.225-102-4 of the commercial code (vigilance plan) and by the law No. 2016-1691 of December 9, 2016 called Sapin II (fight against corruption).

Our work was undertaken by a team of four people between 03/21/2018 and 04/26/2018, over an estimated duration of four weeks. To assist us in carrying out our task, we involved CRS experts.

The work described below was performed in compliance with the decree of May 13, 2013 determining the modalities in which the third-party organization conducts its mission and in accordance with the professional standards applicable in France and concerning the reasoned opinion on sincerity, with the international standard ISAE 3000².

1. Statement of Completeness of the CSR Information

Nature and Scope of Procedures

Based on interviews with the relevant departments, we able to gain an understanding of the company's strategy on sustainable development with regard to the social and environmental impacts of the company's activities and its corporate commitments and, where appropriate, with resulting actions and plans.

We have compared the CSR Information presented in the Management Report with the list stipulated in Article R.225-105-1 of the French Commercial Code.

In the event of omission of certain consolidated information, we have verified that explanations were provided in accordance with the third paragraph of Article R.225-105 of the French Commercial Code.

¹ the scope of which is available at www.cofrac.fr

² ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information

We have verified that the CSR Information covers the consolidated scope, i.e. the company as well its subsidiaries as per Article L.233-1 and the companies that it controls as per Article L.233-3 of the French Commercial Code, subject to the limits presented in the section entitled "Methodological Note on Corporate, Environmental and Social Information" in the Management Report.

Conclusion

Based on these procedures and considering the limitations mentioned above, we attest that the required CSR Information is presented in the Management Report.

2. Reasoned Opinion on the Fairness of CSR Information

Nature and Scope of Procedures

We conducted five interviews with the persons responsible for preparing the CSR information in the departments responsible for information collection processes, and where appropriate, those responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Reporting Protocols with respect to their relevance, completeness, reliability, neutrality and clarity, by taking into consideration, where appropriate, industry best practices;
- verify that a data collection, compilation, processing and verification procedure has been implemented to ensure the completeness and consistency of the CSR information and review the internal control and risk management procedures used to prepare the CSR information.

We determined that the nature and scope of our tests and checks according to the nature and significance of the CSR information with regard to the company's characteristics, the social and environmental challenges of its activities, its strategies in relation to sustainable development and industry best practices.

Concerning the CSR information that we have considered the most important³:

- at the level of the consolidated entity, we consulted the documentary sources and conducted interviews to corroborate the qualitative information (organization, policies, actions), we performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the data consolidation and we verified their consistency with the other information presented in the Management Report;
- At the level of a representative sample of entities and sites that we have selected according to their activity, their contribution to the consolidated data, their location and a risk analysis, we conducted interviews to verify the correct application of procedures and performed substantive tests using sampling techniques, consisting in checking the calculations performed and reconciling the data with supporting evidence. The sample thus selected covers all environmental and social information published.

Regarding the other consolidated CSR information, we have assessed its consistency in relation to our understanding of the company.

Finally, we have assessed the relevance of the explanations relating to, where appropriate, the total or partial omission of certain information.

We believe that the sampling methods and sample sizes that we have used in exercising our professional judgment has enabled us to express limited assurance; a higher level of assurance would have required more in-depth verification. Due to the use of sampling techniques and other limits inherent to the operations of any information and internal control system, the risk that a material anomaly may not be identified in the CSR information cannot be completely eliminated.

³ **Quantitative information:** Electrical consumption, greenhouse gas emissions, WEEE waste quantity, Total workforce at December 31; Hires (permanent and professional training contracts); Temporary contracts; Redundancies on economic grounds; Redundancies for other reasons; Absenteeism rate and motives; Number of training hours.

Quantitative information: Training policy, professional equality between men and women, organization of work time, combating discrimination in the workplace.

Conclusion

Based on our work, we did not identify any significant material anomalies likely to call into question the fact that the CSR Information, taken as a whole, is presented fairly, in accordance with the Reporting Protocols.

Neuilly-sur-Seine, April 26, 2018

Independent Third-Party Body,

Deloitte & Associés

Mireille Berthelot
Associate

Eric Dugelay
Associate, Sustainable Development

18. MAJOR STOCKHOLDERS

18.1. CHANGES IN THE BREAKDOWN OF CAPITAL STOCK OVER THE LAST THREE YEARS

To the Company's knowledge, the holders of **Infotel** common stock are:

Stockholder	Situation at 12/31/2015			Situation at 12/31/2016			Situation at 12/31/2017		
	Number of shares	% of capital stock	% voting rights	Number of shares	% of capital stock	% voting rights	Number of shares	% of capital stock	% voting rights
Bernard Lafforet	2,150,635	32.31	41.95	2,150,635	32.31	42.07	2,150,635	32.31	42.39
Michel Koutchouk	386,800	5.81	7.54	386,800	5.81	7.57	386,800	5.81	7.62
Josyane Muller	200,648	3.01	3.91	180,648	2.71	3.53	148,048	2.22	2.92
Jean-Marie Meyer	185,693	2.79	3.62	180,251	2.71	3.52	170,861	2.57	3.37
Éric Fabretti	180,130	2.71	3.51	180,130	2.70	3.52	166,298	2.50	3.28
Total Executives	3,103,906	46.63	60.54	3,078,464	46.24	60.21	3,022,642	45.41	59.57
Treasury stock	0	0	0	0	0	0	0	0	0
Liquidity agreement	3,113	0.05	0	3,062	0.05	0	2,950	0.04	0
Public	3,549,936	53.33	39.46	3,575,429	53.71	39.79	3,631,363	54.55	40.43
Total	6,656,955	100	100	6,656,955	100	100	6,656,955	100	100

In the absence of treasury stock on December 31, 2017 within the framework of the repurchase plan, the table above does not distinguish between theoretical voting rights and exercisable voting rights, which total 10,147,767.

Pursuant to the minutes of the Combined Stockholders' meeting on May 21, 2014, 1,331,391 shares at a par value of 2 euros of the Company's capital stock was divided into 6,656,955 shares of 0.40 euros. The shares were exchanged on the basis of five new shares for one old share.

The issuer's major stockholders, as well as all stockholders whose stock is registered nominatively for at least two years, have double voting rights according to statutory provisions.

To the Company's knowledge, the issuer is not held or more than 50% controlled by one individual or legal entity, taking into account the totality of the stock and voting rights making up the Company's capital stock, of which 54.55% and 40.43% of voting rights are held by the public.

However, it may be considered that Bernard Lafforet exercises de facto control of the Company in terms of the percentage of voting rights he holds, compared to the number of rights effectively exercised at the AGM. In this regard, no particular measures have been taken to ensure that this control is not exercised abusively.

To the Company's knowledge, there is no agreement whereby such implementation could, at a later date, involve a change in its control.

The nature of the leading stockholders of Infotel since its listing on the stock market in January 1999 shows great stability.

The executives, strongly involved in the Group's expansion, are majority stockholders. At December 31, 2017 they held 45.41% of the capital and 59.57% of voting rights.

To the Company's knowledge, there are no other direct, indirect or concert stockholders with 5% or more of the capital or the voting rights.

On January 25, 2018 employee holdings accounted for 51,800 shares, or 0.78% of capital stock, through the company savings plan. Representing less than 3% of capital stock, this participating interest is not significant.

At December 31, 2017 there were no shares acquired by employee shareholding according to the conditions of Article L.225-102 of the French Commercial Code.

At January 25, 2018 the company **Infotel** carried out a TPI (identifiable bearer securities) inquiry, enabling it to determine the number of stockholders: there were 2,314 stockholders on January 19, 2017.

To the Company's knowledge, the breakdown of the capital stock and the voting rights has not changed significantly during the last three fiscal years. The executives still hold majority voting rights.

Infotel confirms its eligibility under the SME-Mid-tier share savings plan in compliance with Decree no. 2014-283 of March 4, 2014 taken for the application of Article 70 of the French Finance Law no. 2013-1278 December 29, 2013 for 2014 and Decree no. 2016-1664 of December 5, 2016 concerning the application of article 27 of the French Amended Finance Law no. 2015-1786 of December 29, 2015 for 2015. As a result, **Infotel** stock can still be fully integrated in PEA-PME accounts that benefit from the same fiscal advantage as a traditional stock savings plan (PEA).

On December 7, 2015, **Infotel** announced that its shares would be eligible for the French Deferred Settlement System (SRD) of Euronext Paris from December 29, 2016 in the segment "long only".

January 29, 2016, the **Infotel** share was transferred from compartment C to compartment B of Euronext Paris. Compartment B contains listed companies with a market capitalization between 150 million and 1 billion euros.

19. RELATED PARTY TRANSACTIONS

These transactions are described in paragraph 7.2.9 “Other Information Related to Subsidiaries” on page 37.

“Special Report from the Statutory Auditors regarding the regulated agreements and commitments” covered in section 20.4.3 on page 130 does not mention any regulated agreements.

There are no transactions with associated parties.

20. FINANCIAL INFORMATION REGARDING THE ISSUER'S HOLDINGS, FINANCIAL POSITION AND RESULTS

20.1. HISTORICAL FINANCIAL INFORMATION

The key financial information presented was verified and must be read in reference to the comments by the management board regarding the financial statements and financial position of the company, the consolidated accounts and their annex notes, as well as other financial information appearing in this registration document.

Information on previous fiscal years is available in the registration documents for previous years that can be viewed on our website: www.infotel.com, in the section Investors > Registration documents.

Pursuant to Article 28 of Commission Regulation (EC) no. 809/2004 of the European Commission, the following information is included for reference in these registration documents:

- Consolidated accounts and audit reports for the year ending December 31, 2016, appearing on pages 94 to 118 of the 2016 Registration Document, submitted to the French Financial Markets Authority on April 28, 2017 under number D.17-0482; the corporate financial statements and audit reports for the year ending December 31, 2016, appearing on pages 119 to 130 and 131 to 135 of the same document, the analysis of the financial position and results appearing on pages 47 and 48, the investments on page 23, and the related party transactions on page 91 of this document;
- Consolidated accounts and audit reports for the year ending December 31, 2015 appearing on pages 94 to 119 of the 2015 Registration Document, submitted to the French Financial Markets Authority on April 28, 2016 under number D.16-0431; the corporate financial statements and audit reports for the year ending December 31, 2015, appearing on pages 120 to 131 and 132 to 136 of the same document, the analysis of the financial position and results appearing on pages 47 and 48, the investments on page 23, and the related party transactions on page 91 of this document;
- Consolidated accounts and audit reports for the year ending December 31, 2014 appearing on pages 94 to 117 of the 2015 Registration Document, submitted to the French Financial Markets Authority on April 30, 2015 under number D.15-0466; the corporate financial statements and audit reports for the year ending December 31, 2015, appearing on pages 118 to 129 and 130 to 134 of the same document, the analysis of the financial position and results appearing on pages 47 and 48, the investments on page 23, and the related party transactions on page 91 of this document;

The parts not included in these documents are either not applicable for the investor or covered in another part of the above-mentioned registration documents.

20.2. CONSOLIDATED FINANCIAL STATEMENTS

20.2.1. Consolidated Balance Sheet

20.2.1.1. Assets

ASSETS (in thousands of Euros)	Notes	12/31/2017	12/31/2016
Goodwill	1	10,973	10,973
Intangible assets	2	5,494	5,982
Tangible assets	3	2,560	2,843
Other financial assets	4	747	736
Investments in entities accounted for using the equity method	5	50	50
Deferred taxes	15	1,577	1,423
NON-CURRENT ASSETS		21,401	22,007
Trade and other receivables	6	65,316	55,054
Other receivables	7	5,507	5,313
Current tax assets	10	4,103	5,674
Cash and cash equivalents	9	64,267	51,327
CURRENT ASSETS		139,193	117,368
TOTAL ASSETS		160,594	139,375

20.2.1.2. Liabilities and Stockholders' Equity

LIABILITIES <i>(in thousands of Euros)</i>	Notes	12/31/2017	12/31/2016
Capital	11	2,663	2,663
Retained earnings		7,581	7,581
Accumulated comprehensive income		71,032	61,882
Treasury stock	11	(155)	(123)
GROUP EQUITY		81,121	72,003
Non-controlling interests		464	479
STOCKHOLDERS' EQUITY		81,585	72,482
Loans and other long-term debts			
Provisions	12	3,315	3,580
Deferred taxes	15	32	74
NON-CURRENT LIABILITIES		3,347	3,654
Current liabilities			
Trade and other payables	13	19,703	17,810
Other debts	13	55,959	45,429
Current tax liabilities			
CURRENT LIABILITIES	14	75,662	63,239
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		160,594	139,375

20.2.2. Income Statement and Statement of Comprehensive Income

<i>In thousands of euros</i>	Notes	12/31/2017	12/31/2016
Revenue	16	209,316	190,541
Purchases	17	(153)	(89)
Personnel costs	18	(96,557)	(87,921)
External costs	17	(81,577)	(73,732)
Taxes		(4,105)	(3,475)
Depreciation, Amortization		(3,508)	(3,533)
Provisions		(76)	(4)
Other income from operations and expenses		11	10
CURRENT OPERATING INCOME		23,351	21,797
Other operating income and expenses		(79)	(459)
NET OPERATING INCOME		23,272	21,338
Financial income	19	107	139
Financial Costs	19	(43)	(9)
FINANCIAL INCOME	19	64	130
Income tax	20	(7,349)	(7,567)
Share of profits of entities accounted for by the equity method		0	4
NET INCOME FOR THE PERIOD		15,988	13,905
Group share		15,800	13,719
Non-controlling interests	21	188	186

Basic earnings per share - Group share	22	2.37	2.06
Diluted earnings per share - Group share	22	2.37	2.06

NET INCOME FOR THE PERIOD		15,988	13,905
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20.2.3. Statement of Cash Flows

<i>In thousands of euros</i>	12/31/2017	12/31/2016
NET INCOME FOR THE PERIOD	15,988	13,905
Net income variance N-1		
Amortizations and provisions - net	2,685	3,137
Net gain/loss on asset transfer	17	12
Share of profits of entities accounted for using the equity method	0	(4)
Others	(14)	
Deferred taxes		
CASH FLOW AFTER NET BORROWING AND TAXES	18,676	17,050
Net borrowing	(64)	(130)
Taxes (including deferred taxes)	7,349	7,567
CASH FLOW BEFORE NET BORROWING AND TAXES	25,961	24,487
Paid taxes	(5,974)	(10,989)
Variation in WCR associated with activity	1,917	703
NET CASH PROVIDED BY OPERATING ACTIVITIES	21,904	14,201
Tangible and intangible acquisitions	(2,181)	(3,149)
Long-term investments net of transfers		
Income from transfer of assets	13	0
Variation deposits and bonds	(12)	(125)
Changes in scope of consolidation		
NET CASH PROVIDED BY INVESTING ACTIVITIES	(2,180)	(3,274)
Capital increase (including stock options)		
Treasury stock repurchase and resale	(13)	(17)
Dividends paid to stockholders of the parent company	(6,654)	(6,655)
Dividends paid to minority stockholders of subsidiaries	(200)	(47)
Dividends received (companies at equity, non-consolidated securities)		
Loan repayment (including financed lease agreements)		
Net interest paid (including financed lease agreements)	64	130
Other cash linked to financing operations	50	
NET CASH PROVIDED BY FINANCING ACTIVITIES	(6,753)	(6,589)
Effect of currency fluctuations	(31)	1
Net change in cash	12,940	4,339
Cash at the beginning of the fiscal year	51,327	46,988
Cash at the end of the fiscal year	64,267	51,327

20.2.4. Consolidated Statement of Changes in Equity

<i>in thousands of Euros</i>	Capital	Retained earnings	Treasury stock	Accumulated other comprehensive income	Stockholder's equity - Group share	Non-controlling interests	Total stockholders' equity
Equity at December 31, 2015	2,663	7,581	(97)	55,077	65,224	344	65,568
Changes in capital stock and stock option plan							
Treasury stock operations			(26)	9	(17)		(17)
Dividends				(6,655)	(6,655)	(47)	(6,702)
Net income for the fiscal year				13,719	13,719	186	13,905
Change in scope of consolidation				(273)	(273)		(273)
Translation adjustments				5	5	(4)	1
<i>Sub-total Comprehensive income</i>				<i>13,451</i>	<i>13,451</i>	<i>182</i>	<i>13,633</i>
Other changes							
Equity at December 31, 2016	2,663	7,581	(123)	61,882	72,003	479	72,482
Changes in capital stock and stock option plan							
Treasury stock operations			(32)	19	(13)		(13)
Dividends				(6,654)	(6,654)	(200)	(6,854)
Net income for the fiscal year				15,800	15,800	188	15,988
Change in scope of consolidation				13	13		13
Translation adjustments				(28)	(28)	(3)	(31)
<i>Sub-total Comprehensive income</i>				<i>15,785</i>	<i>15,785</i>	<i>185</i>	<i>15,970</i>
Other changes							
Equity at December 31, 2017	2,663	7,581	(155)	71,032	81,121	464	81,585

20.2.5. General Information

Infotel SA (“the Company”) is a corporation with registered address in France.

Infotel primarily engages in software development and commercialization activities and the maintenance of these software through its subsidiaries: Infotel Corporation, Insoft Infotel Software GmbH and Archive Data Software. Its Infotel Conseil, Infotel Monaco, Infotel Business Consulting and Infotel Consulting UK are engaged in IT service provision.

The Consolidated Financial Statements include the Company and its subsidiaries (collectively called “the Group”).

The information disclosed as part of the accounts is an integral part of these financial statements. Unless otherwise stated, these accounts are expressed in thousands of euros, the euro being the reporting currency of the Group.

The Consolidated Financial Statements were approved by the Board of Directors on March 14, 2018; they will be submitted for approval at the Annual General Stockholders’ Meeting on May 31, 2018.

20.2.6. Accounting Principles and Methods

20.2.6.1. Basis of presentation

The Consolidated Financial Statements have been prepared in accordance with IFRS international accounting principles and reporting standards applicable at December 31, 2017, available on the website: http://ec.europa.eu/internal_market/accounting/ias/index_en.htm

The data relating to the fiscal year 2016, given for comparative reasons, were prepared according to the same accounting principles and standards.

New Standards and Interpretations Applicable as of January 1, 2017

No new standards apply for the first time starting from January 1, 2016. Only a few amendments to standards apply mandatorily to fiscal years beginning in 2016:

- Amendments to IAS 7 “*Disclosure Initiative*”;
- Amendments to IAS 12 “*Recognition of Deferred Tax Assets for Unrealized Losses*”;
- Annual improvements, cycle 2014-2016;

The implementation of these amendments has no significant impact at Group level.

On December 31, 2017 the Group did not have any other comprehensive income elements that could not be subsequently reclassified as net income relating to consolidated entities according to the equity method.

Standards and Interpretations Adopted by the IASB but Not Yet Applicable on December 31, 2017

The Group did not apply any of the new standards and interpretations mentioned below that could concern it and whose application is not mandatory as of January 1, 2017:

- IFRS 9 “Financial Instruments”;
- IFRS 15 “Revenue from Contracts with Customers”;
- IFRS 16 “Leases”;
- Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets Between an Investor and its Associate/Joint Venture”;
- Amendments to IFRS 2 “Clarifications of Classification and Measurement of Share-based Payment Transactions”;
- Annual improvements, cycle 2014-2016;
- IFRIC 22 “Foreign Currency Transactions and Advanced Compensation”.

The Group is currently assessing the impact of the application of standards IFRS 15 “Revenue from Contracts with Customers”, IFRS 9 “Financial Instruments” and IFRS 16 “Leases”.

- IFRS 9 – Financial instruments, applicable to the Group starting from the fiscal year starting January 1st 2018, will not impact the accounts;
- IFRS 15 – Revenues from contracts with customers, applicable to the Group starting from the fiscal year starting January 1, 2018. The group is assessing the impacts to be expected from application of the

standard that will replace the current standards IAS 18 and IAS 11. A first identification phase of the different revenue sources of the Group was carried out. The analysis of contracts representative for the services activity has started, and will allow us to determine that the application of this standard will be negligible for this activity sector which represents more than 96% of the turnover. The analysis of the recognition of royalties for the software sector is still underway.

- IFRS 16 – Leases, applicable to the Group starting from the fiscal year starting January 1, 2019, the IFRS 16 standard removes the distinction between simple leases and financed lease agreements. All leases, except exemptions for short-term contracts and contracts dealing with low-value assets, must henceforth be accounted for in the balance sheet, by the recognition of an asset representing the right to use the underlying asset and a debt representing rents to be paid for the expected duration of the lease. The right to use real property is estimated at €16 M for the real property, which leads to the recognition of a financial charge in the order of €0.3 M in 2018 and an amortization in the order of €2.5 M. An assessment of the impact of leases on real property and low value assets remains to be done.

20.2.6.2. Accounting method

Rules of consolidation and scope

The companies over which Infotel has direct or indirect control are fully consolidated.

The companies over which Infotel has significant influence are accounted for using the equity method.

The financial statements of the subsidiaries are incorporated in the consolidated financial statements from the date on which control is obtained until the date on which such control ceases.

All companies of the Group have a year-end of December 31.

Intra-group transactions removed from the financial statements

Balances, underlying profit and loss, income and expenses from intra-group transactions have been removed during the preparation of the consolidated financial statements. Underlying losses have been removed in the same way as underlying profit, but only where they are not representative of a loss in value.

Foreign currency transactions

Foreign currency transactions are translated using the exchange rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currency at the end of the period are translated into euros by using the exchange rate prevailing at that date. Translation adjustments are accounted for in income or expenses. Non-monetary assets and liabilities in foreign currency that are assessed at acquisition cost are translated into euros using the exchange rate prevailing at the transaction date.

Financial statements of foreign subsidiaries

Goodwill and fair value adjustments treated as assets and liabilities of the foreign entity are translated into euros by using the exchange rate prevailing the end of the fiscal year. Income and expenses of the foreign entity are translated into euros using the average rate of rates that approximate the exchange rate at the dates of the transaction.

Translation adjustments are offset in translation reserve, a separate component of stockholders' equity, and in non-controlling interests.

The exchange rates held for the main currencies are as follows (currencies outside the Eurozone):

Exchange rate against EUR		Average exchange rate 2017	Average exchange rate 2016	Rate at year-end 2017	Rate at year-end 2016
US dollar	USD	0.88624	0.90395	0.83382	0.94868
Pound sterling	GBP	1.14136	1.22432	1.12710	1.16144

Translation methods

In the application of IAS 21 "The Effects of Changes in Foreign Exchange Rates", all subsidiaries of the Group express operations in the most representative currency of their economic environment, the functional currency. The functional currency of the Infotel Corporation statements is the US dollar.

20.2.6.3. Use of estimates and assumptions

The preparation of the consolidated financial statements in accordance with IFRS standards requires certain accounting estimates and assumptions to be made that may affect the carrying amount of assets and liabilities, income and expenses, and the disclosures given in the notes.

The estimates and assumptions herein are carried out from prior experience and other factors considered as reasonable in view of the circumstances. They are also used to make the necessary judgments in determining the carrying amounts of assets and liabilities, which could not be obtained directly from other sources. The real values may be different to their estimated values.

Management has been required to exercise its judgment during the application of the Group accounting methods. The areas for which assumptions and estimates may be significant as regards the consolidated financial statements are primarily the assessment of goodwill, the recognition of revenue associated with IBM royalties, and the assessment of development costs.

20.2.6.4. Methods of valuation

Goodwill

The business combination is accounted for by applying the acquisition method in accordance with IFRS 3 R. According to this method, the acquirer purchases the net assets and recognizes the assets acquired and liabilities assumed at their fair value.

Goodwill represents the difference between the acquisition cost of securities (including the expected price complements that are recognized and the amounts that can be reliably measured) and the non-controlling interest's share of the fair value of the assets and liabilities and assumed liabilities identified at the acquisition date.

Therefore, in certain business combinations, when the nature of the client portfolio held by an entity and the nature of the activity performed must allow the entity to continue its commercial relations in order to create loyalty, relationships with customers are valued as intangible assets and amortized according to the average age of active customers.

Subsequently, goodwill is impacted by each cash generating unit that is expected to benefit from the business combination. It is subjected to impairment testing (see accounting method described in note 1) annually or more regularly where there are indicators of impairment.

The Group assesses the non-controlling interests during a takeover either at fair value (full goodwill method) or on the basis of their proportional share in the net assets of the company acquired (partial goodwill method). The method is decided according to each acquisition.

Intangible assets

Separately acquired assets

These correspond to software packages acquired and recognized at acquisition cost and software packages, customer relationships assessed at fair value as part of the reallocation of acquisition prices of entities as part of a business combination. These assets are amortized on a straight-line basis over three to seven years according to their estimated useful life.

Internally generated assets

In the application of IAS 38 *Intangible assets*:

- expenditure on research is recognized as an expense in the fiscal year in which it is incurred;
- software development expenses are recognized as intangible if, and only if, the following six criteria are met:
 - the technical feasibility of completing the intangible asset so that it will be available for use or sale,
 - the intention to complete the intangible asset and use or sell it,
 - the ability to use or sell the intangible asset,
 - how the intangible asset will generate probable future economic benefits,
 - the availability of adequate technical, financial or 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.

Expenses thus transferred to the asset include direct labor costs. Other development expenses are booked when they are incurred.

Development costs are amortized over the probable life span of the project, which is generally seven years.

Tangible assets

Tangible assets comprise fixtures and fittings, office furniture and equipment, and computer hardware.

Tangible assets are booked at acquisition cost, less cumulated amortization and expected loss in value. They are not subject to any reassessment.

The Group accounts in the carrying amount of a tangible asset, for the cost of replacement of a component of the tangible asset when this cost is incurred if the economic benefits projected for the asset are for the Group and if its cost can be assessed reliably. All current upkeep and maintenance costs are recorded as expenses when they are incurred.

Amortization is calculated on a straight-line basis, retaining the expected useful life of the different asset categories:

Buildings, facilities	5 – 10 years
Fixtures and fittings	4 – 10 years
Office furniture, office equipment and IT equipment	3 – 8 years
Transport equipment	4 – 5 years

Amortization is calculated on the acquisition cost, less any residual value. The residual value and the useful life are reviewed at the end of each fiscal year.

There are no lease agreements to transfer to the Group substantially all the risks and benefits of ownership of an asset. The lease agreements are simple operating leases.

Impairment of assets

IAS 36 *Impairment of Assets* requires the assessment at each reporting date of whether there is any indication that an asset may be impaired. If such indication exists, the entity must assess the recoverable value of the asset.

An entity must also, even in the absence of such impairment:

- test annually an intangible asset with an indefinite useful life;
- perform an impairment test on goodwill acquired in a business combination.

Impairment tests are performed at cash generating unit level (CGU) affecting the assets. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Impairment tests compare the carrying amount and the recoverable amount of cash generating units. The recoverable amount of a CGU represents the highest value between its fair value (generally market price) and its value in use.

The value in use of a CGU is determined according to the discounted future cash flow method:

- flows relating to a 3-year forecasting period;
- flows after this 3-year period calculated by applying an infinite growth rate.

If the carrying amount of the CGU exceeds its recoverable amount, the assets of the CGU are amortized to be brought back to its recoverable amount. The impairment loss is entered as goodwill and recognized in the balance sheet in the section *Other Operating Costs*.

CGU segmentation held by the Group, and the calculation parameters used for the impairment tests, are given in note 1.

Cash and cash equivalents

Cash and cash equivalents include near cash, bank demand deposits, other investment income held for short-term cash flow.

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.

Treasury stock and other equity instruments

Treasury stock held by the Group is deducted from stockholders' equity at acquisition cost. Any gains or losses associated with the purchase, sale, issue or cancellation of treasury stock are booked directly to stockholders' equity without affecting the net income.

Moreover, in accordance with IAS 32, equity composes subordinate securities responding to the definition of an equity instrument.

Employee benefits

For the defined contribution plans, the Group's payments are indicated as expenses in the fiscal year in which they are incurred.

For the defined contribution plans for post-employment benefits, the contribution costs are estimated using the projected credit unit method. According to this method, the contribution rights are allocated in the periods of service according to the acquisition formula for the plan rights, taking into account a straight-line effect when the rate of acquisition of rights is not uniform during future service periods.

The amounts of future payments corresponding to employee-agreed benefits are assessed on the assumption of future salary increase, end-of-career age, life expectancy, then brought to their current value on the basis of the interest rate of the long-term obligations of the first category issuers.

When the calculation assumptions are revised, actuarial assumptions are used that are fully accounted for in the income for the period. The Group does not apply the corridor approach.

The cost for the fiscal year, corresponding to the sum of the cost of services rendered, of the discounted cost less the performance expected of the assets in the plan, is entirely recognized in "Personnel costs".

Stock-based payment

IFRS 2 *Stock-based payment* deals with transactions performed with employees or other third parties where payment is based on stock.

Its application in the Group concerns stock options granted to employees and free stock allocated to specific employees. According to the option offered by IFRS 1, only stock options allocated from November 7, 2002, and where the fiscal year date is after December 31, 2004 have been taken into account.

The cost of stock option and free stock plans is determined in relation to the fair value of the equity instruments granted, valued at the allocation date.

The fair value of free stock is determined in relation to the current market value at the allocation date, taking into account the potential dividends paid by the company between the allocation date and the vesting date.

The cost of transactions settled in stock is accounted as an expense, offsetting a corresponding increase in stockholders' equity, for the duration ending on the date on which the employee becomes fully entitled to the allocation. No expense has been recognized for benefits where the holders do not fulfil the conditions required to acquire a definitive claim.

This accounting is done by entry in "Personnel costs", offset directly in stockholders' equity under "Issue premiums".

Provisions

A provision is accounted for where there is an obligation to a third party arising before the end of the fiscal year and when the loss or liability is probable and can be assessed reliably.

Accounts payable and other debts

Accounts payable and other debts are assessed at their fair value during initial accounting, then at amortized cost.

Revenue accounting

The applicable standard is IAS 18 "Ordinary Revenue".

“Software” Activity

The services provided as part of the Software activity include:

- right of use (license) of software and solutions;
- maintenance;
- associated services: installation, configuration, customization, training, etc.
- IBM royalties.

Licensing is booked during the delivery, this being deemed accomplished when all contractual obligations have been met, i.e. when the services to be performed are not significant or susceptible to challenge the customer's acceptance of the products delivered or the services rendered.

Maintenance, generally billed as prepaid, is reported on a pro rata basis.

Services are more frequently performed on a subcontracting basis and are recognized at the end of their performance, i.e. upon billing.

The revenue is made up of IBM royalties where quarterly accounting is done during collection. A provision is given at the end of the period. In the absence of information from IBM on the date of publication of the revenue, this allowance is determined, for prudence purposes, by taking the weakest amount in dollars perceived during the last four quarters.

“Service” Activity

Technical assistance, consulting, training and subcontracting

The services are reported when rendered, i.e. generally when billed.

Production is subject to assessment at each statement of accounts:

- the services rendered that have not yet or that have been partially invoiced are assessed according to the contractual sale price and the chargeable time. They are recorded in revenue and appear in the balance sheet under the “Invoices to be issued” heading of the “Accounts receivable” entry;
- the services invoiced but not fully completed are deducted from the revenue invoiced and offset in the liabilities of the balance sheet under the “Unearned revenues” heading of the “Other liabilities” entry.

Services part of a fixed-price contract

These contracts involve a contractual undertaking in terms of price, conformity and deadline. The services rendered as part of these contracts are recorded according to the percentage-of-completion method, according to the procedures below:

- the revenue and net income generated in the contract are accounted for according to a qualified estimation of the percentage of completion of the contract;
- the amount accounted for at each statement of accounts is obtained by the difference between the budget and the amount reserved for the total coverage of the days remaining in the contract. It is brought booked either under the “Invoices to be issued” heading of the “Accounts receivable” entry or “Unearned revenues” of the “Other debts” entry depending on the billing performed.

Grants & subsidies

The Group incurs R&D expenses as part of the growth of its IT projects and can benefit from a research tax credit (CIR). IAS 20 prescribes that companies account for government grants under the costs, expenses or assets, which they are intended to offset. The research tax credit is similar to a government grant and must be associated either to the development cost it offsets in part or to other operating income.

Tax on profits

Tax on profits (expense or income) involves the current tax liability or asset and the deferred tax liability or asset. The tax is accounted for under income except where it is associated with items that are directly accounted for under equity, in which case it is accounted for under stockholders' equity.

The current tax is the estimated amount of the taxable profit for a period, determined by using the tax rate adopted or substantively adopted at the end of the fiscal year, and any adjustments of the current tax amount for prior periods.

The deferred tax is determined according to the variable reporting method on the basis of the tax known at the end of the fiscal year, for all temporary differences between the carrying amount of assets and liabilities and their tax bases. The following exceptions are not recognized as deferred taxes:

- non-deductible goodwill;
- initial reporting of an asset or a liability in a transaction that is not from a business combination or that does not affect either the accounting or taxable profit;
- temporary differences associated with investments in subsidiaries, but only to the extent that they will not be reversed in the foreseeable future.

The assessment of deferred tax assets or liabilities depends on the way in which the Group expects to recover or settle the carrying amount of the assets and liabilities by using the tax rates adopted or substantively adopted by the end of the fiscal year.

A deferred tax asset is only recognized where it is probable that the Group will have future taxable profits on which the asset can be entered. Deferred tax assets are reduced where it is no longer probable that a sufficient taxable profit will be available.

The additional tax resulting from the distribution of dividends is recognized when the dividends to pay are recognized as liabilities.

The French accounting standards authority, ANC, issued a statement on January 14, 2010 on the accounting of the French corporate value-added contribution (CVAE – *Cotisation sur la Valeur Ajoutée des Entreprises*), component of the local economic contribution (*Cotisation Économique Territoriale*). The ANC announced that each company should exercise its judgment in determining the CVAE according to its particular situation.

The Infotel Group considers that the CVAE recorded in its accounts falls within the scope of IAS 12.

The consequences are the recognition of deferred taxes in the income for all temporary differences on all assets and liabilities in the balance sheet. It is stipulated that depreciable assets representing as a minimum future taxable income in CVAE fall within the field of scope of IAS 12 for the recognition of deferred tax liabilities.

Earnings per share

The basic net earnings per share is calculated according to the weighted average number of outstanding common stock in circulation in the fiscal year.

The diluted net earnings per share is calculated according to the weighted average number of outstanding stock plus the number of shares resulting from the stock options exercised and the number of free shares that can be granted.

Segment reporting

According to IFRS 8, segment reporting is based on the internal management information used by Management.

An operating segment is a component of the entity:

- corresponding to an activity that can generate income or for which expenses are incurred, even though the income or expenses relate to other components of the entity;
- where the operating income is evaluated regularly by the chief operating decision-maker in order to decide how to allocate resources and to assess performance;
- for which separate financial information is available.

The two segments identified are "Services" and "Software", as described previously.

20.2.6.5. Statement of facts and scope of consolidation

Legal transactions

No characteristic operations were performed.

Characteristic operations

No characteristic operations were performed.

Audits

- Infotel Conseil underwent a tax audit in 2012 for the fiscal years 2009 to 2011, which was completed in the second quarter of 2013. An adjustment offer of €2,531 k dealing essentially with the research tax credit (CIR) was received in 2013 and challenged. The tax authorities replied to this challenge in January 2015 with a new adjustment offer of €588 k. The amount requested is still in dispute. As a result, payment of this debt took place during the fiscal year. The company filed an appeal and awaits a hearing for the appeal.

List of consolidated companies on December 31, 2017

Company name	Headquarters	SIREN N°.	Consolidation method	% control	% interest	Country of activity
Infotel SA	Tour Gallieni II - 36 av du Général de Gaulle 93170 Bagnole	317,480,135	Parent company - Head of the group			France
Infotel Conseil SAS	13 rue Madeleine Michelis 92200 Neuilly sur Seine	344,122,262	FC	100 %	100 %	France
Infotel Business Consulting SAS	1 rue Garnier 92200 Neuilly sur Seine	530,823,020	FC	75 %	75 %	France
Archive Data Software	1, rue Claude Chappe 69370 Saint Didier au Mont d'Or	518,038,542	EM	33 %	33 %	France
Insoft Infotel Software GmbH	Sternstr. 9-11 40479 Düsseldorf	10357360260	FC	100 %	100 %	Germany
Infotel Corporation	PO Box 5158 Gulfport, FL 33737	592,644,116	FC	100 %	100 %	United States
Infotel Consulting UK	5 Jupiter Court Orion Business Park North Shields Tyne & Wear - NE29 7SE	09394161	FC	51 %	51 %	UK
Infotel Monaco	Panomara A-B 57 rue Grimaldi Monaco	01 S 03972	FC	100 %	100 %	Monaco

20.2.6.6. Notes on the financial position

Note 1 – Goodwill

Changes in goodwill

The movements during 2017 are as follows:

<i>In thousands of euros</i>	12/31/2016	Changes in scope	Increase	Decrease	12/31/2017
Infotel Conseil	9,200				9,200
Empeiria	770				770
Insoft Software GmbH	1,003				1,003
Total	10,973		-	-	10,973

Impairment tests

Impairment testing on goodwill is carried out annually on December 31, or more regularly if there are indications of impairment loss.

The CGU value in use is determined by the discounted future cash flow method (DCF) according to the following principles:

- cash flows are issued with operating forecasts stated by management for the coming fiscal year with the growth forecasts for the following three years;
- the discount rate is 9%;
- the terminal value is calculated by summation in perpetuity of the discounted future cash flows, determined on the base of a nominal cash flow and a continuous growth rate. This growth rate is in line with the development potential of markets in which the entity operates, as well as its concurrent position;
- the growth rate in perpetuity is 2%.

The resulting value in use is compared to the contributive value in the consolidated balance sheet of fixed assets, including goodwill. Impairment loss is recognized if this recoverable value is lower than the carrying value entered in the accounts.

On December 31, 2017 the value test indicated that the goodwill is not overvalued and therefore, no impairment loss is allocated.

The business plan of the CGU Infotel Conseil shows an average growth rate in revenue of 6% over the three years and a stable margin rate. On this basis, the thresholds from which impairment may have been shown are a discount rate of 150.81%, the other assumptions remaining constant.

The business plan of the CGU Insoft Software GmbH shows a growth rate in revenue of €75 k per year over the three years, and a similar margin associated with the management of primarily personnel costs. On this basis, the thresholds from which impairment may have been shown are a discount rate of 35.53%, the other assumptions remaining constant.

Breakdown of goodwill by CGU

The Group is segmented in Cash-Generating Units (CGU) in line with the operating organization and the management and reporting system. The group is organized in such a way that each subsidiary represents a CGU. For impairment testing requirements, from the acquisition date, the goodwill acquired in a business combination must be allocated to each of the acquirer's CGUs or groups of CGUs that are expected to benefit from business combination synergies, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Note 2 – Other intangible assets

<i>In thousands of euros</i>	12/31/2016	Changes in scope	Increase	Decrease	12/31/2017
Assets					
Customer relationships	2,489				2,489
Development costs	12,915		1,323		14,238
Patents and licenses	839		13		852
Total	16,243		1,336		17,579
Amortizations, Depreciations					
Customer relationships	2,252		142		2,394
Development costs	7,294		1,554		8,848
Patents and licenses	715		128		843
Total	10,261		1,824		12,085
NET ASSETS	5,982		(488)		5,494

The development costs recognized in the Group's assets during the fiscal year refer to Arcsys, HPU, Info Recovery, Merge Backup, iDBA, DB/IQ, Portail Web, Infoscope and CFN Digital Vault projects. They are amortized over the probable life span of the project, which is generally seven years.

Note 3 – Tangible assets

<i>In thousands of euros</i>	12/31/2016	Changes in scope	Increase	Decrease	12/31/2017
Assets					
Buildings	31				31
Other assets	8,885		845	47	9,683
Total	8,916		845	47	9,714
Amortizations, Depreciations					
Buildings	29		2		31
Other assets	6,044		1,125	46	7,123
Total	6,073		1,127	46	7,154
NET ASSETS	2,843		(282)	1	2,560

Note 4 – Other financial assets

This includes mainly guarantee deposits.

Note 5 – Investments in companies accounted for using the equity method

<i>In thousands of euros</i>	Value at 12/31/2016	Dividends received	Income for the period	Others	Value at 12/31/2017
Archive Data Software	50		0		50
Total	50		0		50

Archive Data Software (100% share):

<i>(in thousands of euros)</i>	12/31/2017	12/31/2016
Revenue	857	849
Total for the year	1	12
Total balance sheet	599	770
Stockholders' equity	151	150

Note 6 – Accounts receivable

<i>(in thousands of euros)</i>	12/31/2017	12/31/2016
Accounts receivable	56,474	47,311
Doubtful debts	10	10
Invoices to be issued	8,967	7,771
Depreciation/amortization	(135)	(39)
Net value	65,316	55,054

Changes in impairment break down as follows:

<i>(in thousands of euros)</i>	12/31/2016	Changes in scope	Provisions	Use	Reversal	12/31/2017
Trade and other receivables	39		96			135
Provisions for impairment	39		96			135

Statement of accounts receivable at 12/31/2017

Statement of accounts receivable at 12/31/2017	Total	not due	due, less than 30 days	due, less than 60 days	due, less than 90 days	due, more than 91 days
Accounts receivable	65,316	39,860	18,720	3,701	1,317	1,718
%	100%	61 %	29 %	6 %	2 %	2 %

Statement of accounts receivable at 12/31/2016

Statement of accounts receivable at 12/31/2016	Total	not due	due, less than 30 days	due, less than 60 days	due, less than 90 days	due, more than 91 days
Accounts receivable	55,054	46,557	4,717	1,660	675	1,444
%	100%	85 %	9 %	3 %	1 %	3 %

Note 7 – Other receivables

<i>In thousands of euros</i>	12/31/2017	12/31/2016
Fiscal and social security-related debts	3,470	3,255
Sundry debts	8	13
Prepaid expenses	2016	2,033
Advances and advance payments	12	12
Total	5,506	5,313
Tax assets (including research tax credits)	4,103	5,674

Note 8 – Working capital requirements

<i>In thousands of euros</i>	12/31/2017	12/31/2016	Total change	Changes in scope	Change for the period
Accounts receivable	65,316	55,054	10,262		10,262
Suppliers	(19,703)	(17,810)	(1,893)		(1,893)
Fiscal and social security-related debts	(30,107)	(26,801)	(3,306)		(3,306)
Other debts	(20,295)	(13,315)	(6,980)		(6,980)
Vendor loans			0		0
Working Capital Requirements	(4,789)	(2,872)	(1,917)		(1,917)

A debt of €50 k appears in other debts corresponding to dividends to be paid to minority shareholders.

Note 9 — Cash and cash equivalents

<i>In thousands of euros</i>	12/31/2017	12/31/2016
Marketable securities	4,000	4,014
Cash on hand	60,267	47,314
Cash assets	64,267	51,327
Bank overdraft	0	0
Cash liabilities	0	0
Net cash	64,267	51,327

Note 10 – Financial instrument assets

<i>In thousands of euros</i>	12/31/2017		Analysis by instrument category			
	Value in balance sheet	Fair value	Fair value in income	Assets available for sale	Loans and debts	Derivative instruments
Investments in entities accounted for using the equity method	50	50	50			
Non-current financial assets	748	748			748	
Accounts receivable	65,316	65,316			65,316	
Other receivables	5,507	5,507			5,507	
Current tax assets	4,103	4,103			4,103	
Cash	64,267	64,267	64,267			
Total Assets	139,991	139,991	64,317		75,674	

<i>In thousands of euros</i>	12/31/2016		Analysis by instrument category			
	Value in balance sheet	Fair value	Fair value in income	Assets available for sale	Loans and debts	Derivative instruments
Investments in entities accounted for using the equity method	50	50	50			
Non-current financial assets	736	736			736	
Accounts receivable	55,054	55,054			55,054	
Other receivables	5,313	5,313			5,313	
Current tax assets	5,674	5,674			5,674	
Cash	51,327	51,327	51,327			
Total Assets	118,154	118,154	51,377		66,777	

Note 11 – Stockholders' Equity

Changes in capital stock

The capital stock of Infotel at December 31, 2017 was €2,663 k. It comprised 6,656,955 fully paid-up shares with a par value of €0.40 per share.

There were no movements during the 2017 fiscal year.

Treasury stock

Movement in securities	12/31/2017	12/31/2016
Number of securities held at the beginning of the fiscal year	3,062	3,113
Number of securities bought	87,876	82,615
Number of securities sold	87,988	82,666
Number of securities held at the end of the fiscal year	2,950	3,062

Security value (in euros)	12/31/2017	12/31/2016
Security value at the beginning of the fiscal year	123,264	96,954
Purchases of securities	4,103,686	2,731,310
Transfer of securities during the fiscal year	4,071,805	2,705,000
Security value at the end of the fiscal year	155,145	123,264

Transfers are valued at the average price at the time of exit

Dividends

The Infotel Annual Stockholders' Meeting held on May 29, 2017 decided to distribute a dividend of €1.00 per share. This dividend was issued for payment on June 8, 2017. The dividends for treasury stock are recorded as least equity. The net amount distributed is €6,654 k.

Note 12 – Provisions for risks and expenses

<i>(in thousands of euros)</i>	12/31/2016	Changes in scope	Provisions	Use	Reversal	12/31/2017
Disputes	95				(5)	90
Litigations	566				(566)	0
Pensions	2,398	(12)	340			2,726
Length of service bonuses	521	(1)			(21)	499
Translation adjustment						
Provisions for risks and expenses	3,581	(13)	340		(592)	3,315

The provisions for disputes only include pay disputes.

The criteria held to determine the amount for pensions are as follows:

- Turnover for employees under 56 years:
 - 10% for Infotel Conseil employees
- Turnover for employees over 56 years:
 - 0.4% for the Group's entire workforce
- Discount rate: 1.45 % for pensions (1.42% in 2016) and 1.12% for the seniority bonus of ten years (1.06% in 2016).
- Retirement age: 65 years
- Rate of increase in salaries for employees under 56 years: 2.5%
- No increase in salaries is planned for employees over 56 years;
- Employer contribution rate: 45%.

The Group has taken out an insurance contract for pensions with an external organization since January 1, 2004 for Infotel and Infotel Conseil. The amount covered at December 31, 2017 was €135 k. The provision for severance pay on retirement was €2,694 k corresponding to the difference between the total commitment calculated according to the criteria established above, €2,829 k, and the fair value of the assets of the plan at December 31, 2017.

No supplementary payments were made to insurance organizations during the fiscal year.

The company has chosen to offset actuarial differences directly in the consolidated reserves.

Note 13 – Accounts payable and other current liabilities

Accounts payable and other current liabilities are distributed as follows:

<i>In thousands of euros</i>	12/31/2017	12/31/2016
Accounts payable	19,703	17,810
Fiscal and social security-related debts	33,577	30,056
Other debts	68	13
Unearned revenues	22,314	15,360
Total	75,662	63,239

All debts are less than a year old.

Note 14 – Financial instrument liabilities

<i>In thousands of euros</i>	12/31/2017		Analysis by instrument category			
	Value in balance sheet	Fair value	Fair value in income	Other debts	Debts at amortized cost	Derivative instruments
Other non-current liabilities						
Accounts payable	19,703	19,703		19,703		
Other debts	55,959	55,959		55,959		
Current tax liabilities						
Total liabilities	75,662	75,662		75,662		

<i>In thousands of euros</i>	12/31/2016		Analysis by instrument category			
	Value in balance sheet	Fair value	Fair value in income	Other debts	Debts at amortized cost	Derivative instruments
Other non-current liabilities						
Accounts payable	17,810	17,810		17,810		
Other debts	45,429	45,429		45,429		
Current tax liabilities						
Total liabilities	63,239	63,239		63,239		

Note 15 – Deferred taxes

<i>In thousands of euros</i>	12/31/2016	Changes in scope	Change for the period	12/31/2017
Deferred tax assets				
associated with employee benefits	845		(39)	806
associated with profit sharing	578		193	771
associated with temporary differences				
Total	1,423		154	1,577
Deferred tax liabilities				
- associated with offsetting of statutory provisions				
associated with customer relationships	74		(42)	32
- associated with adjustment of the loss in value on the exchange of securities				
associated with temporary differences				
- associated with CVAE				
Total	74		(42)	32

20.2.6.7. Notes on the Consolidated Income Statement

Note 16 – Revenue

The Group's revenue comprises two activities:

- IT services for companies;
- Software publishing.

The Services revenue of the Infotel Group is made up of cost-plus services and fixed-price services. The breakdown of the revenue between these modes of service provision is shown here:

(as a percentage)	2017	2016
Cost-plus services	33.4	33.6
Fixed-rate services and service desks	66.6	66.4

Information regarding the revenue is given in section 20.2.6.8 "Segment reporting" on page 108.

Note 17 – Purchases and external expenses

In thousands of euros	2017	2016
Sub-contracting	69,799	63,759
Other external expenses	11,778	9,973
Purchases	153	89
Total	81,730	73,821

Note 18 – Personnel and workforce costs

The average workforce of the Group for the year ending December 31, 2017 was 1,666 employees. For 2016, the average workforce for the Group was 1,544 employees. Given the nature of the activity, personnel is mainly made up of managers.

In thousands of euros	2017	2016	2015
Remuneration	68,643	62,670	55,957
Social security costs	31,232	28,712	26,053
Profit sharing	2,313	1,814	2,066
Retirement bonuses	339	380	114
Provision for wage disputes	(5)	(40)	(49)
CICE wage tax credits	(3,241)	(2,527)	(2,265)
Capitalized development costs	(1,801)	(1,950)	(2,058)
CIR - Research tax credit for non-capitalized development projects	(266)	(457)	(214)
Amortization of research tax credit associated with development costs	(557)	(579)	(575)
CPAM and FAFIEC reimbursements	(100)	(102)	(57)
Total Personnel Costs	96,557	87,921	78,972

Furthermore, Article 66 of the amended Law no. 2012-1510 of December 29, 2012 for 2012 created the CICE wage tax credits. As such, proceeds of €3,241 k were accounted for in 2017, against €2,527 k in 2016, as a reduction in personnel costs in accordance with the memo of February 28, 2013 from the French Accounting Standards Authority (ANC).

Note 19 – Financial result

<i>In thousands of euros</i>	2017	2016
Interest paid on term deposits	52	120
Capital gains on transfer of marketable securities		13
Interest on current accounts		
Cash and cash equivalents	52	133
Foreign exchange gains	55	5
Foreign exchange losses	43	8
Other financial income/expenses	12	(3)
Financial result	64	130

Note 20 – Income tax

The income tax expense results from

<i>In thousands of euros</i>	2017	2016
Tax payable for the year	5,580	5,756
Deferred corporate income taxes	(196)	(25)
CVAE	1,965	1,836
Income tax	7,349	7,567

The tax analysis is as follows:

<i>In thousands of euros</i>	2017	2016
Net profit before equity-accounted subsidiaries	15,988	13,908
Income tax	7,349	7,567
Profit before tax	23,337	21,475
Current corporate tax applicable to parent company	33.33%	33.33%
Theoretical income tax	7,778	7,158
Company vehicle tax and non-deductible amortizations	10	13
Non-deductible provision	18	
Stock costs and expenses	32	20
Amortization acquisition costs		
Tax credits and fiscal subsidies	(1,169)	(1,117)
Monaco revenue	(189)	(127)
Insoft revenue	(94)	
Infotel UK Consulting Ltd revenue	(13)	
Tax on dividends	(579)	200
Social security contribution on earnings (CSB)	159	139
CVAE net of corporate income tax	1,310	1,224
Corporate income tax rate variation	93	65
Others	(7)	(8)
Actual income tax	7,349	7,567

Note 21 – Non-controlling interests

The minority interest is constituted by the IBC company 75% held by the Group, and by the Infotel Consulting UK company held at 51%.

Note 22 – Earnings per share

	2017	2016
Net profit (Group share):	15,800	13,719
Number of shares comprising capital stock	6,656,955	6,656,955
- of which are treasury stock	2,950	3,062
Average number of shares for the period	6,653,893	6,653,893
Basic earnings per share	2.37	2.06
Average number of potential outstanding stock options		
Average number of outstanding free shares		
Number of diluted shares of capital stock		
Diluted earnings per share	2.37	2.06

20.2.6.8. Segment reporting

The Infotel Group's activity is broken down into two segments: software and services.

Net profit for the fiscal year by segment

<i>in thousands of euros</i>	2017			2016		
	Software	Services	Total	Software	Services	Total
Revenue	8,140	201,176	209,316	8,649	181,892	190,541
Net Operating Income	3,216	20,056	23,272	4,280	17,058	21,338
Net income	3,052	12,936	15,988	3,131	10,773	13,904

Distribution of revenue by geographical region

<i>In thousands of euros</i>	2017	%	2016	%
France	186,552	89.1%	169,182	88.8%
Europe	17,547	8.4%	15,466	8.1%
United States	5,217	2.5%	5,893	3.1%
Total	209,316	100%	190,541	100%

Customers representing more than 10% of revenue

Only two customers represent more than 10% of consolidated revenue.

Distribution of assets by segment

<i>In thousands of euros</i>	12/31/2017		12/31/2016	
	Software	Services	Software	Services
Non-current assets	6,031	15,370	7,376	14,604
Current assets	17,093	122,099	17,858	99,510
Total	23,124	137,469	25,234	114,114

20.2.6.9. Supplementary information

Financial risk factors

Credit risk

Regarding the credit risk for the Group's financial assets, notably customers, the Group's exposure is associated with the possible non-performance by third parties.

Customer accounts are continually monitored. The analysis of the maturity of these financial assets that are past-due and not written down is given in "Note 6 – Accounts receivable" page 101.

Liquidity risk

In accordance with the definition given by the French financial markets authority, AMF, the liquidity risk results from having an asset with a longer term than the liability, and translates to an inability to repay short-term debts in the event of being unable to mobilize assets or take out new credit lines.

The Group considers that it is not exposed to this risk, given the absence of borrowing and its surplus cash.

Market risks

a. Interest rate risk

Since the Group has no financial debt, it is not exposed to changes in interest rates.

b. Foreign exchange risk

The foreign exchange risk affects primarily IBM royalties, which are issued in US dollars, and the billing of royalties by the Group to the US subsidiary. This risk is not subject to specific coverage.

On December 31, 2017, the net value of assets and liabilities accounted for by the entities of the Group in currencies other than Euro stood at USD 1,187 k, or €990 k (compared to USD 1,338 k or €1,269 k on December 31, 2016). It comprises solely the net assets of the US subsidiary and the IBM royalties from 4Q17.

c. Equity risk

The marketable securities held by the Group are exclusively in UCITS securities. The risk associated with the change in financial markets is, as a result, limited.

Moreover, Infotel held at December 31, 2017, 2,950 shares of its treasury stock, for a total amount of €155,145 at an average price of €52.59.

Off-balance sheet commitments

Real estate commitments are associated with leases according to the French regulation on commercial leases, called "3-6-9". These commitments are valued at the maximum commitment.

	Less than a year	Between 1 and 5 years	More than 5 years
Commercial lease commitments	2,665	9,322	4,762

To the Infotel Group's knowledge, no significant off-balance sheet commitments have been omitted from this list, in accordance with applicable accounting standards.

Statutory Auditors' fees

In €k	Audit Consultants Associés		Constantin Associés		Audit Consultants Associés		Constantin Associés	
	2017		2017		2016		2016	
	Amount (excl. taxes)	%	Amount (excl. taxes)	%	Amount (excl. taxes)	%	Amount (excl. taxes)	%
Audit								
- Statutory audit, certification and review of the individual and consolidated financial statements								
- Issuer	48	48	67	52	49	48	57	54
- Wholly consolidated subsidiaries	53	52	40	34	54	52	39	37
- Services other than the statutory auditor								
- Issuer								
- Wholly consolidated subsidiaries								
<i>Sub-total</i>	101	100	107	91	103	100	96	91
Other Services Provided by the Networks to Wholly Consolidated Subsidiaries								
- C.S.R			10	9			10	9
- Other (to be specified if > 10% of audit fees)								
<i>Sub-total</i>	0	0	10	9	0	0	10	9
TOTAL	101	100	117	100	103	100	106	100

Current liabilities

To our knowledge, there are no other liabilities that have had in the recent past, a significant impact on the activity, results, financial situation and holdings of the Infotel company and its subsidiaries.

Subsequent events

No relevant events to report.

Information on transactions with associated parties

Executive compensation

The gross compensation allocated to management and for functions performed in the Infotel Group for 2017 was €1,024 k.

The Group has not assumed any commitment regarding post-employment benefits for its directors (pensions, severance pay, etc.).

Other transactions

There are no other transactions with associated parties.

20.3. CORPORATE FINANCIAL STATEMENTS

20.3.1. Balance Sheet – Assets

<i>Amounts in €</i>	Gross	Amortization/de preciation	Net at 12/31/2017	Net at 12/31/2016
ASSETS				
Intangible assets				
Research and development costs	19,157,906	12,031,974	7,125,932	7,435,439
Concessions, patents and licenses	435,157	426,306	8,851	72,943
Tangible assets				
Buildings	31,278	31,278		1,683
Other tangible assets	1,472,082	1,132,479	339,603	243,673
Financial assets				
Investments and associated debts	8,893,448		8,893,448	8,893,448
Other financial assets	103,938		103,938	101,518
TOTAL FIXED ASSETS	30,093,808	13,622,036	16,471,772	16,748,704
Stocks				
Debts				
Accounts receivable	1,411,663		1,411,663	1,559,318
Suppliers' debts	24		24	
State, Income tax payable	4,069,354		4,069,354	5,645,228
State, Tax on revenue	448,739		448,739	445,252
Other receivables	9,641		9,641	27,673
Others				
Marketable securities	155,144		155,144	123,264
Cash on hand	8,863,571		8,863,571	8,318,371
Prepaid expenses	271,850		271,850	227,862
TOTAL CURRENT ASSETS	15,229,987		15,229,987	16,346,967
Translation adjustments - Assets				
ACCRUALS				
TOTAL ASSETS	45,323,795	13,622,036	31,701,759	33,095,671

20.3.2. Balance Sheet – Liabilities

<i>Amounts in €</i>	Net at 12/31/2017	Net at 12/31/2016
LIABILITIES		
Capital stock	2,662,782	2,662,782
Issue, merger, acquisition premiums, etc.	7,410,179	7,410,179
Statutory reserve	266,278	266,278
Other reserves	393,591	393,591
Retained earnings	7,897,153	6,897,553
Total for the year	8,440,666	7,653,120
TOTAL STOCKHOLDERS' EQUITY	27,070,650	25,283,504
TOTAL OTHER STOCKHOLDERS' EQUITY		
TOTAL PROVISIONS FOR RISKS AND EXPENSES		
<i>Overdrafts and credit lines</i>	879	1,401
Loans and debts associated with credits	879	1,401
Loans and other financial debts - Affiliates	3,129,878	6,414,907
Accounts receivable	859,649	661,604
<i>Social security bodies</i>	146,246	145,436
<i>State, Tax on revenue</i>	45,130	55,348
<i>Other fiscal and social security-related debts</i>	16,430	27,188
Fiscal and social security-related debts	207,807	227,972
Secured liability on property		
Other debts	49,331	
Unearned revenues	383,566	504,915
TOTAL DEBT	4,631,109	7,810,799
Translation adjustments - Assets		1,369
TOTAL LIABILITY	31,701,759	33,095,671

20.3.3. Income Statement

<i>Amounts in €</i>	12/31/2017	12/31/2016
Operating Revenue		
Sale of commodities		
Production sold (goods)		
Production sold (services)	9,542,647	9,903,346
Net Revenue	9,542,647	9,903,346
Production left in stock		
Production capitalized		
Cash subsidies		
Write-backs of amortization and provisions, expenditure transfers	1,807,858	1,953,877
Other income	2	20
Total Operating Revenue (I)	11,350,517	11,857,244
Operating Expenses		
Purchase of commodities		865
Change in stock		
Purchase of raw materials and other supplies		
Change in stock		
Other purchases and external expenses	5,770,227	5,807,281
Taxes and similar payments	148,961	183,171
Salaries	1,024,064	1,024,064
Social security costs	382,074	382,261
Operating costs:		
- On fixed assets: amortization	2,298,240	2,175,519
- On fixed assets: provisions		
- On current assets: provisions		
- For liabilities and charges: provisions		
Other costs	3,832	31
Total Operating Expenses (II)	9,627,398	9,573,194
OPERATING INCOME (I - II)	1,723,119	2,284,050
Share of profit of shared operations		
Allocated gain or transferred loss		
Sustained loss or transferred gain		
Financial Income		
Investments	6,750,000	6,340,400
Other securities and fixed asset receivables		
Other interests and income	25,789	18,381
Write-backs of provisions, expenditure transfers		
Positive currency fluctuations		
Net gains on disposal of trading securities	52,276	41,285
Total Financial Income (V)	6,828,065	6,400,066
Financial Costs		
Depreciation and amortization and transfer to provision		210
Interest and associated costs		
Negative currency fluctuations	18,687	
Net charges on disposal of trading securities	33,462	32,560
Total Financial Costs (VI)	52,149	32,771
FINANCIAL INCOME (V - IV)	6,775,917	6,367,295
CURRENT INCOME BEFORE TAX (I-III+III-IV+V-VI)	8,499,345	8,651,345

.../...

	12/31/2017	12/31/2016
Exceptional Revenue		
On management operations		
On capital operations		
Write-backs of provisions and expenditure transfers		
Total Exceptional Revenue (VII)		
Exceptional Costs		
Fines		
On management operations		
On capital operations		
Exceptional depreciation/amortization and transfer to provision		
Total Exceptional Costs (VII)		
EXCEPTIONAL INCOME (VII-VIII)		
Profit sharing (IX)		
Income tax payable (X)	58,370	998,226
Total Revenue (I+III+V+VII)	18,178,582	18,257,310
Total Expenses (II+IV+VI+VIII+IX+X)	9,737,917	10,604,191
PROFIT OR LOSS	8,440,666	7,653,119

20.3.4. Annex to the Annual Accounts

1. Accounting Principles

These annual accounts were prepared and presented in line with generally accepted accounting principles in France, with regards to the principles of prudence and independence of the fiscal years and assuming the principle of going concern. The assessment of the items accounted for was performed in reference to the historical cost method.

They were prepared in accordance with the accounting principles and standards and methods used for financial statements (French Regulation 2014-03 of the Accounting Standards Committee).

These annual accounts have been prepared by the Board of Directors on March 14, 2018.

The fiscal period covers the calendar year 2017. The notes and tables given above are an integrated part of the annual accounts.

Apart from the remuneration and dividends, there is no other relation with the directors. The information with the affiliated companies is specified at each individual level in the annexed notes.

Change in method

There has been no change in accounting method during the fiscal year ending December 31, 2017.

Use of estimates

In order to prepare the financial statements in line with the accounting standards applied in France, management is required to make estimates and assumptions that may impact the amounts reported in these financial statements. The real results may ultimately show significant differences to these estimates.

Development costs

Pursuant to the French Accounting Standards Authority (ANC) regulation no. 2014-03, Infotel records as intangible assets the development costs of software and amortizes them over the probable life span of the projects when they comply with activation criteria defined by Article 212-3:

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

Development costs are amortized over the probable life span of the project, which is generally seven years.

Development costs that do not meet the activation criteria and research costs are recognized directly in expenses.

Software

Software and usage rights acquired with full ownership are recorded as assets and amortized on a straight-line basis from one to three years if their useful life is greater than one year.

Tangible assets

Tangible assets are accounted for at their acquisition cost.

Amortization is calculated on a straight-line basis for the expected useful life of the different categories.

The generally accepted amortization span is:

- | | |
|----------------------------------|---------------|
| • Buildings, facilities | 10 years |
| • Fixtures and fittings | 4 to 10 years |
| • Furniture and office equipment | 3 to 8 years |
| • IT equipment | 3 years |
| • Transport equipment | 5 years |

Equity securities

Equity securities are recorded at acquisition cost. A provision for impairment is accounted for if this value is greater than the value in use. The value in use is reviewed according to medium-term development prospects for securities and an assessment on the basis of the expected discounted future cash flow of the companies concerned.

Debts

Debts are accounted for at par value. On a case by case basis, they are assessed for provision if their recovery appears to be compromised.

Stock options

Stock option plans for Group employees are not accounted for at allocation date, rather they result, at the exercise date for their holders, in an increase in capital corresponding to the number of shares issued.

Given the conditions of issue of these options (option exercise period and exercise price), Infotel is not subject to social security contributions on stock options.

On December 31, 2017, no stock option plan was in effect.

Treasury stock

The treasury stock acquired by the company is accounted for as securities. It is subject to impairment when the inventory value (based on the average market price over the last month before the end of the fiscal year) is less than the purchase price.

Pensions and other employee benefits

The workforce of Infotel SA at December 31, 2017 comprised five people, all corporate officers.

According to the recommendations of the AFEP and the MEDEF, pensions and other employee benefits for company officers must be decided by the Board of Directors. Since the Board of Directors of Infotel SA has not made any decision on pensions or other benefits for company officers, no provision has been allocated.

Revenue recognition

Revenue is recognized according to the following principles:

Software sale: the revenue is recognized during installation and at the latest during the final acceptance.

Software maintenance: the invoices issued for maintenance are recognized on a pro rata basis spread over the contract duration and result in the accounting of unearned revenues.

IBM royalties: The revenue is made up of IBM royalties where quarterly accounting is done during collection. A provision is given at the end of the period. In the absence of information from IBM on the date of publication of the revenue, this provision is determined, for prudence purposes, by taking the lowest amount of royalties perceived during the last four quarters.

The Infotel Group does not have any revenue in countries with specific economic risks.

2. Notes annexed to the accounts

The figures given in the balance sheet are in euros. Those in the income statement are given in thousands of euros.

a) Stockholders' equity

The changes in equity during the fiscal year were as follows:

<i>In €</i>	12/31/2016	Increase	Decrease	12/31/2017
Capital	2,662,782			2,662,782
Premiums	7,410,179			7,410,179
Statutory reserve	266,278			266,278
Other reserves	393,591			393,591
Retained earnings	6,897,554	7,656,555	6,656,955	7,897,153
Income for the previous year	7,653,120		7,653,120	
Total for the year		8,440,666		8,440,666
TOTAL	25,283,504	16,097,221	14,310,075	27,070,650

The changes in capital, premiums and reserves are attributed essentially to the following:

- distribution of a dividend of €1 per share, (for 6,656,955 shares) for a total amount of €6,653,519 and €519 after removing dividends on treasury stock.

The capital stock, fully paid up, comprised on December 31, 2017, of 6,656,955 shares at cap €0.4, including 2,950 held by Infotel.

Stock options

No stock option plan has been issued since 2016.

b) Intangible assets

The changes in intangible assets, in gross values, are as follows:

<i>In €</i>	12/31/2016	Increase	Decrease	12/31/2017
Software acquired	425,049	10,108		435,157
Development costs	17,356,018	1,801,888		19,157,906
TOTAL	17,781,067	1,811,996		19,593,063

The development costs recognized in the Group's assets during the fiscal year refer to the following projects: Arcsys, HPU, MP, IDBA, HPU Z/OS, Merge Backup. They are amortized over the probable life span of the project, which is generally seven years.

The changes in amortization are as follows:

<i>In €</i>	12/31/2016	Increase	Decrease	12/31/2017
Software acquired	352,106	74,200		426,306
Development costs	9,920,579	2,111,395		12,031,974
TOTAL	10,272,685	2,185,595		12,458,280

c) Tangible assets

The changes in tangible assets, in gross values, are as follows:

<i>In €</i>	12/31/2016	Increase	Decrease	12/31/2017
Installations and facilities	31,278			31,278
Fixtures and fittings	575,815	122,083		697,898
Transport equipment	33,866			33,866
Office equipment	655,508	84,809		740,317
TOTAL	1,296,467	206,892	0	1,503,359

The changes in amortization are as follows:

<i>In €</i>	12/31/2016	Increase	Decrease	12/31/2017
Installations and facilities	29,595	1,683		31,277
Fixtures and fittings	411,194	51,492		462,686
Transport equipment	11,175	6,773		17,949
Office equipment	599,146	52,698		651,844
TOTAL	1,051,111	112,646	0	1,163,757

d) Financial assets

The changes in financial assets, in gross values, are as follows:

<i>In €</i>	12/31/2016	Increase	Decrease	12/31/2017
Equity securities	8,893,448			8,893,448
Treasury stock	0			0
Guarantee deposits	101,518	2,420		103,938
TOTAL	8,894,966	2,420	0	8,997,386

e) Accounts receivable

Accounts receivable of €1,441,663 corresponds to invoices issued and unpaid at the end of the fiscal year; the latter corresponding to licenses delivered and maintenance services performed at the end-date of the fiscal year. They were €1,559,317 at the start of the previous fiscal year.

Invoices to be issued totaled €821,922 at December 31, 2017, which corresponds to royalties to be billed to IBM for sales during the last quarter of 2017, calculated according to the method described above. Company credits stood at €156,235 at December 31, 2017.

f) Other receivables

<i>In €</i>	12/31/2017	12/31/2016
Corporate income tax	4,069,354	5,645,228
Value added tax	448,739	445,252
Other receivables	9,641	27,673
Tax consolidation current account		
TOTAL	4,527,758	6,118,153

The corporate income tax is associated with the impact of tax consolidation and tax credits.

g) Prepaid expenses

They were €271,850 at December 31, 2017. This only includes operating expenses (rents, insurance, maintenance, etc.). They were €227,862 at the start of the previous fiscal year.

m) Accounts receivable

<i>In €</i>	Gross amount	Maturities less than one year	Maturities more than one year
Fixed asset receivables			
Receivables associated with investment	0		
Loans	0		
Other financial assets	103,938		103,938
Current asset receivables			
Accounts receivable	1,411,663	1,411,663	
Other receivables	4,527,758	4,527,758	0
Prepaid expenses	271,850	271,850	
TOTAL	6,315,209	6,211,271	103,938

i) Loans and other financial debts

The company does not have any loans.

Financial debts at December 31, 2017 were €3,129,878 as opposed to €6,414,907 at December 31, 2016. This results from down payments made by French subsidiaries for tax integration.

j) Trade notes and accounts payable

Supplier debts and accounts payable stood at €859,649 at December 31, 2017, as opposed to €661,604 the previous year.

The invoices receivable totaled €305,928 at December 31, 2017. This figure represents general costs, where the due date is less than one year.

Debts to associated companies was €318,938.

k) Fiscal and social security-related debts

Fiscal and social security-related debts are broken down as follows:

<i>In €</i>	2017	2016
Personnel	0	0
Social security bodies	146,245	145,436
VAT	45,130	55,348
Other taxes	16,431	27,188
TOTAL	207,806	227,972

Fiscal and social security-related debts have a maturity of less than one year.

l) Other debts

Other debts amount to €49,330, and they concern the payments received for a related company.

m) Unearned revenues

At December 31, 2017, unearned revenues represented €383,566 corresponding to the pro rata spread of maintenance contracts and royalties from our subsidiary Infotel Corp. They were €504,915 at the end of the previous fiscal year.

n) Debt maturity

<i>In €</i>	Gross amount	Maturities less than one year	Maturities more than one year	Maturities more than five years
Loans and other financial debts	3,129,878	3,129,878		
Supplier debt	859,649	859,649		
Fiscal and social security-related debts	207,807	207,807		
Debts on fixed assets	0	0		
Other debts	49,331	49,331		
Unearned revenues	383,566	383,566		
TOTAL	4,631,109	4,631,109	-	-

o) Operating Revenue

The breakdown of revenue by geographical region is as follows:

<i>In €k</i>	2017	2016
Non-group France	876,323	799,746
Non-group USA	4,600,079	5,358,193
Non-group Europe	216,956	221,723
Non-group Export (others)	0	4,000
SUBTOTAL NON-GROUP	5,693,358	6,383,662
Group France	3,371,922	3,084,492
Group USA	477,378	435,192
Group Europe		
SUBTOTAL GROUP	3,849,300	3,519,684
TOTAL	9,542,658	9,903,346

Infotel SA operates in a single activity segment, providing the commercialization of software. For its implementation, it may occasionally perform service provisions. At December 31, 2017, these provisions were €124,201 as opposed to €112,919 in 2016.

Intra-group billing involves:

- in France, management fees of the Group and the rebilling of costs;
- in Europe and the USA, royalties associated with the sale of Infotel products abroad.

Provision writebacks and expenditure transfers of €1,807,858 concern the activation of research and development costs for €1,801,888 (against €1,945,012 in 2016).

p) Financial result

Financial assets were €6,828,065 as opposed to €6,400,066 in the previous period and consist of received dividends, interest on term deposits in Euros or US Dollars, gain from currency adjustments and capital gains on marketable securities or treasury stock.

In 2017, the company received €6,000,000 in dividends from Infotel Conseil, €300,000 from Infotel Monaco and €450,000 from Infotel Business Consulting.

Financial costs were €52,148 in 2017 as opposed to €32,771 in 2016. They correspond primarily to capital losses on treasury stock transfer as well as foreign exchange losses.

q) Foreign exchange risks

The parent company assumes the currency risk on intra-group billing outside the Eurozone (essentially, Infotel Corporation) and on revenue with IBM. Foreign Infotel subsidiaries invoice their services in local currency.

The portion of the revenue that can be affected by a fluctuation in the US Dollar is about €5,077,457, or 53% of revenue.

r) Income tax payable

Net income tax for Infotel SA on profits was €58,370 in 2017, as opposed to €998,226 in 2016, determined pursuant to tax regulations and the applicable rates. This takes into account the cancellation of dividends contributions paid since 2013 for a total of €579,130.

Infotel SA is the head of a tax consolidation group consisting of the company Infotel Conseil. Tax consolidation generates additional income tax of €20,365 as shown in the Infotel SA accounts.

Increases and decreases in future tax liabilities

There are no increases or decreases in future tax liabilities.

3. Workforce at the end of the fiscal year

The workforce of Infotel at December 31, 2017 comprised a team of 5 people, all corporate officers.

4. Remuneration of management bodies

The gross compensation allocated to management and for functions performed in the Infotel Group for 2017 was €1,024,064 k.

No advances or credits were allocated to the company officers during 2017.

5. Statutory Auditors' fees

The fees of the statutory auditors for 2017 were €128,263 including €118,263 for the consolidated financial statements and €10,000 for verifying consolidated corporate, environment and social information for the Management Report.

6. Commitments

Pensions and other employee benefits

No supplementary plans or differential plans were implemented that involve future supplementary pension payments for Infotel, either as defined benefits or defined contributions.

Financial commitments received or granted (including leasing)

None

To the Company's knowledge, no significant off-balance sheet commitments have been omitted, in accordance with the applicable accounting standards.

7. Subsequent events

No relevant events subsequent to the closing date to report.

8. List of subsidiaries and investments

The company Infotel SA is the parent company of the Infotel Group.

<i>In €k</i>	Infotel Conseil	Infotel Monaco	Infotel Corp	Infotel Business Consulting	Archive Data Software	Insoft Infotel Software GmbH	Infotel UK
Capital	20,000	150	0.90	60	150	50	0.13
Stockholder's equity (excluding capital stock and earnings)	30,005	153	220	1,031	0	836	6
Holding	100%	100%	100%	75%	33%	100 %	51 %
Gross book value of treasury stock	6,269	128	0.87	446	50	2,000	0.07
Net book value of treasury stock	6,269	128	0.87	446	50	2,000	0.07
Loans and advances granted	0	0	0	0	0	0	0
Guarantees and backing provided by the company	0	0	0	0	0	0	0
Revenue (excl. taxes)	194,771	2,350	740	7,006	857	1,246	1,682
Profit/loss	13,003	431	(46)	453	1	261	130
Dividends received by the company during the fiscal year	6,000	300	0	450	0	0	0

All of the companies close their annual accounts on December 31, 2017. All of the data presented is for 2017.

The data for Infotel Corp. was converted at the following exchange rates:
average exchange rate of \$1 = €0.88624 for the income statement and £1 = €0.83382 for equity.

The data for Infotel UK was converted at the following exchange rates:
average exchange rate of £1 = €1.141357 for the income statement and £1 = €1.127103 for equity.

20.4. STATUTORY AUDITORS' REPORT

20.4.1. Statutory Auditors' Report on the Consolidated Accounts

Fiscal year ending December 31, 2017

At the Stockholders' Meeting for the company Infotel,

Opinion

In accordance with our appointment as Statutory Auditors at your Annual General Stockholders' Meeting, we have conducted our audit of the consolidated financial statements of the company Infotel relating to the fiscal year ending December 2017, annexed to this report.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated results of the operations of the past fiscal year, as well as the consolidated financial position and the assets, at the end of the fiscal year, the consolidated results of the people and entities included in the consolidation in accordance with the IFRS standards accepted in the European Union.

The opinion given above is consistent with the contents of our report to the Board of Directors fulfilling the functions of the Audit Committee.

Basis of audit opinion

Audit terms of opinion

We have carried out our audit according to the professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The responsibilities incumbent upon us with respect to these standards are specified in the "*Responsibilities of statutory auditors relating to the audit of the consolidated financial statements*" of this report.

Independence

We have performed our audit assignment in compliance with the independence rules that apply to us for the period from January 1st, 2017 to the issuance date of our report, and in particular we have not provided information forbidden by article 5, paragraph 1, of the regulation (EU) No. 537/2014 or by the Code of Ethics for the profession of statutory auditor.

Justification of our assessments - Key points of the audit

According to the provisions of articles L. 823-9 and R. 823-7 of the Commercial Code relating to the justification of our assessments, we hereby draw your attention to the key points of the audit relating to risks of material misstatement that, in our professional judgment, were the most important for the audit of the consolidated financial statements for the fiscal year, as well as the responses that we have provided with respect to these risks.

The assessments were performed in the context of our audit of the consolidated financial statements, taken as a whole, and thus contribute to the expression of our opinion given above. We provide no opinion on the elements of these consolidated financial statements taken in isolation.

Revenue accounting on fixed-price services

Risk identified

As outlined in the section "*Revenue accounting*" of note 3.4 of the consolidated annex, the group performs its "Services" activity via most notably fixed-price contracts, which are generally broken down into a succession of short-term tasks and work, with a commitment in terms of price, compliance and deadline (service desks in particular). The services rendered are recorded according to the percentage-of-completion method.

The revenue and the margin of fixed-price services are thus accounted for according to a qualified estimation of the percentage of completion of each contract underway at the end of the fiscal year. For service desks grouping short-term tasks corresponding to different services, the revenue and the margin are accounted for separately for each service at the end of the fiscal year.

The total costs of a contract, and in particular, those remaining to be incurred, are regularly subject to monitoring and an estimation by the Operational Managers to determine if the percentage of completion of the contract and the margin level to be accounted for must be revised. An incorrect estimation of these costs and of the percentage of completion of contracts would falsify the revenue amounts and margin accounted for.

We considered that the accounting of the revenue and associated costs on fixed-price contracts constituted a key point in the audit in that (i) these contracts represented a large part of the consolidated revenue, (ii) the percentage of completion and the estimated costs for these contracts are based on operational hypotheses, (iii)

their estimation has a direct impact on the level of revenue and margin accounted for in the consolidated financial statements.

Our audit approach

We gained an understanding of the internal control procedure relating to the accounting of contracts. We tested the efficiency of key controls implemented by the Operation Managers and Executive Management (including validation of time spent, checking invoices for the subsequent periods of the totality of work in progress recorded for services).

For a sample of contracts selected randomly using the operational follow-up application for contracts:

- we have reconciled the data issued from the monitoring application with the accounting;
- we spoke with the Operational Managers to understand how they determined that which remained to be produced and the percentage of completion of the contract on which they based their accounting of the revenue and margin recognition;
- we corroborated the key elements used with contractual data.

Checking Information Relating to the Group Given in the Management Report

We have also performed the specific verification, as stipulated by law, of disclosures made by the group in the Management Report of the Board of Directors in accordance with professional practice standards in France.

Information Resulting from other Legal and Regulatory Obligations

Designating the Statutory Auditors

We were designated statutory auditors by the Annual Stockholders' Meeting of May 26, 2010 for Constantin & the Associés firm and on December 7, 2011 for the Audit Consultants Associés firm.

On December 31, 2017, the Constantin Associés firm was in the 8th consecutive year of its assignment and the Audit Consultant Associés firm in its 7th year.

Responsibilities of the Executive Management and Persons Constituting Corporate Governance Relating to Consolidated Financial Statements

It is the responsibility of the Executive Management to prepare the consolidated financial statements giving a true and fair representation in accordance with the IFRS standards as adopted by the European Union as well as to implement the internal control procedure that it deems necessary for preparing the consolidated financial statements free from material misstatements, whether they are a result of fraud or error.

When preparing the consolidated financial statements, it is the responsibility of the Executive Management to make an assessment of the Company's ability to continue as a going concern, to present in these statements, where appropriate, the necessary information relating to Company's ability to continue as a going concern and to apply the accounting policy with respect to the Company's ability to continue as a going concern, unless it has been decided liquidate the entity or terminate its activity.

It is the responsibility of the Board of Directors fulfilling the functions of the Audit Committee adhere to the financial reporting process and to efficiently monitor the internal control and risk management systems, as well as where appropriate the internal audit, with respect to procedures relating to preparing and handling accounting and financial information.

The consolidated financial statements have been prepared by the Board of Directors.

Responsibilities of the Statutory Auditors Relating to the Audit of Consolidated Financial Statements

Audit goal and procedure

It is our responsibility to prepare a report on the consolidated financial statements. Our goal is to obtain a reasonable assurance that the consolidated financial statements taken as a whole are free from material misstatements. Reasonable assurance corresponds to a high level of assurance, without however guaranteeing that an audit performed in accordance with auditing standards allows for systematic detection of material misstatements. Misstatements can arise from fraud or error and are considered material when there is a reasonable expectation that they could, individually or together, influence the economic decisions of users of the accounts make based on these accounts.

As specified in article L. 823-10-1 of the Commercial Code, our account certification mission is not to guarantee the viability or the quality of the management of your company.

Within the framework of an audit performed in compliance with the auditing standards generally acceptable in France, the statutory auditors exercised their professional judgment throughout this audit. In addition:

- the statutory auditors identify and assess the risks that the consolidated financial statements include material misstatements, whether they arise from fraud or error, define and implement the audit procedures given these risks, and gather the elements they deem sufficient and appropriate in order to form an

opinion. The risk of non-detection of a material misstatement arising from fraud is higher than that of a material misstatement arising from error, as fraud can involve collusion, falsification, voluntary omissions, false declarations or overriding of internal controls;

- They obtain an understanding of the internal controls relevant to the audit to define the suitable audit procedures in the circumstances, and not with a view to expressing an opinion on the efficiency of the internal controls;
- They evaluate the suitable nature of the accounting methods used and the reasonable nature of the accounting estimations made by the Executive Management, as well as the information concerning them provided in the consolidated financial statements;
- They evaluate the suitable nature of application by the Executive Management of the accounting policy concerning the ability to continue as a going concern and, according to the elements collected, the existence or otherwise of a significant uncertainty linked to events or circumstances likely to jeopardize the company's ability to continue as a going concern. This evaluation is based on elements collected up to the date of its report, bearing nonetheless in mind that subsequent circumstances or events could jeopardize the company's ability to continue as a going concern. If they conclude that a significant uncertainty exists, they draw the attention of the readers of the report to the information provided in the consolidated financial statements with respect to this uncertainty, or, if this information is not provided or not relevant, they formulate another certificate with qualifications or refuse to certify;
- They evaluate the presentation of the consolidated financial statements as a whole and assess whether the consolidated financial statements reflect the underlying operations and events so as to give a true and fair representation;
- Concerning the financial information of persons or entities included within the scope of the consolidation, they collect the elements they deem sufficient and suitable to express an opinion on the consolidated financial statements. They are responsible for the direction, the supervision and the execution of the audit of the consolidated financial statements as well as the opinion expressed on these accounts.

Report of the Board of Directors Fulfilling the Functions of the Audit Committee

We provide a report to the Board of Directors fulfilling the functions of the Audit Committee that contains in particular the extent of the work related to the audit and work program implemented, as well as the conclusions resulting from our work. We also draw to its attention, where appropriate, to the significant weaknesses in the internal control procedure that we have identified with respect to procedures relating to the development and processing of accounting and financial information.

The report given to the Board of Directors fulfilling the functions of the Audit Committee includes the risks of material misstatements that we deem the most significant for the audit of the consolidated financial statements for the fiscal year and that thus constitute the key points of the audit that we are responsible for describing in this report.

We also provide the Board of Directors fulfilling the functions of the Audit Committee the declaration set out in article 6 of regulation (EU) No. 537-2014 confirming our independence, in the sense of the rules applicable in France as they are set out in particular in articles L. 822-10 to L. 822-14 of the Commercial Code and in the Code of Ethics for the profession of statutory auditor. Where appropriate, we discuss with the Board of Directors fulfilling the functions of the Audit Committee the risks to our independence and the safeguards applied.

Paris and Neuilly-sur-Seine, April 27, 2018

The Statutory Auditors

Audit Consultants Associés

Sarkis Canli

Constantin Associés

Member of Deloitte Touche Tohmatsu Limited

Mireille Berthelot

20.4.2. Statutory Auditors' Report on Annual Accounts

Fiscal year ending December 31, 2017

At the Stockholders' Meeting for the company Infotel,

Opinion

In accordance with our appointment as Statutory Auditors by your Annual General Stockholders' Meeting we have conducted our audit of the annual financial statements of the company Infotel relating to the fiscal year ending December 2017, annexed to this report.

In our opinion, the annual accounts present fairly, in all material respects, the assets and liabilities, the financial position, and the consolidated results of the operations of the past fiscal year in accordance with accounting principles generally accepted in France.

The opinion given above is consistent with the contents of our report to the Board of Directors fulfilling the functions of the Audit Committee.

Basis of audit opinion

Audit terms of opinion

We have carried out our audit according to the professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The responsibilities incumbent upon us with respect to these standards are specified in the "*Responsibilities of statutory auditors relating to the audit of the annual financial statements*" of this report.

Independence

We have performed our audit assignment in compliance with the independence rules that apply to us for the period from January 1st, 2017 to the issuance date of our report, and in particular we have not provided information forbidden by article 5, paragraph 1, of the regulation (EU) No. 537/2014 or by the Code of Ethics for the profession of statutory auditor.

Justification of our assessments - Key points of the audit

According to the provisions of articles L. 823-9 and R. 823-7 of the Commercial Code relating to the justification of our assessments, we hereby draw your attention to the key points of the audit relating to risks of material misstatement that, in our professional judgment, were the most important for the audit of the annual financial statements for the fiscal year, as well as the responses that we have provided with respect to these risks.

The assessments were performed in the context of our audit of the annual financial statements, taken as a whole, and thus contribute to the expression of our opinion given above. We provide no opinion on the elements of these annual financial statements taken in isolation.

Assessment of Equity Securities:

Risks identified and main judgments

As described in the "Equity securities" note of the accounting principles in the annex, equity securities are recorded in the balance sheet at acquisition cost. A provision is accounted for if this value is greater than the value in use. The value in use is reviewed according to medium-term development prospects for securities and an assessment on the basis of the expected discounted future cash flow of the companies concerned.

Equity securities represent a significant amount of the balance sheet and determining their value in use requires the judgment of the Executive Management in determining the parameters taken into account, in particular the cash flow forecasts and the discount rate used.

We have therefore considered the assessment of the value in use of equity securities as a key point of our audit.

Our audit approach

We gained an understanding of the work relating to the depreciation tests implemented by the Company and the conclusions drawn from them.

Our work consisted of assessing the reasonable nature of the estimation of the value of use of equity securities, based on the information given to us. Our work consisted mainly of:

- Gaining an understanding of the calculation methods for the value of life, and in particular the net cash flow forecasts;

- Assessing and examining the reasonable nature of the hypotheses used for these net cash flow forecasts by conducting interviews with Executive Management, by proceeding with a review of historical data and an assessment of hypotheses used within the framework of projections considered in the business plans;
- Analyzing the main hypotheses with respect to available market data;
- Reviewing, with the support of our specialists, the discount rates used by the company.

Checking the Management Report and the Other Documents sent to Stockholders

We have also performed the specific verifications required by law in accordance with professional practice standards applicable in France.

Information provided in the report and other documents sent to the stockholders on the financial situation and the annual financial statements

We have no matters to report regarding the fair presentation and consistency with the annual accounts of the disclosures made in the Board of Director's Management Report and in the other documents addressed to the stockholders with regard the financial position and annual accounts.

Report on Corporate Governance

We attest to the existence, in the section of the Board of Directors management report dedicated to corporate governance, of the information required by articles L. 225-37-3 and L. 225-37-4 of the Commercial Code.

With regard to the disclosures made pursuant to Article L.225-37-3 of the French Commercial Code on remunerations and benefits paid to corporate officers as well as commitments granted in their favor, we have verified their consistency with the annual accounts or with the data used to prepare these financial statements and, where necessary, with the information collected by your company from companies controlling your company or controlled by your company. In our opinion, based on our work, the disclosures made herein are accurate and fair.

Other disclosures

In application of the law, we attest that the disclosures made relating to the acquisitions of equity stakes and controlling stakes and the identity of the stockholders and their voting rights and cross holdings have been communicated in the Management Report.

Information Resulting from other Legal and Regulatory Obligations

Designating the Statutory Auditors

We were designated statutory auditors for the company Infotel by the Annual Stockholders' Meeting of May 25, 2010 for Constantin & Associés firm and on December 7, 2011 for the Audit Consultants Associés firm.

On December 31, 2017, the Constantin Associés firm was in the 8th consecutive year of its assignment and the Audit Consultant Associés firm in its 7th year.

Responsibilities of the Executive Management and Persons Constituting Corporate Governance Relating to Annual Financial Statements

It is the responsibility of the Executive Management to prepare the annual financial statements giving a true and fair representation in accordance with the rules and standards accepted in France as well as to implement the internal control procedure that it deems necessary for preparing the annual financial statements free from material misstatements, whether they are a result of fraud or error.

When preparing the annual financial statements, it is the responsibility of the Executive Management to make an assessment of the Company's ability to continue as a going concern, to present in these statements, where appropriate, the necessary information relating to the Company's ability to continue as a going concern and to apply the accounting policy with respect to the Company's ability to continue as a going concern, unless the it has been decided to liquidate the entity or terminate its activity.

It is the responsibility of the Board of Directors fulfilling the functions of the Audit Committee adhere to the financial reporting process and to efficiently monitor the internal control and risk management systems, as well as where appropriate the internal audit, with respect to procedures relating to preparing and handling accounting and financial information.

The annual accounts have been prepared by the Board of Directors.

Responsibilities of the Statutory Auditors Relating to the Audit of Annual Financial Statements

Audit goal and procedure

It is our responsibility to prepare a report on the annual financial statements. Our goal is to obtain a reasonable assurance that the annual financial statements taken as a whole are free from material misstatements.

Reasonable assurance corresponds to a high level of assurance, without however guaranteeing that an audit performed in accordance with auditing standards allows for systematic detection of material misstatements. Misstatements can arise from fraud or error and are considered material when there is a reasonable expectation that they could, individually or together, influence the economic decisions of users of the accounts made based on these accounts.

As specified in article L. 823-10-1 of the Commercial Code, our account certification mission is not to guarantee the viability or the quality of the management of your company.

Within the framework of an audit performed in compliance with the auditing standards generally acceptable in France, the statutory auditors exercised their professional judgment throughout this audit. In addition:

- the statutory auditors identify and assess the risks that the annual financial statements include material misstatements, whether they arise from fraud or error, define and implement the audit procedures given these risks, and gather the elements they deem sufficient and appropriate in order to form an opinion. The risk of non-detection of a material misstatement arising from fraud is higher than that of a material misstatement arising from error, as fraud can involve collusion, falsification, voluntary omissions, false declarations or overriding of internal controls;
- They obtain an understanding of the internal control relevant to the audit to define the suitable audit procedures in the circumstances, and not with a view to expressing an opinion on the efficiency of the internal controls;
- They evaluate the suitable nature of the accounting methods used and the reasonable nature of the accounting estimations made by the Executive Management, as well as the information concerning them provided in the annual financial statements;
- They evaluate the suitable nature of application by the Executive Management of the accounting policy concerning the ability to continue as a going concern and, according to the elements collected, the existence or otherwise of a significant uncertainty linked to events or circumstances likely to jeopardize the company's ability to continue as a going concern. This evaluation is based on elements collected up to the date of its report, bearing nonetheless in mind that subsequent circumstances or events could jeopardize the company's ability to continue as a going concern. If they conclude that a significant uncertainty exists, they draw the attention of the readers of the report to the information provided in the annual financial statements with respect to this uncertainty, or, if this information is not provided or not relevant, they formulate another certificate with qualifications or refuse to certify;
- They evaluate the presentation of the annual financial statements as a whole and assess whether the annual financial statements reflect the underlying operations and events so as to give a true and fair representation;

Report of the Board of Directors Fulfilling the Functions of the Audit Committee

We provide a report to the Board of Directors fulfilling the functions of the Audit Committee that contains in particular the extent of the work related to the audit and work program implemented, as well as the conclusions resulting from our work. We also draw to its attention, where appropriate, to the significant weaknesses in the internal control procedure that we have identified with respect to procedures relating to the development and processing of accounting and financial information.

The report given to the Board of Directors fulfilling the functions of the Audit Committee includes the risks of material misstatements that we deem the most significant for the audit of the annual financial statements for the fiscal year and that thus constitute the key points of the audit, that we are responsible for describing in this report.

We also provide the Board of Directors fulfilling the functions of the Audit Committee the declaration stipulated in article 6 of regulation (EU) No. 537-2014 confirming our independence, in the sense that the rules applicable in France as they are set out in particular in articles L. 822-10 to L. 822-14 of the Commercial Code and in the Code of Ethics for the profession of statutory auditor. Where appropriate, we discuss with the Board of Directors fulfilling the functions of the Audit Committee the risks to our independence and the safeguards applied.

Paris and Neuilly-sur-Seine, April 27, 2018

The Statutory Auditors

Audit Consultants Associés

Sarkis Canli

Constantin Associés

Member of Deloitte Touche Tohmatsu Limited

Mireille Berthelot

20.4.3. Special Report from the Statutory Auditors regarding the regulated agreements and commitments

Fiscal year ending December 31, 2017

At the Stockholders' Meeting for the company Infotel,

As your Company's Statutory Auditors, we hereby present our report on the regulated agreements and commitments.

The terms of our engagement require us to communicate to you, based on the information provided to us, the principle terms and conditions as well as the justifying reasons of interest for the company of those agreements and commitments brought to our attention or which we may have discovered during the course of our audit, without expressing an opinion on their usefulness and appropriateness or identifying other such agreements and commitments. Pursuant to Article R.225-31 of the French Commercial Code, it is your responsibility to assess the interest of these agreements and commitments for the purpose of approving them.

Furthermore, our role is to provide you with the information stipulated in Article R.225-31 of the French Commercial Code regarding the fulfilment, during the past year, of any agreements and commitments previously approved by the Annual General Stockholders' Meeting.

We have conducted the procedures we deemed necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors relating to this engagement. These procedures consisted in verifying the concordance of the information provided to us with the relevant source documents.

Agreements and commitments submitted for approval at the Annual General Stockholders' Meeting

Agreements and commitments entered into during the fiscal year

We hereby inform you that we have not been advised of the existence of any authorized agreements or commitments entered into during the fiscal year and subject to approval by the Annual General Stockholders' Meeting in accordance with the terms of Article L. 225-38 of French Commercial Code.

Agreements and commitments already approved by the Annual General Stockholders' Meeting

We hereby inform you that we have not been advised of any agreements or commitments already approved by the Annual General Stockholders' Meeting that continued to be applied in the last fiscal year.

Paris and Neuilly-sur-Seine, April 27, 2018

The Statutory Auditors

Audit Consultants Associés

Sarkis Canli

Constantin Associés
Member of Deloitte Touche Tohmatsu Limited

Mireille Berthelot

20.5. DATE OF LAST FINANCIAL DISCLOSURE

The last year for which financial information was verified is the fiscal year ending December 31, 2017.

20.6. INTERMEDIATE FINANCIAL INFORMATION

The Company publishes its financial information each quarter. The last disclosure was for the results for the year 2017, published on March 14, 2018. This disclosure was assessed and audited by the statutory auditors.

20.7. DIVIDEND POLICY

It is the Company's desire to pay dividends, although it has not implemented a strict policy for the distribution of profits between dividends and financing its activities.

Since its listing on the stock market, Infotel has always issued a dividend.

In previous years, these dividends were:

- 2014: €0.80 dividend per share;
- 2015: €1 dividend per share;
- 2016: €1 dividend per share.

The Board of Directors will offer at the Annual Stockholders' Meeting of May 31, 2018 a dividend distribution of €1.15 per share.

Dividends not claimed within 5 years of the date of payment are paid over to the State (Article 2277 of the French Civil Code).

20.8. LEGAL PROCEEDINGS AND ARBITRATION

To date, there are no governmental or legal proceedings or arbitration, including any proceedings that the Company is aware of, that are pending or are threatened, which may have or have had over the last 12 months a significant impact on the financial position or profitability of the Company.

20.9. MAJOR CHANGES IN THE FINANCIAL OR COMMERCIAL POSITION

No significant changes in the financial or business situation of Group have taken place since the end of the last fiscal year.

21. SUPPLEMENTARY INFORMATION

21.1. CAPITAL STOCK

At December 31, 2017, the capital stock was €2,662,782 divided into 6,656,955 shares of 0.4 euros each.

21.1.1. Changes in capital stock since the incorporation of the Company

Date	Transaction nature	Increase in capital	Contribution / issue premium	Total number of shares	Par value	Capital amount
December 31, 1979	Incorporation	150,000 FF	0	1,500	100 FF	150,000 FF
June 3, 1982	Capitalization of reserves	450,000 FF	0	1,500	400 FF	600,000 FF
June 7, 1983	Capitalization of reserves	1,800,000 FF	0	1,500	1,600 FF	2,400,000 FF
June 17, 1987	Capitalization of reserves	900,000 FF	0	1,500	2,200 FF	3,300,000 FF
June 17, 1987	Par value split by 22		0	33,000	100 FF	3,300,000 FF
May 30, 1988	Capitalization of reserves	1,200,000 FF	0	45,000	100 FF	4,500,000 FF
December 31, 1992	Contributions in cash (1)	14,800 FF	525 FF	45,148	100 FF	4,514,800 FF
December 31, 1995	Contributions in cash (1)	33,200 FF	525 FF	45,480	100 FF	4,548,000 FF
July 8, 1998	Capitalization of reserves	4,548,000 FF	0	90,960	100 FF	9,096,000 FF
July 8, 1998	Par value split by 10		0	909,600	10 FF	9,096,000 FF
January 21, 1999	Contributions in cash	2,550,000 FF	165.99 FF	1,164,600	10 FF	11,646,000 FF
May 31, 2001	Capitalization of reserves	3,632,550 FF	0	1,164,600	13.11 FF	15,278,550 FF
December 31, 2003	Contributions in cash (1)	€4,000	€7.91	1,166,600	€2	€2,233,200
December 31, 2004	Contributions in cash (1)	€17,000	€7.91	1,175,100	€2	€2,350,200
December 31, 2005	Contributions in cash (1)	€22,160	€24.58	1,186,180	€2	€2,372,360
December 31, 2006	Contributions in cash (1)	€7,876	€28.46	1,204,140	€2	€2,408,280
December 31, 2007	Contributions in cash (1)	€30,040	€24.75	1,219,160	€2	€2,438,320
May 23, 2008	Capitalization of reserves (2)	€70,480	0	1,254,400	€2	€2,508,800
December 31, 2008	Contributions in cash (1)	€33,760	€28.34	1,271,280	€2	€2,542,560
October 12, 2009	Capitalization of reserves (2)	€106,770	0	1,324,665	€2	€2,649,330
October 12, 2009	Contributions in cash (1)	€252	€28	1,324,791	€2	€2,649,582
December 31, 2009	Contributions in cash (1)	€200	€33.50	1,324,891	€2	€2,649,782
December 31, 2010	Contributions in cash (1)	€9,400	€21.94	1,329,591	€2	€2,659,182
December 31, 2011	Contributions in cash (1)	€2,200	€35.91	1,330,691	€2	€2,661,382
December 31, 2012	Contributions in cash (1)	€1,400	€37.30	1,331,391	€2	€2,662,782
May 21, 2014	Shares split by five		0	6,656,955	€0.4	€2,662,782

(1) employee subscription as part of a stock option plan.

(2) allocation of free stock.

The stock and assets of the Company were not subject to any collateralization.

21.1.2. Granted, Outstanding Stock

AGM	Delegation type	Amount granted	Date	Amount exercised
May 31, 2017	Stock options and securities issued	1,300,000 Euros	July 31, 2019	0
May 31, 2017	Stock repurchase	10% of the capital of the Company calculated on the purchase decision date, deducted from the stock resold as part of this authorization	November 30, 2018	0

At December 31, 2017, there were no outstanding diluted stock that may represent a potential dilution of the capital stock at that date.

21.1.3. Non-Equity Stock

There are no non-equity stocks.

21.1.4. Treasury Stock

Pursuant to Article 225-209 of the French Commercial Code, the Annual General Stockholders' Meeting may authorize the Company to purchase on the regulated market, treasury stock to a maximum amount of 10% of the capital stock in order to stimulate the market or the liquidity of the share, through an investment partner, perform external growth operations, cancel shares acquired, allocate them to security holders by providing access to the capital or allocate them to employees or corporate officers as part of a stock options plan, free share allocation or a company savings plan.

All authorizations by the General Stockholders' Meeting must establish the conditions for the operation and notably, the maximum purchase price and the date on which the acquisition can be made, not exceeding eighteen months.

Along these lines, the Annual General Stockholders' Meeting for the years 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015 and 2016 agreed to such authorizations.

On December 31, 2017, the Company held 2,950 shares at a par value of €0.40 each, representing a book value of 155 thousand euros.

The Annual General Stockholder' Meeting of May 31, 2017 authorized the Board of Directors to acquire on the regulated market, a maximum number of shares corresponding to 10% of the capital stock of the Company calculated at the purchase decision date, deducting the stock resold during the authorization period according to the provisions of Article 225-209 of the French Commercial Code and fixed at a maximum purchase price of 90 euros.

This authorization is valid for a duration of eighteen months. It cancels and replaces that which was given by the Annual General Stockholders' Meeting of May 25, 2016.

No treasury stock purchases were made as part of the stock repurchase between January 1 and December 31, 2017. On December 31, 2017, the Company held 2,950 treasury shares purchased as part of the liquidity agreement. On December 31, 2017, the Company did not hold any treasury shares purchased as part of previous stock repurchase plans.

The transactions performed as part of the liquidity agreement finalized with the company Gilbert Dupont, between January 1, 2017 and December 31, 2017 are as follows:

	Quantity	Weighted average cost	Gross amount
Purchase	87,876	€46,6986	€4,103,686
Sale	87,988	€46,4907	€4,090,620

21.1.5. Complex Securities

There are no convertible, exchangeable securities or other subscription warrants.

21.1.6. Acquisition and/or Bond Rights for Unreleased Capital

There are no acquisition and/or bond rights associated with the subscribed capital that is not released.

21.1.7. Options or Conditional Agreements for Group Members

There are no capital portions belonging to a Group member subject to an option or a conditional or unconditional agreement.

21.1.8. History of Capital Stock

This information is described au-dessus in paragraph 21.1.1 "Changes in capital stock since the incorporation of the Company" on page 132.

21.2. MEMORANDUM AND ARTICLES OF INCORPORATION

21.2.1. Corporate Purpose

Article 3 of the Articles of Incorporation defines the corporate purpose as:

"The Company's purpose, both in France and abroad, and in the following domains, is:

- consulting and provision of IT and electronic services;
- analysis, programming, execution and sale of software;
- advisory consulting, expertise and auditing regarding IT hardware purchase, the development of application programs or systems, and the organization of IT departments;
- support in the implementation of transmission networks;
- staff training;
- hire, sale of electronic material or for its partial use;
- and in general, all industrial, commercial, tangible and intangible property, and financial operations associated directly or indirectly in their entirety or in part with any of the purposes specified above and similar or related purposes."

21.2.2. Members of the Management Bodies

Articles 16, 17 and 20 of the Articles of Incorporation respectively define the composition of the Board of Directors, its organization and its management and Executive Management as:

Article 16 – BOARD OF DIRECTORS

1 – Unless otherwise stipulated by legal deviations, the Company shall be managed by a Board of Directors with three members at least, and eighteen members at most.

2 – During the course of the Company's existence, the directors shall be appointed or reappointed by ordinary General Stockholders' Meeting. In any case, in the event of merger, directors may be nominated during the extraordinary General Stockholders' Meeting on the operation.

3 – The term of office for directors shall be SIX years.

This term shall start from the appointment by the ordinary Annual General Stockholders' Meeting for the financial year elapsed and held in the year in course during which the term of the director expires.

The directors may be reappointed. Their appointment may be revoked at any stage by ordinary General Stockholders' Meeting.

4 – Individuals over 90 years of age may not be appointed as director if their nomination means that more than a third of the members of the Board are over this age. If this proportion is exceeded, the oldest director is deemed to have withdrawn from office at the ordinary Annual Shareholders' Meeting for the year in which this proportion is exceeded.

5 – The directors may be individuals or legal entities. Legal entities, on their nomination, must designate a permanent representative who is subject to the same conditions and obligations and who carries out the same responsibilities as if they were a director themselves, notwithstanding the group liability of the legal entity they represent.

When the permanent representative of the legal entity reaches the end of his or her term, the legal entity must notify, by registered mail, the Company immediately of their decision and the identity of the new permanent representative. The above is also applicable in the event of the decease or the resignation of the permanent representative.

6 – In the event of vacancy due to the decease or the resignation of one or more directors, the Board of Directors may, between two Annual General Stockholders' Meetings, proceed to appoint a director or directors temporarily in order to complete the positions of the Board. These appointments must act deliberately in the three months of the vacancy where the number of directors is less than the statutory minimum, without which it would be below the legal minimum.

Temporary appointments made by the Board are subject to ratification at the next ordinary General Stockholders' Meeting. In the absence of such ratification, the deliberations taken and the actions accomplished remain, however, valid.

When the number of directors falls below the statutory minimum, the directors in office must immediately convene the ordinary General Stockholders' Meeting in order to complete the Board.

The director appointed to replace another director may only remain in office for the duration remaining to cover the term of their predecessor.

7 – Individuals may not simultaneously hold a position on more than five Board of Directors or Supervisory Boards of public limited companies with their corporate address in mainland France, unless in those cases stipulated by law.

8 – A Company employee may only be appointed as director if their contract is an actual position in the company. They shall not lose the benefits of this work contract. The number of directors associated with the Company through a work contract may not exceed a third of the current directors.

Article 17 – ORGANIZATION AND MANAGEMENT OF THE BOARD OF DIRECTORS

1 – The Board of Directors shall choose from its members a chairman and determine his or her remuneration. The Board shall determine the duration of his or her duties as chair, which cannot exceed that of his or her term as director.

2 – The age limit for the chairman of the Board of Directors is 90 years. If the chair exceeds that age, he or she is deemed to have withdrawn from office.

3 – The chair represents the Board of Directors. He or she shall organize and manage the work of the Board, reporting back at the General Stockholders' Meeting. He or she shall be responsible for the proper operation of the Company's bodies and for ensuring, in particular, that the directors fulfil their tasks.

4 – In the absence of the chairman or the inability to fulfil his or her duties, the Board of Directors shall nominate the chair of the meeting.

5. The Board of Directors shall nominate a secretary, who may be an Executive Director or not. He or she shall be replaced by simple decision of the Board.

Article 20 – EXECUTIVE MANAGEMENT

Forms of exercise

Pursuant to Article L.225-51-1 of the French Commercial Code, Executive Management of the company shall be assumed either by the chairman of the Board of Directors or another individual appointed by the Board of Directors who takes on the role of Chief Executive Officer.

The choice of these two forms of exercise of Executive Management is made by the Board of Directors. The decision of the Board regarding the form of exercise shall be taken by majority ruling of the directors present or represented. The Board of Director's decision shall be communicated to stockholders and third parties according to the terms and conditions stipulated by applicable law.

The option chosen by the Board of Directors shall remain valid while the Board of Directors does not make any changes in the form of exercise.

Any change in the form of exercise of Executive Management shall not require a change in the Articles of Incorporation.

Executive Management

According to the form of exercise chosen by the Board of Directors, the Chairman or Chief Executive Officer shall be responsible for the general management of the Company.

The Chief Executive Officer is appointed by the Board of Directors who determines his or her term, remuneration and, where appropriate, the limitations of his or her powers.

To exercise his or her duties, the Chief Executive Officer must be younger than 90 years. If this age limit is reached during his or her term, the Chief Executive Officer shall be deemed to have withdrawn from office and a new Chief Executive Officer shall be appointed.

The position of Chief Executive Officer can be revoked at any time by the Board of Directors. The dismissal of a non-chairman Chief Executive Officer may result in damages if it is deemed to be without reasonable grounds.

Powers of the Chief Executive Officer

The Chief Executive Officer has the broadest power to act in all circumstances on behalf of the Company. He or she exercises these powers within the corporate purpose, and under the reserve of the powers expressly allocated by law to General Stockholders' Meetings and to the Board of Directors.

He or she shall represent the Company in all its dealings with third parties. The Company is also bound by the actions of the Chief Executive Officer that are not relevant to the company's purpose, unless the Company can prove that the third party knew that the action surpassed this purpose or it should have been aware of the fact given the circumstances, although it should be clarified that simply publishing the Articles of Incorporation does not constitute as proof.

Executive Officers

Based on a proposal of the Chief Executive Officer, where this function is assumed by the chairman of the Board of Directors or another person, the Board of Directors may appoint one or more individuals responsible for assisting the Chief Executive Officer with the title of Executive Officers.

The maximum number of Executive Officers is five.

In agreement with the Chief Executive Officer, the Board of Directors shall determine the scope and term of these powers granted to Executive Officers and their remuneration.

As regards third parties, the Executive Officer or Officers hold the same powers as the Chief Executive Officer.

In the event of termination of his or her functions or his or her inability to perform as Chief Executive Officer, the Executive Officers retain, unless otherwise decided by the Board of Directors, their functions and powers until a new Chief Executive Officer is appointed.

The positions of Executive Officers may be revoked at any time, under the proposal of the Chief Executive Officer. The dismissal of an Executive Officer may result in damages if it is deemed to be without reasonable grounds.

21.2.3. Rights, Privileges and Restrictions Associated with Stock

Each share shall confer the right to a share of the profits and corporate assets proportional to the amount of the capital that it represents. Stockholders are only liable for losses up to the amount of their capital contributions. The rights and obligations associated with the stock shall be transferred to any owner thereof. The ownership of stock automatically entails full acceptance of the Articles of Incorporation and the resolutions of the General Stockholders' Meetings.

The heirs, creditors, trustees or other representatives of a stockholder may not demand for the Company's assets or valuables to be sealed or call for the division or sale by auction thereof. The stockholders may not interfere in any manner whatsoever in the actions of its administration. To exercise their rights, the stockholders shall be bound by the statements of corporate assets and liabilities and the resolutions of the General Stockholders' Meetings.

Whenever a certain number of shares is required for the exercising of any particular right, for an exchange, pooling or allocation of stock, or for a capital increase or decrease, merger or any other operation, the holders of individual shares or a number under the limit required to exercise that right shall personally see to the pooling and, where applicable, purchasing or selling the stock necessary.

Unless forbidden by law, during the Company's existence or its liquidation, all stock shall be jointly beneficiary and liable for tax exemptions and charges as well as any taxation likely to be borne by the Company, before any distribution or reimbursement, in such a way that, taking into account par value and dividend date, the stock of the same category receive the same net sum.

Double voting right

However, there are still shares with double voting rights. At the General Stockholders' Meeting of July 8, 1998, it was decided to confer double voting rights on all fully paid-up shares, which are justified as having been registered for two years in the name of the same stockholder, as well as to those issued shares allocated to a stockholder in the event of capital increase by capitalization of reserves, profits or issue premiums, where his or her previous shares already benefited from double voting right. In this decision, the holding period allows the allocation of a double voting right with retroactive status from the General Stockholders' Meeting of July 8, 1998. This double voting right ceases automatically with any share converted to bearer shares or whose ownership is transferred.

The double voting right can be abolished by resolution of the extraordinary General Stockholders' Meeting and following the ratification of the special Stockholders' Meeting for owners of the shares in this category.

On December 31, 2017, the number of shares with double voting rights was 3,490,812.

21.2.4. Change in Stockholder Rights

Any change in possible stockholder rights is associated with the acquisition of double voting rights (see paragraph 21.2.3 au-dessus).

21.2.5. Notification of Ordinary and Extraordinary General Stockholders' Meetings

The convening, holding and voting in General Stockholders' Meetings shall be performed in accordance with law. The General Stockholders' Meeting includes all stockholders of at least one share, who exercise their voting right according to the terms and conditions stipulated by the Articles of Incorporation. The right to attend or be

represented at the General Stockholders' Meeting depends on the registration of the stockholder in the Company's register two working days before the date of the meeting.

The General Stockholders' Meeting is presided by the chairman of the Board of Directors or by a member of the Board of Directors appointed by the Board for this purpose, or alternatively, by a person appointed by the General Stockholders' Meeting. The duties of the scrutineers shall be performed by two members of the General Stockholders' Meeting with the highest number of votes who accept the duties. The office appoints a secretary who can be chosen from outside the stockholders.

The resolutions of the General Stockholders' Meeting are recorded in the minutes in accordance with law. Ordinary and extraordinary General Stockholders' Meetings, held with the quorum and majority legally applicable to each, shall exercise the powers vested in them by law.

In the event of an initial public offering, a notice of meeting containing the indications stipulated by Article R 225-73 of the French Commercial Code is published in BALO, the French Official Legal Notices Bulletin, at least 30 days before the date of the General Stockholders' Meeting.

It is noted that the concept of an "*appel public à l'épargne*" (public issue) was replaced by that of an "*offre au public de titres financiers*" (public offering) since the ruling of January 22, 2009 regarding the initial public offering, and which included diverse provisions for financial matters.

21.2.6. Changes in the Control

The Articles of Incorporation do not contain any provision that may delay, defer or prevent a change in the Company's control.

21.2.7. Stockholding Thresholds

The Company's Articles of Incorporation do not anticipate any additional declaration of shareholding thresholds other than those stipulated by applicable legal provisions. It is noted that the threshold of 30% was added to the legal thresholds by French Law no. 2010-1249 of October 22, 2010, on the banking and finance regulation.

As a result, pursuant to the provision of Article L 233-7 of the French Commercial Code, all stockholders who come to hold directly or indirectly a number of shares that represent a shareholding percentage of at least equal to the following legal thresholds: 5%, 10%, 15%, 20%, 25%, 30 %, 33.33%, 50%, 66.66%, 90%, 95% of the capital stock, must disclose to the Company the number of shares held within fifteen days from exceeding one of the threshold limits.

In the event of failure to comply with this obligation, the shares exceeding the portion that should be disclosed shall be disqualified from voting according to the terms and limits established by law.

Any stockholder whose holding falls below one of these thresholds is also obliged to disclose this fact to the Company within the same fifteen-day period.

21.2.8. Changes in the Capital Stock

The Articles of Incorporation do not contemplate any stricter conditions for changes in capital stock, whether an increase or a decrease, than those applicable by law.

Therefore the conditions stipulated by law must be respected.

22. SIGNIFICANT CONTRACTS

Not applicable

23. DISCLOSURES FROM THIRD PARTIES, EXPERT DECLARATIONS AND DECLARATIONS OF INTERESTS

Not applicable

24. DOCUMENTS AVAILABLE TO THE PUBLIC

Legal documents on the Company can be viewed at its corporate headquarters:
Tour Gallieni II
36, Avenue du Général de Gaulle
93175 Bagnolet Cedex.

Corporate information is available on the company's website at: www.infotel.com.
More specially, you will find information on:

- Financial calendar;
- Press releases;
- Annual reports;
- Analysis notes;
- Stockholders' questions.

24.1. FINANCIAL CALENDAR

For information purposes, the financial calendar for 2018 is as follows:

- | | |
|--------------------------------|------------------------------------------------------|
| • 24 January, 2018 | Revenue Q4 2017 |
| • 15 March, 2018 | Audited Annual Financial Statements 2017 |
| • 15 March, 2018 morning | Analysts' meeting |
| • 27 April, 2018 | Publication of the Registration Document |
| • 31 May, 2018 afternoon | Annual General Stockholders' Meeting |
| • 31 May, 2018 evening | Revenue Q1 2018 |
| • 25 July, 2018 | Revenue Q2 2018 |
| • 19 September, 2018 | Audited results H1 2018 + half-year financial report |
| • 20 September, 2018 afternoon | Analysts' meeting |
| • 24 October, 2018 | Revenue Q3 2018 |
| • 23 January, 2019 | Revenue Q4 2018 |

25. INVESTMENT INFORMATION

Paragraph 7.2.9 on page 37 provides information on investments.

26. NON-FINANCIAL INFORMATION

Not applicable

27. CSR REPORT CORRESPONDENCE

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