SWORD
UPGRADE YOUR BUSINESS

Sword Group
2017 Financial Report
(FREE TRANSLATION OF THE ORIGINAL REPORT IN FRENCH)

2,000+ employees as at 31/12/2017

20 countries

2017 revenue: €173.5m

EBITDA: 16.0%

MAZARS

To the Shareholders of
SWORD GROUP S.E.
Société européenne

R.C.S. Luxembourg B 168.244

2-4, rue d'Arlon
L-8399 WINDHOF

AUDITOR'S REPORT RELATED TO THE AGREEED UPON PROCEDURES PERFORMED ON THE TRANSLATED CONSOLIDATED FINANCIAL STATEMENTS AND STATUTORY FINANCIAL STATEMENTS

We have performed the procedures agreed with you and enumerated below with respect to the translated consolidated financial statements prepared under IFRS as adopted by the European Union and statutory financial statements prepared in accordance with Luxembourg legal and regulatory requirements of Sword Group S.E. as at 31 December 2017, set forth in the accompanying schedules. Our engagement was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you in evaluating the validity of the translated consolidated financial statements prepared under IFRS as adopted by the European Union and statutory financial statements prepared in accordance with Luxembourg legal and regulatory requirements for the year ended 31 December 2017 and are summarized as follows:

1. We obtained and read the free translation from French to English of the consolidated financial statements prepared under IFRS as adopted by European Union and the statutory financial statements prepared in accordance with Luxembourg legal and regulatory requirements, and we identified the discrepancies which could be misleading for the users of these financial statements.

2. We suggested a wording deemed more appropriate in the circumstances.

3. We checked the final translation based on our comments.

We report our findings below:
With respect to item 1, 2 and 3 we find the Sword Group 2017 financial report to be consistent with the original French version.

We remind you, in accordance with our engagement terms, that in case of any discrepancy which may be noted between the English translation and the French original version, only the French original version shall be considered the legal binding document on which our audit opinions have been signed.

MAZARS

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the translated consolidated financial statements prepared under IFRS as adopted by the European Union and statutory financial statements prepared in accordance with Luxembourg legal and regulatory requirements for the year ended 31 December 2017. Had we performed additional procedures or had we performed an audit or review of the financial statements in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties.

Luxembourg, 12 July 2018

For MAZARS LUXEMBOURG, Cabinet de révision agréé
10A, rue Henri M. Schnadt
L-2530 LUXEMBOURG

Olivier BIREN
Réviseur d'entreprises agréé

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1 STATEMENT BY THE PERSONS IN CHARGE OF THE 2017 FINANCIAL REPORT

Pursuant to Article 3 (2) c) of the Law of 11 January 2008, on transparency requirements for information about issuers whose securities are admitted to trading on a regulated market, as amended, we declare that these financial statements were prepared in accordance with applicable accounting standards and that they, to the best of our knowledge, give a true and fair view of the assets and financial position of Sword Group SE ("the Company") as at 31 December 2017 and of the results of its operations for the year then ended, and a description of the main risks and uncertainties facing the Company. The management report, to the best of our knowledge, presents truly and fairly the development, results and financial position of the Company.

Windhof, 26 March 2018

Jacques Mottard
Executive Chairman

2 RÉVISEUR D'ENTREPRISES AGRÉÉ (STATUTORY AUDITOR)

The statutory auditor, Mazars Luxembourg S.A., having its head office at 10a, rue Henri M. Schnadt, LU-2530 Luxembourg, was reappointed to the role for a one-year term by the Ordinary and Extraordinary General Meeting held on 28 April 2017.

3 CORPORATE BODIES

Board of Directors

Jacques Mottard, Executive Chairman and Director

François Barbier, Independent Director

Frédéric Goosse, Director and General Manager

Nicolas Mottard, Director

François-Régis Ory, Independent Director

PACBO Europe, Administration et Conseil S.à r.l. (represented by Patrice Crochet), Independent Director

4 COMPANY INFORMATION

Sword Group SE is a European company (Societas Europaea, or SE) having its headquarters at 2-4 Rue d'Arlon, 8399 Windhof, Luxembourg.

The purpose of the Company is to acquire interests, taking any form whatsoever, in any commercial, industrial or financial company, economic interest grouping (EIG) or other, whether governed by Luxembourg or foreign law.

The Company was established on 22 June 2001. Under Article 5 of the Memorandum and Articles of Association, the Company will operate for an unlimited period.

Its shares are listed on the Euronext Paris exchange under ISIN reference FR0004180578.

5 SELECTED FINANCIAL INFORMATION

Consolidated financial statements:

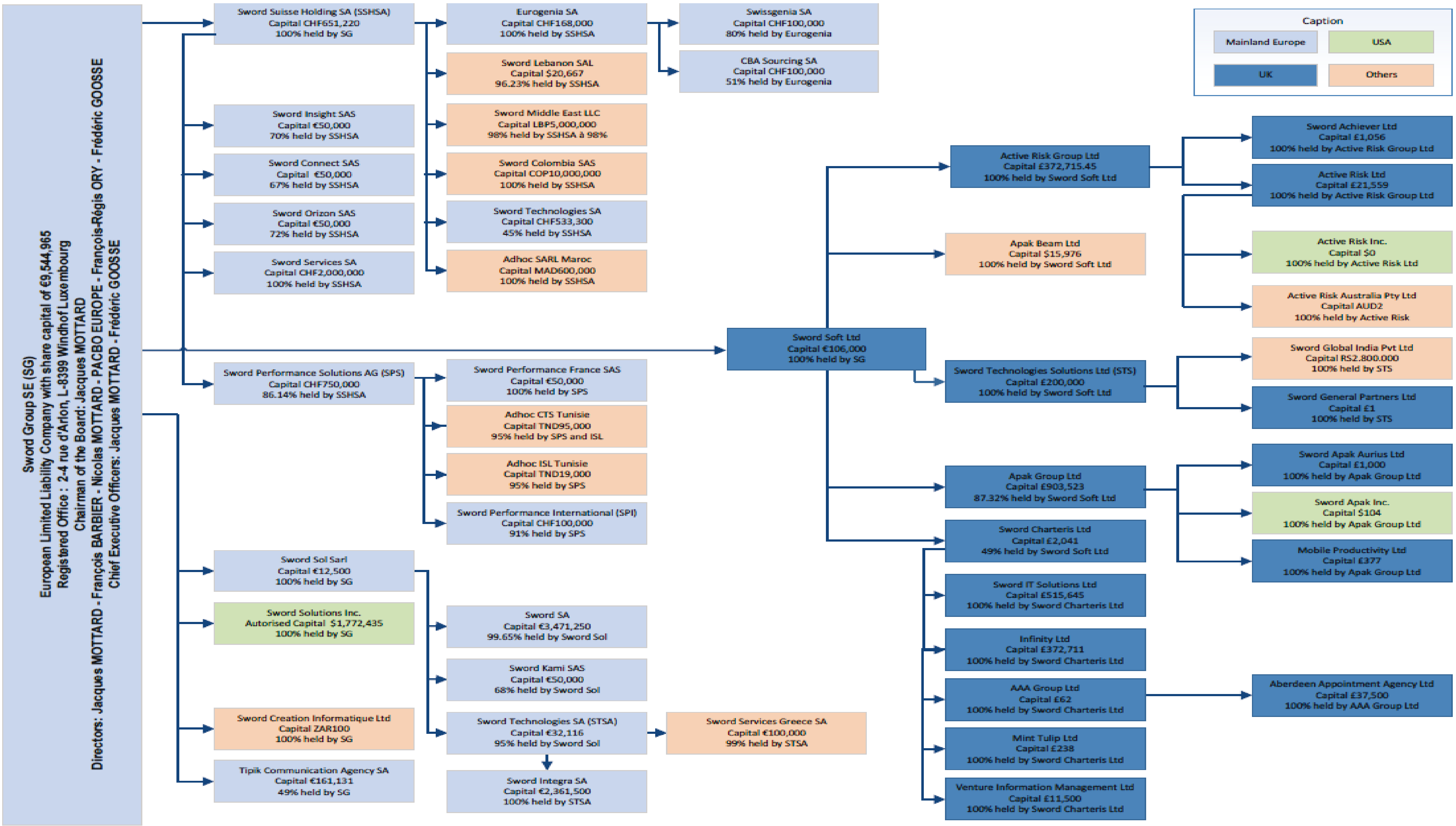
In thousands of €	As at 31/12/2017	As at 31/12/2016	As at 31/12/2015
Revenue	173,489	160,157	137,564
EBITDA	27,809	24,904	21,552
Profit for the year	11,238	10,816	10,792
Non-current assets	120,418	121,842	128,747
Cash and cash equivalents	38,479	46,196	62,112
Consolidated equity	143,332	152,168	161,293
Balance-sheet total	224,238	229,948	246,782

Statutory Financial Statements:

In thousands of €	As at 31/12/2017	As at 31/12/2016	As at 31/12/2015
Revenue and other operating income	3,502	2,808	3,165
Operating profit	482	-1,858	498
Profit or loss	- 2,778	4,543	42,405
Non-current assets	210,618	208,477	206,890
Cash and marketable securities	12,428	19,804	21,907
Equity	223,210	235,691	242,087
Balance-sheet total	241,264	255,008	263,387

6 GROUP ORGANISATION CHART

AS AT 31/12/2017:



7 OVERVIEW OF ACTIVITIES

OUR GROUP

Sword Group is an international consulting, services and software company assisting global leaders with their technological and digital transformation programmes.

Founded in June 2001, the Group, which now has more than 2,000 employees operating in over 50 countries, offers its customers a comprehensive and integrated portfolio of solutions from strategic approach to execution.

Sword takes an information systems approach and leverages powerful project management methodologies to deliver innovative solutions that address its customers' strategic challenges and their need to upgrade their information systems.

To this end, Sword has developed an industrialised production model organised around specialist service centres providing its customers with local services, high-value-added know-how, high production capacity and optimised economic approaches.

Our business covers two main areas:
- **Services**: organized in competence centers that accounts for 71.6% of the Group's revenue;
- **Software:** this accounts for 28.4% of the Group's revenue.

OUR MARKETS

Sword's range of services is designed for the local and international operations of all key accounts and public institutions. With its technological and methodological expertise, Sword is a market leader in a number of countries.

Sword has developed unique expertise in various targeted markets:
- ✓ Banking and Insurance
- ✓ European Union
- ✓ Healthcare
- ✓ Legal
- ✓ Luxury Goods and Services
- ✓ Public Sector
- ✓ Sport
- ✓ Transport

In these markets Sword is a day-to-day partner for these organisations across its entire range of services, supporting their IT strategy as with or more operational issues.
As a rule of thumb, Sword operates in highly regulated markets where knowledge of current regulations is critical.

OUR RANGE OF SERVICES

As a systems integrator and consultancy, Sword offers a range of specialised, high-added-value solutions and services. We combine an understanding of our customers' businesses with market knowledge and technical expertise to develop competitive advantages for our customers.

Sword's range of services is built around various technology niches:
- Content Services (CS) – demeterialization of documents, document management and workflow, DTP;
- Leveraging information – enterprise portal deployment, web content management, process management, collaborative work, enterprise social networking, customer relationship management, information retrieval, repository management, natural language processing;
- EAI/ESB: interconnection and interoperability of information systems – process organisation and synchronisation;
- Geographic Information Systems (GIS) – integrating the cartographic dimension into information systems;
- Business Intelligence (BI) – deployment of decision-making systems for managing and analysing enterprise data;
- Management consulting, IT strategy consulting, project management, quality assurance and testing, digital marketing and CRM, and information systems performance engineering;
- Specific and sector intranet development – healthcare, nuclear energy, pharmaceuticals and industry;
- Development of web and mobile applications;
- Infrastructure and the Cloud;
- Cybersecurity.

Sword generates more than 80% of its revenue through fixed-price contracts (obligation of results).

OUR SOFTWARE

Sword delivers flexible, complete and customised software products. They can collaborate with customers in SaaS mode, offering easy-to-use software solutions that can be deployed quickly.
Our collaborative tools are used by a host of customers and on highly regulated markets.

Sword offers three software lines:

Sword Achiever/Sword Active Risk Governance, compliance and Enterprise Risk Management (ERM) software
Sword Apak/Sword Mobile Asset financing management software
Sword Intellect Intellectual property rights management software

Products emerging from R&D are being marketed but are not yet generating significant revenue.

Sword Bizdock Project portfolio management software
Sword Citizen Software enhancing community management for the benefit of users
Sword Insight Software addressing past and future issues
Sword Kami DTP document template design software
Sword Orizon Secure telemedicine software for coordinating care and sharing details of such care

8 CORPORATE SOCIAL RESPONSIBILITY

Following the recent revision in December 2017 of the X Principles of Corporate Governance of the Luxembourg Stock Exchange, Sword Group has adopted the new principle on corporate social responsibility (CSR), covering social and environmental matters.

Since 2011, as a signatory, Sword Group has already been committed to abiding by the Ten Principles of the United Nations Global Compact, relating to human rights and labour, the environment and corruption.

By joining, the company was aspiring to demonstrate that it was a good corporate citizen in the global economy.

Sword chose the UN Global Compact as it provides a globally recognised framework as well as sustainability, and therefore the Group has ensured compliance with the 10 principles set out there ever since.

Human Rights
Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
Principle 2: make sure that they are not complicit in human rights abuses.

Labour
Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
Principle 4: the elimination of all forms of forced and compulsory labour;
Principle 5: the effective abolition of child labour; and
Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment
Principle 7: Businesses should support a precautionary approach to environmental challenges;
Principle 8: undertake initiatives to promote greater environmental responsibility; and
Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption
Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

9 CORPORATE GOVERNANCE

Governance

- At its meeting on 11 April 2012, the Board of Directors resolved:
  - to adhere voluntarily to the Ten Principles of Corporate Governance of the Luxembourg Stock Exchange;
  - to reappoint the previous Audit Committee, namely:
    - Mr François-Régis Ory, independent director and Chairman of the Audit Committee; and
    - Mr François Barbier, independent director.

- The Board of Directors' meeting on 28 August 2012 adopted the Governance Charter and the rules of procedure of the Board of Directors and the Audit Committee. In the words of that version of the Charter:
  "Following the transfer of the Company's Headquarters to the Grand Duchy of Luxembourg [at the General Meeting on 26 March 2012], the Board of Directors of SWORD GROUP adopted the present Governance Charter on 28 August 2012. The Charter presents the governance framework for the activities of SWORD GROUP, in application of the ten corporate governance principles of the Luxembourg Stock Exchange which the company subscribed to voluntarily with the exception of certain principles mentioned in the present charter. Its aim is to clarify the powers and responsibilities of the different entities that comprise the governance of SWORD GROUP.

  The present Governance Charter completes the following documents that already exist:
  - *An administrative handbook that specifies all the internal monitoring/control procedures, a welcome booklet for each member of staff, specifying their rights, their duties and their place in relation to the way in which SWORD GROUP operates,*
  - *A manual of the IFRS accounting principles, drafted by an independent firm [and currently being updated (ed.)],*
  - *A technical handbook for each country that includes the quality standards in force (CMM, ISO or ISOPRO method),*
  - *An ethical charter that was approved by the SWORD GROUP Board of Directors on 20 December 2010."*

- At its meeting on 6 November 2014, the Board of Directors updated the Governance Charter following the update of the Ten Corporate Governance Principles of the Luxembourg Stock Exchange in 2013.

  Another revision of the Ten Corporate Governance Principles, now known as the 'X Principles of Corporate Governance', that was launched by the Luxembourg Stock Exchange in December 2017 is currently being reviewed by the Board of Directors, and the Charter is expected to be amended accordingly in 2018.

The Charter is regularly updated based on changes in the governance of Sword Group as well as legislative and regulatory developments. It is available on the Sword Group website.

<u>As at 31 December 2017, the Governance Charter reads as follows:</u>

1. Structure and Organisation of the Company and the Group
SWORD GROUP is organised so that it is able to be responsive while conserving all the legal structures that are in line with consistent control and management. The role of the following major management structures should we feel be mentioned.

The Management Structures

<u>The Board of Directors</u>
- Composition
The Memorandum and Articles of Association of SWORD GROUP provide for a Board of Directors which shall have a minimum of three members and a maximum of eighteen members, except when the temporary derogation provided for mergers applies, appointed for a maximum duration of four years. The Board of Directors is comprised of competent and well-informed persons who have been chosen taking into account the specific features of the Company and its activities. As at 31 December 2017, it is comprised of six persons: Jacques Mottard, François Barbier, Frédéric Goosse, Nicolas Mottard, François-Régis Ory and PACBO Europe, Administration et Conseil S.à r.l. (represented by Patrice Crochet).

In compliance with the recommendations set out by the Luxembourg Stock Exchange, 50% of the Board of Directors are "Independent Directors", namely, François Barbier, François-Régis Ory and PACBO Europe Administration et Conseil (represented by Patrice Crochet). Moreover, none of the above Board Directors have a significant holding in the share capital of the clients or suppliers of SWORD GROUP, or in the subsidiaries of the latter.

There is no Director elected by the staff.

Should a member of the Board of Directors of the Company have or own any form of personal interest in one of the Company's transactions, the member in question shall inform the Board of Directors as to this personal interest and cannot decide or vote in relation to such a transaction.

This transaction as well as the personal interest of the Director in question in the transaction shall be the subject of a special report to the next General Shareholders' Meeting before any vote may be expressed by the said Director concerning any other resolution.

Taking account of the size of the Company, and in order to improve the efficiency of the Board's decisions, the functions of the Chairman and Chief Executive Officer are not separate. For the same reasons, the appointment of a "compliance officer" is not considered necessary.

- Board Meetings – Functioning of the Board

The Board shall meet, carry out its functions and take decisions in compliance with applicable statutory and regulatory provisions, as completed by the provisions of SWORD GROUP's Memorandum and Articles of Association. To date there are Rules of Procedure and there is no censor.

In the absence of a Works Council, no staff representative of the Company or the Group takes part on a regular basis in the Board of Director's meetings.

The budgets are forwarded to the Board annually. The Board also receives the analytical accounts on a monthly basis and the general accountancy every quarter.

The Board is informed ahead of time of any acquisition or activity creation project and more generally speaking of all significant financial operations.

For each Board of Directors' meeting, the relevant documents in relation to the agenda are sent to the members prior to the meeting. The Directors may request, at any moment in the year, any information that they consider useful on the way in which the company goes about its business.

All the Directors, executive or otherwise, have the same access to the information and resources that are necessary for the fulfilment of their terms of office.

SWORD GROUP's Memorandum and Articles of Association provide for the holding of a Board of Directors' meeting as often as appears necessary.
The Group uses its law firm to send out the invitations to attend the Board Meetings. The Board generally meets at the Headquarters and the law firm assists the Chairman for the editing of the Minutes.

Within the scope of the reinforcement of the governance rules, SWORD GROUP has set out a set of Rules of Procedure that specify the ways in which the Board of Directors functions as well as the obligations of the Directors within the scope of their functions, notably the ethical obligations.

- Remuneration of the Senior Management and Administrative Bodies

The Managing Directors are paid according to their experience and their know-how specifically within the context of the European and Global market.

The remuneration package of the Board of Directors and Senior Management may be composed of various elements such as the granting of shares, stock options or any other right to acquire shares, attendance fees, retirement and departure conditions and other specific benefits, whether they are granted by SWORD GROUP or its subsidiaries or companies within the Group.

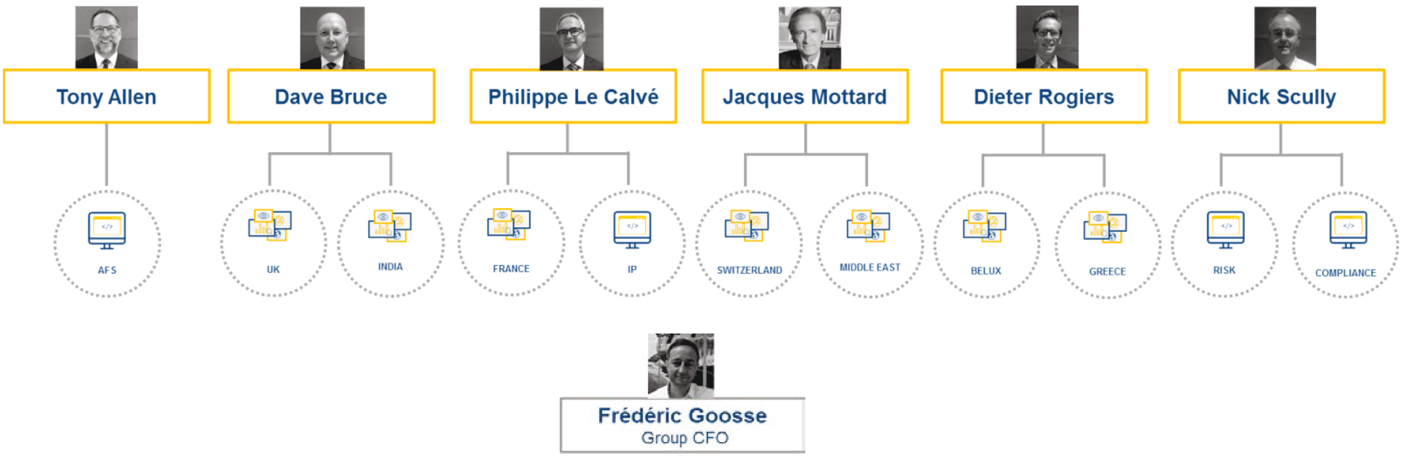
The fixed and variable parts of the remuneration package are determined in a balanced manner.

If stock options are granted, the Board of Directors fixes performance conditions as well as the number of shares resulting from each option that must be kept by the Managing Director until the end of his or her term of office.

Assessment of the Board of Directors
The Board of Directors completes its assessment every year. The Directors consider to date that the current functioning of the Board of Directors enables them to fulfil their role under good conditions.

The Executive Management Committee (EMC)
The EMC sets out the annual guidelines, monitors the business activity, defines the long-term strategy, manages the annual budget and supervise the profit centres known as 'Business Units'.

As at 31 December 2017, it is composed of:



Each member of the EMC (except Frédéric Goosse) is also the Director of a Business Unit. There are currently 32 Business Unit Directors.

The Management Committee
It is composed of the Operational Committee and all the Business Unit Directors.

The philosophy chosen for the Group's organisation is based in practice on the notion of a flat hierarchy with only two levels: on the one hand that of Business Unit Director and on the other that of Executive Management.

The persons in charge of the day-to-day management
Mr Jacques Mottard and Mr Frédéric Goosse have been appointed as the persons in charge of day-to-day management for a duration that expires on the day of the General Meeting that is called upton approved the Company's accounts for the year ending on 31 December 2019, held in 2020, that is called upon to approve the Company's accounts for the year ending on 31 December 2019. They may also go by the title of COO.

The Business Unit is a profit centre that is managed according to principles that are set out in an internal administrative handbook. The main management axes of the Business Unit are the following:

The analytical axis that is supported by:
- *A budget that is presented before the beginning of the year and analytical reporting that is completed at the end of the month and sent to the Executive Management and includes a breakdown of the activities, a summary of the projects, the distribution of the business activities, a summary of the "work in progress" and the work that has been "invoiced ahead of schedule", as well as analytical follow-up of the projects.*
- *The feedback from the Executive Management to the Business Unit concerning the analytical profit and loss account.*

The General accountancy axis
- *The entities that have their own accountancy department report directly to the Administrative and Financial Department.*
- *The Administrative and Financial Department manages the cash flow needs of the different companies in the Group centrally: if the cash flow from one subsidiary serves the financing needs of another, the holding manages the remuneration of the capital lent so that the subsidiary with the excess cash receives the interest on its loans.*

The Commercial axis
Each month, all the actors of each of the committees complete the same weekly report as the Sales Engineers, associated with the report on the sales contacts made during the week, and send it to their respective line managers.
These reports, consolidated at Group level, make it possible to:

- *Monitor the possible actions taken by the various actors for the same clients,*
- *Quantify the number of new projects for which a quotation has been prepared,*
- *Quantify the number of new contracts signed,*
- *Check the number of deals lost and what they were worth.*

The Operational Committee is in charge of coordinating all the Sales actors including the Business Unit Directors.

The Technical axis
The role of the Technical Director is a multifaceted role at SWORD. From a strategic perspective, he participates in devising the technological directions of the Company in direct collaboration with the Executive Management. As such, he manages part of the technological watchdog via a network of technical advisors within the Group. From an operational perspective, his role is divided between presales (development of responses, value proposals in the upstream phase), development (contribution of an external viewpoint regarding the solutions implemented) and after-sales (follow-up of the services provided and of any future developments).

Each proposal is prepared by Project Managers and is checked by the Technical Director in terms of days and by the Business Unit Director from a financial point of view. The latter can undertake a financial commitment for up to €400,000 (compared with €1,000,000 for the Operational Director). Beyond this amount, the Executive Management must be consulted.

Each project is monitored by a Project Manager who produces a summary of fixed-price projects, providing an update on the stage reached in the project and any differences compared with the initial estimate.

All the project follow-up forms are checked by the Technical Management. A summary of the project stages and the gaps is compiled at Group level on a per-operation basis.

Any delays (commercial concessions on project sites) must be debited when they occur throughout the project process. All the savings (ahead of schedule in relation to the initial estimate) are added at the end of the project.

Any project that is over 5% late forms the subject of an audit by the Technical Management of another operation.

All the days that are not invoiced by the billable staff may only in principle be allocated to the three following fields: training, management and commercial concession.
Any increase in the number of days not billed in a month by a Business Unit is subject to a detailed analysis in order to ensure that the commercial concessions have been allocated correctly.

Reporting, meetings, delegations
<u>Reporting</u>
A Business Unit prepares:

- *Its draft salaries on the 10th day of each month,*
- *The analytical reporting on the last working day of each month before midday,*
- *The commercial situation on the fifth working day of each month,*
- *The monitoring of staff travel expenses on the 5th of each month.*

Each Business Unit Director shall prepare a career management and wages summary of their staff every six months with assistance from the Technical Director with any proposals for a salary increase, for training or career development for each member of staff in order to prepare the twice-yearly remuneration committee.

Each case shall be reviewed with the Operational Directors and the Executive Management.

Each Business Unit Director shall prepare a budget proposal for the following year before 15 November of each year. This shall be reviewed in the annual budget committee meeting.

<u>Meetings</u>
Each week, the Business Unit Director shall hold a meeting with his/her technical and sales managers in order to review the management of their profit centre from a commercial, technical, and managerial perspective in the light of the weekly reports.

Each Operational Director shall hold a meeting with their Business Unit Directors once a month, together with the Sales and Technical Managers in order to check the action taken by each entity and to coordinate the Business Units.

Every month, the Executive Management Committee shall meet for a day in order to check all the information summaries received and propose any possible corrective actions to the Operational Committee and to define the acquisitions strategy.

Every two months, the Operational Committee and the Executive Management Committee meet in order to:
- *Summarise the exchanges between the Executive Management Committee and the Operational Committee over the two previous months,*
- *Produce an update on the follow-up of the Business Units,*
- *Define the strategy for the year and any corrective actions.*

Once a year, all the Group's staff must meet their Manager for an in-depth career and wages interview. This must take place outside the context of the daily exchanges between the Directors and their staff. Once every six months, the Executive Management Committee, the Operational Committee and the Management Committee shall meet for a "Career Committee Meeting".
Once a year, a Budget Committee Meeting shall be combined with the "Career Committee Meeting".

Powers to represent the company
- *The Commercial Engineer has delegated authority to represent the Company with clients.*
- *The Project Manager has the power to technically manage his staff and manage the progress in days for each project, provided this has no adverse effect on the operating account.*
- *The Technical Director monitors the Project Managers and personally manages large projects (above K€400).*
- *The Business Unit Director has the power to hire staff, within the scope of his budget and according to the Group procedure, to incur the expenses provided for in his budget and to sign contracts with clients for up to K€400. If these expenses exceed the budget that has been allocated to him, the said powers shall be withdrawn until the situation returns to normal. The Business Unit Director must then ask the Executive Management Committee before incurring expenses or before recruiting staff.*
- *The Business Unit Director cannot incur investment expenses without a prior purchase request for approval sent to the Executive Management, nor expenses that are likely to have a long-term impact such as rent and that are subject to the equivalent procedure of approval from the Executive Management.*
- *The Operational Director may validly commit the Company on contracts up to a limit of K€1000 , and has the powers that were formerly granted to the Business Unit Directors following the loss of their powers.*

From a general perspective, no-one may decide to incur expenses and, at the same time, make the corresponding payments. For instance, the head of the profit centre shall approve supplier invoices under his/her signature whereas the Financial Management will make the payment.

Management of the staff Committees
Staff are recruited based on a defined procedure (definition of the profile, formalised interview with two different persons, tests). The new recruit is integrated on his first day during the course of which the entity assistant presents the welcome booklet and administrative handbook.

The new recruit is followed by the Project Manager and/or Technical Director who must periodically give an opinion on the person's potential for development.

Each quarter, the staff member takes part in an entity meeting that provides him with all the desired information on the Company. Every six months, his situation is studied at the Career Committee. Each year (at least once) the person has a formalised interview.

2. Structure of SWORD GROUP's shareholding and its control

Capital and shares

The share capital is €9,544,965 (nine million five hundred and forty-four thousand nine hundred and sixty-five euro). It shall be divided into 9,544,965 shares worth €1 each, fully paid up and all of the same class.

The authorisation granted to the Board of Directors for the Company's authorised capital expired on 2 May 2017 and has not been renewed by the shareholders.

Shares may be registered or bearer shares at the discretion of the shareholder. If Luxembourg Law permits, shares may also be issued in paperless format.

If Luxembourg Law permits the issue of paperless shares, the registered and bearer shares must be converted into dematerialised shares within two years, starting on the date on which the issue of dematerialised shares is authorised, in accordance with the conditions provided by law, and implemented by the Board of Directors.

Any shareholder, acting alone or in concert, who owns more than 5%, 10%, 15%, 20%, 25%, a third, half or two thirds of the capital or the voting rights is obliged to inform the Company of the total number of shares and voting rights held, by registered letter with acknowledgement of receipt, within four stock exchange trading days starting on the day where they became aware that they had exceeded these shareholding thresholds. The same will apply each time the person's holding becomes lower than one of the said thresholds.

This information will also be provided to the Financial Sector Supervisory Commission within (i) 6 trading days of any transaction and (ii) 4 trading days from the date the said shareholding thresholds are crossed due to an event that modifies the distribution of the voting rights.

If the shares have not been properly disclosed, the shares exceeding the fraction that should have been declared shall be deprived of voting rights until proper notification is made.

The shares are freely tradable, notwithstanding any legal or regulatory provisions to the contrary.

Any transfer of nominative shares must be recorded in the Company's shareholders' register with a declaration of the transfer entered in the register, dated and signed by the transferor and the transferee or their representative(s) and according to the rules that govern the transfer of debt claims as specified under Article 1690 of the Luxembourg Civil Code. Moreover, the company shall be able to accept and enter in the shareholders' register any sale that is referenced in any letter or other document that mentions the agreement between the transferor and the transferee.

Modifications of the share capital

1 – The share capital may be increased by whatever means and according to all the procedures provided for by the law.

Payment for newly created shares may be made in cash, either by set-off against claims for liquidated amounts due by the Company or by incorporating reserves, profits or share premiums or by a contribution in kind or through the conversion of bonds.

Only the Extraordinary General Meeting shall have power to decide any increase in capital. It may also delegate this power to the Board of Directors within the amount of the capital authorised by the Memorandum and Articles of Association.

The Board of Directors may decide to restrict increases in capital only for payments in cash corresponding to the amount subscribed.

In the event of a capital increase through the issue of shares for cash, preferential subscription rights shall be given to the owners of the existing shares in compliance with the provisions laid down by the law.

However, Shareholders may individually renounce their preemptive right of subscription during the General Meeting that resolves or authorises the share capital increase. In addition, the shareholders may, in the General Meeting, cancel this pre-emptive right in compliance with legal requirements.

2 – A capital increase may also arise following a request made by any shareholder to receive payment of all or part of the dividends to be distributed, in the form of shares when shareholders have been granted the right to do so by a resolution of the General Meeting or by the Board of Directors within the scope of a capital increase up to the amount of the authorised capital as defined under Article 8 of the Memorandum and Articles of Association and under Article 2.1 of the present charter.

In such a case, the Board of Directors, shall within the statutory time limit, record the number of shares issued by virtue of the previous paragraph and shall proceed to record changes to the Memorandum and Articles of Association by a Notarial deed.

The Extraordinary General Meeting may also delegate to the Board of Directors the implementation of the reduction of the share capital.

The Board of Directors may repurchase Company shares, within the limits provided by law and the authorisation given by the Extraordinary General Meeting.

Share listing
The Company's shares are quoted on EURONEXT Paris (Compartiment B). The number of shares in circulation amounts to 9,544,965.

Information concerning the Company's share price is available on its Internet site (www.sword-group.com).

Acquisitions and disposal of own shares

SWORD GROUP may be in a situation whereby it holds its own shares and carries out transactions in relation to its own shares, within the limits provided by law and the authorisation granted by the Shareholders' General Meeting

Detailed information on these operations is regularly provided to the CSSF and is featured on the SWORD GROUP Website.

Shareholders

Main shareholders
Jacques Mottard and Nicolas Mottard, including the holding of Financière Sémaphore, globally owns 17.9% of the capital.

The floating shareholders represent 78.7% of the capital.

Powers and General Meetings
The shareholders shall be given notice to attend the General Meetings in compliance with the legal and statutory provisions. Article 18 of the Memorandum and Articles of Association provides general rules for the Shareholders' General Meetings.

Notices convening general meetings

The shareholders shall meet at the Annual General Meeting on 28 April of each year at 11 a.m in the place where the Headquarters of the Company are located or at another place indicated in the notice to attend the General Meeting.

If the date of the meeting falls on a bank holiday, the meeting shall be scheduled on the first following working day.

Ordinary General Meetings may be called upon extraordinary notice at any time of the year by the Board of Directors.

One or more shareholders that together own 10% at least of the subscribed capital may request that a General Meeting be called. The notice to convene such a meeting shall state the items on the agenda.

The form of the meeting and the required notice period are as provided by law. Notices of meeting must indicate the location of the meeting, which may be held at the registered office or at any other location, and the agenda.

Agenda

The agenda is set by the person who calls the meeting. It contains, if appropriate, the proposals made by one or several of the shareholders that together own 5% at least of the subscribed capital. These shareholders may request that one or more new items to be included in the agenda of any General Meeting, subject to the time limits and procedures provided by law.

When a Meeting has not been able to deliberate validly in the absence of the required quorum, a second Meeting shall be convened in the same manner as the first and the notice of Meeting notice shall indicate the date of the first meeting.

Admission to the meetings – Powers

All shareholders shall be entitled to attend the General Meetings personally or by proxy, whatever the number of shares that they own, on presentation of proof of identity and share ownership, in the form:

- *Either of a nominative registration in their name,*
- *Or an entry of the shares in an account in the name of the shareholder or of the intermediary who is registered to represent them, on the third working day that precedes the General Meeting at midnight, Paris time, or in the registered share accounts held by the Company, or in the bearer share accounts held by the authorised intermediary.*

However, the Board of Directors may reduce or waive such a notice period provided that it is to the benefit of all the shareholders.

The shareholders may submit their vote by post and must in order to do so request a postal voting form from the Company. This form will include the information relating to the General Meeting in question and will be drafted in such a way that the shareholder shall be able to cast their vote for each of the resolutions proposed, in the order in which they are presented at the Meeting. The request for the form must be addressed to the Company by any means and must be deposited or received at the registered office at least six days prior to the Meeting.

The ballot paper to be acceptable, must contain the following information:

- *The indication of the surnames, first name and place of residence of the shareholder,*
- *An indication of the form, registered or bearer, in which the shares are held, the number of shares held and the indication establishing the registration of the shares either in the registered nominative share accounts held by the Company, or in the bearer share accounts held by the authorised financial intermediary,*
- *The signature of the shareholder or their legal representative.*

The votes cast by post must, in order to be taken into account, reach the Company at least three days prior to the date of the General Meeting.

A shareholder can be represented by a third party in accordance with the conditions provided by regulations in force.

<u>Holding of the Meeting – Bureau (Secretary of the meeting) – Minutes</u>
The General Meeting is presided by the Chairman of the Board of Directors or by a Director designated by the Board, if the invitation to attend emanates from the latter, or failing that, by a person appointed by the Meeting. It is presided by the statutory auditor or company auditor if necessary and by the court officer or by the liquidator in the other cases. The duties of the scrutineers are fulfilled by the two members of the Board who have the highest number of votes and who accept these responsibilities. The Bureau appoints a secretary who may be a shareholder or not.

The resolutions voted at the meeting are recorded in Minutes signed by the members of the Bureau and signed by the shareholders who request them.

Copies or extracts of these Minutes, to be submitted in court or elsewhere, are duly certified in the case of Ordinary General Meetings by the Chairman of the Board of Directors or a Director or the Secretary of the General Meeting and in the case of Extraordinary General Meetings, by the Notary who is the depository for the Minutes in question.

The conditions for exercising voting rights – Majority quorum
1 – The quorum shall be calculated taking into account all the shares that comprise the share capital, less those shares that are deprived of voting rights under the provisions of the law.

For postal votes, only forms duly completed and comprising a reference to the certificate of deposit of the shares, received by the Company at least three days before the Meeting is held, will be taken into consideration for calculating the quorum.

2 – The Ordinary General Meeting cannot validly conduct business on the basis of the first notice convening the general meeting, unless the shareholders present, represented or voting by mail own at least a quarter of the share capital. In the absence of such a quorum, a second General Meeting will be called, without the necessity for a quorum, in the form provided for within the provisions of Article 67-1 of the Law dated 10 August 1915 as modified relative to commercial companies.

The Extraordinary General Meeting cannot validly conduct business on the basis of the first notice convening the extraordinary general meeting unless the shareholders present, represented or voting by mail own at least half of the share capital. In the absence of such a quorum, a second General Meeting will be called, without the necessity for a quorum, in the form provided for within the provisions of Article 67-1 of the Law dated 10 August 1915 as modified relative to commercial companies.

3 – At General Meetings, each member of the Meeting shall have the same number of votes as the number of shares he/she owns or represents without any limitation, with the sole exception of the cases provided for by law.

4 – At General Meetings, voting shall take place on a show of hands, by names being called out or by a secret ballot or through the use of telecommunications, such as videoconference systems and any other means of teletransmission that make it possible to identify the shareholder taking part in the General Meeting, as may be decided by the Bureau for the meeting or the shareholders.

Resolutions of Ordinary General Meetings shall be by a majority of the validly cast votes. The validly cast votes do not include those attached to the shares for which the shareholder has not taken part in the vote, abstained from voting or returned a blank or invalid vote.

Resolutions of Extraordinary General Meetings shall be by a majority of two thirds of the validly cast votes.

Dividend Policy
In accordance with Article 24 of the Memorandum and Articles of Association, there shall initially be deducted from the profits of the accounting year less any losses from the previous years, the following items:

- *Five percent at least to constitute the legal reserve. Such a deduction will cease to be mandatory when the said reserves will have reached a sum equal to one tenth of the capital, but will resume if for any reason whatsoever this percentage is no longer reached,*
- *And any amounts to be allocated to the reserve account in accordance with the law.*

The balance, plus profits carried forward, shall comprise the distributable profit that the General Meeting, on proposal from the Board of Directors, may resolve to distribute in whole or in part as dividends, or allocated to reserve accounts, capital amortisation or carry forward.

The Extraordinary General Meeting may, subject to legal provisions, resolve the full or partial amortisation of the shares that will proportionally lose the right to a dividend and to the reimbursement of their nominal value.

This Meeting may also, subject to legal provisions, decide to convert into capital shares those shares that have been fully or partially amortised.

In general, SWORD GROUP shall follow a dividend distribution policy linked on the one hand to the profits of the year concerned and on the other, to the foreseeable development of the Group and its profitability.

3. Supervisory structures

Audit committee – other committees
The Company has an Audit Committee, comprised of Messrs François BARBIER and François-Régis ORY, independent Directors, appointed as members of the Audit Committee for the duration of their term of office as Directors.

Mr François-Régis ORY is Chairman of the Audit Committee.

With regard to the creation of an Appointments and Remuneration Committee or the creation of other specialised committees, the decision has been made not to set up such committees within SWORD GROUP, given the size of the Company.

Internal controls

We remind you that the internal control procedures in force in our Company are aimed at the following:

- *On the one hand to ensure that the operational management, transactions and employees' conduct comply with the framework of the corporate activities as defined by the senior management and by the applicable laws and regulations and by the values, standards and internal rules of the company;*
- *And on the other, to check that the accounting, financial and Management information provided to the Management of the Company accurately reflect the Company's operations and financial position.*

One of the objectives of the internal control system is to prevent and manage the risks resulting from the Company's business activity, as well as the risk of errors and fraud, in particular in the accounting and financial field.

As is the case for all audit systems, however, they cannot provide an absolute guarantee that these risks will be completely eliminated.

The internal control procedures are decided upon by the SWORD GROUP Board of Directors and an internal control officer was appointed to monitor the different risks identified by the Board of Directors in furtherance of the principes of corporate governance of the Luxembourg Stock Exchange.

Statutory auditing of the accounts

Statutory auditing of the accounts is carried out by Mazars Luxembourg S.A,, 'Cabinet de Révision Agréé' (approved audit firm).

4. The Conduct of business and transactions on SWORD GROUP shares

Conduct of business and ethics

Positioned among the global leaders in the field of business process improvement solutions for the regulated sector, SWORD GROUP places its know-how, infrastructures and experience at the disposal of its clients to help them improve their performance, enhance their efficacy and maximise their returns on investment.

SWORD GROUP does business around the world in compliance with the laws and rules and regulations in force in the various countries where SWORD GROUP and/or the subsidiaries of SWORD GROUP are located.

On 20 December 2010, the Board of Directors of SWORD GROUP adopted an Ethical Charter. The Code aims, in particular, to formalise the basic common values and principles essential to Sword Group and its employees and to affirm the ethical commitment of Sword Group in all its areas of activity, with respect to shareholders, members of the company, customers, suppliers and partners.

Transactions in SWORD GROUP shares

The Senior Management of SWORD GROUP comply with all the legislative and regulatory provisions with regard to the transactions in the shares of listed companies.

The Senior Management of SWORD GROUP regularly declare the transactions that they complete in the SWORD GROUP shares within the framework of the legal and regulatory provisions and abstain from any transactions in the SWORD GROUP shares whenever they have privileged information.

In order to warn the commission of any possible offences with regard to the holding of privileged information, SWORD GROUP has established, in compliance with the law, a list of insiders identifying these persons who hold privileged information, who work within SWORD GROUP, as well as third parties with access to such information within the scope of their professional relations with SWORD GROUP."

10 MANAGEMENT REPORT

Ladies and gentlemen,

In accordance with the applicable legal provisions and the applicable provisions of the Memorandum and Articles of Association, we have called you to this Ordinary and Extraordinary General Meeting to submit for your approval the annual accounts and consolidated financial statements for the year ended 31 December 2017.

You will also be asked to vote to confirm the following:

the authority of the General Meeting approving the conditions regarding quorums and majority voting required for Ordinary General Meetings;

- that the Board of Directors' management report, including the Group management report, has been read to you and that an agreement under Article 57 of the Law of 10 August 1915, as amended, has been concluded during the year ended 31 December 2017;
- that the statutory auditor's report on the 2017 annual accounts and the Group's consolidated financial statements have been read to you, and your approval of the performance of its duties;
- your approval of the corporate annual accounts as at 31 December 2017;
- your approval of the consolidated financial statements as at 31 December 2017;
- the allocation of the profit or loss for the year ended 31 December 2017;
- that you agree to discharge being granted to the directors for their management duties for the year 2017;
- the compensation of the directors;
- that you agree to discharge being granted to the statutory auditor for its duties for the year 2017;
- the reappointment of the statutory auditor;
- the authorities to complete formalities.

We will present the consolidated statements and corporate annual accounts to you one after the other. We will then submit these for your approval.

The required notices were duly sent to you and all documentation required by the regulations in force were made available at the company's headquarters and on the company's website within the legally required timeframe.

The statutory auditor's report will then be read to you.

Significant events in Sword Group in the year ended 31 December 2017

On 14 January 2017, the Group paid KCHF 833 (equivalent to K€774) to increase its stake in Eurogenia S.A. from 41% to 100%.

Then in April 2017, the Group spent K€2,559 on boosting its stake in its subsidiary Apak Group Ltd from 84% to 87% and K€980 on upping its stake in another subsidiary, Active Risk Group Ltd, from 96.58% to 100%.

The Group invested K€400 on 1 May 2017 in the acquisition of 18% of the capital of Plefsys IT PC ("Plefsys"), a Greek company. Under the deal in question, it pledged to pay up to K€1,500, including the amount of the original investment, to increase the Group's stake to 64% of this company's capital over a three-year period. See Notes 7 and 36.2 to the consolidated financial statements.

In October 2017, the Group forked out K€2,210 to acquire a 100% interest in Venture Information Management Ltd, a British company specialising in IT services for the oil and gas exploration and production industry. See Note 8.1 to the consolidated financial statements.

In September 2017, the Group also acquired a 100% shareholding in Minttulip Ltd, a British company and Microsoft partner specialising in cloud services – an acquisition involving an outlay of K€1,788. See Note 8.1 to the consolidated financial statements.

Crossing of shareholding thresholds

In 2017, there was only one case of such a threshold being crossed, namely:

- in a letter received on 23 August 2017, Sycomore Asset Management declared that its shareholding had dropped below the 5% threshold on 22 August 2017. This was the result of a sale of Sword Group shares on the market. Following this sale, Sycomore AM holds 471,539 shares, i.e. 4.94% of the capital and the corresponding number of voting rights (1).

  (1) On the basis of a level of capital comprising 9,544,965 shares representing as many voting rights, in accordance with paragraph 2 of Article 223-11 of the General Regulation of France's Autorité des Marchés Financiers (AMF, or Financial Markets Authority), or AMF General Regulation for short

Governance

The Annual General Meeting of 28 April 2016 renewed six directorships, namely those of Jacques Mottard, Nicolas Mottard, François Barbier, François-Régis Ory, Frédéric Goosse and PACBO Europe, Administration et Conseil S.à r.l., represented by Patrice Crochet, for a four-year term. No changes have occurred since then.

Basis for preparation and accounting principles

This part is detailed in Note 2 to the consolidated financial statements.

Group activities – Presentation of the consolidated income statement for the year ended 31 December 2017

Non-IFRS financial indicators

The non-IFRS financial indicators presented in the annual report do not fall under a set of accounting standards or principles and must not be considered a substitute for the accounting aggregates presented in accordance with the IFRS standards. The non-IFRS financial indicators must be read in conjunction with the consolidated financial statements prepared in accordance with the IFRS standards. It is also possible that Sword Group's non-IFRS financial indicators will not be comparable with other non-IFRS data used by other companies.

Management use non-IFRS financial indicators, in addition to IFRS financial information, to assess its operating performance, evaluate its ability to generate cash flow, take strategic and operational decisions and plan and set its growth objectives. The Group believes that the non-IFRS financial indicators also provide investors and financial analysts with a relevant basis for assessing the Group's operational performance over time and comparing it with that of other companies in its sector, as well as to meet valuation needs.

The Group mainly uses two non-IFRS financial indicators, i.e. the organic growth rate and a measure of profitability calculated on the basis of the EBITDA.

Organic growth is defined as revenue growth on a like-for-like basis. Organic growth on a constant exchange-rate basis corresponds to revenue growth on a like-for-like basis and at constant exchange rates.

To measure revenue growth on a like-for-like basis, the Group takes as its basis the consolidation scope at the end of the benchmark year (in this case 31 December 2017). Therefore, the consolidated revenue for years N and N-1 has been restated as follows:

- it includes revenue generated by entities acquired during year N prior to the date on which the Group took control;
- it does not include revenue generated for year N-1 and year N by companies sold during year N.

When reference is made to changes in revenue at constant exchange rates, the impact of exchange rates is eliminated by recalculating the revenue for year N-1 on the basis of exchange rates used for year N.

Organic growth can be used to assess the Group's ability to generate internal growth, in other words its ability to develop its business activities and create added value.

This report presents growth in revenue in terms of historical value before restatement, or on a like-for-like or constant exchange-rate basis.

Group profitability is defined as a gross margin rate by comparing current EBITDA with revenue.

Current EBITDA corresponds to revenue less purchases, personnel expenses, other external charges, allocations to provisions and other current operating expenses, plus write-backs on provisions and other current operating income, as presented in the consolidated income statement. In the income statement, reference is made to 'Earnings before interest, taxes, depreciation and amortisation, excluding non-recurring elements'.

This 'profitability' indicator has two objectives:

- to assess the Group's development in the medium term (excluding non-recurring costs);
- to assess the Group's capacity to generate cash flow arising from day-to-day operations (in other words, its self-financing capacity).

In addition to the indicators described above, the Group uses current EBIT (see definition below) as a starting point for assessing free cash flow when it conducts goodwill impairment tests. A sensitivity analysis was conducted in the context of these tests. It aims to ensure fluctuations, within a reasonable range, in the scenarios used as a basis for estimated financial forecasts, including EBIT expressed as a percentage of revenue.

Current EBIT (listed as 'Earnings before interest and taxes excluding non-recurring elements' in the consolidated income statement) is an aggregate similar to current EBITDA, if only in so far as it provides an indication of the Group's operating margin after deducting depreciation charges, i.e. after taking account of its investment structure.

Presentation of the simplified consolidated income statement as at 31 December 2017
The table below presents Sword Group's simplified consolidated income statement for the year ended 31 December 2017 compared with that for the year 2016.

In thousands of €	**2017**	**2016**
Revenue	173,489	160,157
EBITDA	27,809	24,904
EBIT	22,451	19,537
Profit for the year	11,238	10,816
Profit for the Group share	10,419	10,498

Activity and revenue
Consolidated revenue stood at €173.5m in 2017 with profitability of 16% (EBITDA).

The backlog as at 31 December 2017 was 24.3 months of revenue vis-à-vis the budgeted revenue for 2018.

Specialisation
The Group is now specialising in the 'digital transformation' across all divisions – Software and IT Services.

Internationalisation
The Group operates in 50 countries and has a physical presence in the form of its subsidiaries and offices in 20 countries, covering Asia Pacific, the Middle East, Europe, America and South Africa.

Expansion
All of Sword's activities comply with the Group's standards in terms of revenue, profitability and growth capacity.

Earnings before interest, taxes, depreciation and amortisation, excluding non-recurring elements (EBITDA)
Consolidated EBITDA in 2017 was K€27,809 i.e. 16% of 2017 revenue.

Earnings before interest and taxes, excluding non-recurring elements (EBIT)
Consolidated EBIT in 2017 was K€22,451, i.e. 12.9% of 2017 revenue.

Income tax and profit for the period
Corporate income tax, at an effective tax rate of 31%, on consolidated profit was K€5,019.

After income tax, the profit for the period yielded a net profit of K€11,238 i.e. 6.5% of 2017 revenue. The Group share of net profit stood at K€10,419 i.e. 6.0% of 2017 revenue, and the profit allocated to minority shareholders was K€819.

Debt, cash flow and investments
The Group's net cash (active cash – debt) dropped from €32m as at 31 December 2016 to €20.6m as at 31 December 2017.

The cash flow generated by operating activities (see cash flow table) came to K€16,426.

Gross investments for the financial year, both intangible (excluding goodwill and market shares) and tangible, stood at K€10,404.

Acquisitions
Growth operations are detailed in Note 8.1 to the consolidated financial statements.

Disposals
Disposals are detailed in Note 9.1 to the consolidated financial statements.

Breakdown of 2017 consolidated revenue
The 2017 consolidated revenue breaks down as follows:
Software: 28.4%
IT Services: 71.6%

BY DIVISION

€m	Revenue	EBITDA	%
Software	**49.2**	**14.5**	**29.5%**
Asset Finance Solutions	31.1	9.5	30.4%
Governance Risk & Compliance	12.2	3.6	29.2%
Other	5.8	1.5	25.4%
IT Services	**124.3**	**13.3**	**10.7%**
Benelux	25.0	1.9	7.5%
France	36.1	4.9	13.6%
Switzerland	23.2	2.6	11.1%
UK	26.4	2.0	7.6%
Other *(including offshore)*	13.6	1.9	13.9%
Total	**173.5**	**27.8**	**16.0%**

Percentages are given with figures in thousands of €.

Changes in the Group's main subsidiaries

SOFTWARE

(A) Governance Risk & Compliance + Other

€m	Consolidated	
	2017	2016
Revenue	18.0	20.3
EBITDA	5.1	5.2
%	28.3	25.4%

This transaction combines the Intellectual Property (IP) (20%) and Governance Risk & Compliance (GRC) (80%) products.
N.B.: In practice, the transition of GRC from licence to SaaS mode reduces the growth rate.

(B) Asset Finance Solutions

€m	Consolidated	
	2017	2016
Revenue	31.1	26.5
EBITDA	9.5	8.8
%	30.4%	33.3%

This transaction, which continued to overperform in terms of profitability (30.4%), managed to increase its organic growth, which stood at 17% in 2017.

SERVICES

(A) France

€m	Consolidated	
	2017	2016
Revenue	36.1	31.5
EBITDA	4.9	4.1
%	13.6%	12.9%

France continues to overperform in terms of its profitability targets and generates a growth rate of around 15%.

(B) Benelux

€m	Consolidated	
	2017	2016
Revenue	25.0	22.3
EBITDA	1.9	1.7
%	7.5%	7.6%

Benelux is on course to meet its ambitious 2020 plan targeting revenue of €40m.
The profit margin will continue to hover around 7%, taking into account the investments required for that growth.

(C) Switzerland

€m	Consolidated	
	2017	2016
Revenue	23.2	24.2
EBITDA	2.6	2.6
%	11.1%	10.7%

Following a reorganisation of operations in the country, Switzerland can reasonably look forward to double-digit growth while maintaining an EBITDA margin of more than 10%.

(D) UK

€m	Consolidated	
	2017	2016
Revenue	26.4	20.9
EBITDA	2.0	1.1
%	7.6%	5.4%

The UK is targeting double-digit growth. Furthermore, two small companies generating €6.8min revenue were acquired in October.

(E) Other (Offshore + Other)

€m	Consolidated	
	2017	2016
Revenue	13.6	14.4
EBITDA	1.9	1.4
%	13.9	10.0%

This item covers the revenue for Offshore, the Middle East and the USA (NYC).

GRAND TOTAL

	Consolidated	
€m	2017	2016
Revenue	173.5	160.2
EBITDA	27.8	24.9
%	16.0%	15.5%

Group head count as at 31/12/2017

2017	Billable workforce			Non-billable workforce	Total
	Staff	Sub-contractors	Total		
Software	319	69	388	48	436
IT Services	718	457	1,175	115	1,290
Offshore	144	128	272	10	282
Holding company	-	-	-	22	22
Total	1,181	654 (1)	1,835	195	2,030 (2)

(1) *427 full-time equivalents*
(2) *1,803 full-time equivalents*

Significant events occurring after year end
On 16 February 2018, the Group acquired the Swiss company IDO for a total amount of CHF 2.9 million, while on 15 January 2018, Mr Perrotey acquired 3.5% of Sword Services' share capital for a price based on the company's 2016 and 2017 financial statements and on market terms.

Outlook for 2018
The Group forecasts organic growth of 12% (on a like-for-like basis and at constant exchange rates).

Assessment of the value of goodwill and other intangible assets
An accountancy firm assisted the Group with goodwill impairment testing. The results of these tests are described in Note 12.3 to the consolidated financial statements.

Research & Development

SOFTWARE
- R&D on existing products (development of WFS, GRC and mobile applications) accounts for 14.2% of Software revenue.
- Capitalised R&D pertains to programme updates and the development of modules complementing existing ones and represents 5.8% of Software revenue.

SERVICES
R&D for existing software components is too closely bound up with projects to be examined in isolation.

Capitalised R&D accounts for 0.7% of Services revenue.
This pertains to:
- DTP document template design solutions;
- visual investigation solutions;
- cloud-based and on-site server environment management solutions.

Approval of the consolidated financial statements
We invite you to approve the consolidated financial statements for the year ended 31 December 2017 (balance sheet, income statement and notes) as submitted to you and which reveal a total consolidated profit of K€11,238 (of which the Group share is K€10,419).

Activities of Sword Group – presentation of the corporate annual accounts

Company activities in the financial year 2017 – Balance sheet and income statement
In the year 2017, the number of Sword Group employees stood at an average of one person.

Sword Group continued to perform its role of providing operational, strategic and financial leadership for the Group during 2017.

Pursuant to a new regulatory presentation for the corporate annual accounts, the figures for the previous financial year were reclassified for accounting purposes. The main figures for the year are as follows:

In €	Year N	Year N-1
Revenue	3,427,731	2,721,595
Other operating income	74,494	86,504
Other external charges	-2,688,684	-3,156,404
Personnel expenses	-139,813	-143,248
Depreciation on operating assets	-89,222	-76,474
Operating profit	584,506	-568,027
Allowances on financial assets	-6,563,028	5,199,457
Financial income	3,996,637	6,359,009
Finance costs	-1,124,028	-6,265,089
Financial result	-2,872,609	5,293,377
Current profit before tax	-3,118,890	4,725,350
Tax	340,497	-181,928
Profit/Loss	-2,778,394	4,543,422

Risk factors

The company has conducted a review of the risks and is of the opinion that there are no significant risks other than those described below.

Risks related to the activity and fixed-price contracts

In 2017, if we consider the 'Services' and the 'Software' (Products) segments' portions of fixed-price services, the services portion with guaranteed results is greater than 80%.

Fixed-price services mitigate the effects of intercontract risks on a day-to-day basis. However, they amplify the end-of-project risk and the issue of keeping the team busy between two projects.

The 'Software' segment is exposed to a limited risk, as Sword's strategy is based on upgrading existing products rather than creating new products from scratch.

Sword Group's industrial methodological approach makes it possible to guarantee results while keeping to the budget and the schedule. This approach, which is based on the ISOPRO quality-assurance system, has the following features:

- compliance with ISO 9001;
- a strong commitment by Sword's Executive Management;
- the day-to-day involvement of all engineers during project execution.

For Sword Group, project quality assurance is not limited to simply drafting a Quality Assurance Plan (QA Plan). This plan's effectiveness depends on its full adoption by the various project stakeholders and is subject to quality monitoring. During the project, various participants are involved and take action that contributes to the quality of the end product.

Applying a Quality Assurance approach to a project enables:

- the documentation of the project's priority objectives;
- the implementation of the rules and the means used to achieve them;
- the implementation of the rules and the means used to control them;
- the proper targeting of actions required for the project, thereby increasing the effectiveness and level of service provided.

However, teamwork is required to achieve a quality product. Quality Assurance channels all the project stakeholders' actions to ensure the success of the project and achieve the required level of quality, but it cannot take the place of everybody having the appropriate competence and motivation, which are the basic prerequisites for a quality product.

The backlog as at 31 December 2017 was 24.3 months of revenue vis-à-vis the budgeted revenue for 2018. Part of this revenue relates to years subsequent to 2018.

The backlog includes 'signed + weighted' orders. By 'signed' we mean any order received formally; by '80% weighted' we mean a verbal order; by '50% weighted' we mean that there are still two companies on the shortlist; and by '30% weighted' we mean that we are on a shortlist, without specifying the number of remaining applicants.

Each project is monitored monthly. In the year 2017, the total of days gained and lost vis-à-vis the initial estimates for the cost of projects was positive as a result of the systematic application of the ISOPRO method.
However, any delay in a project means that all overruns estimated with respect to the project's initial budget are immediately recognised in profit or loss in the form of commercial concessions (= excess time assigned to the project not recognised in revenue).

Generally, billing for components is a major safety factor in Sword Group's quoting policy, given that the resulting revenue does not generate direct costs and may alleviate the consequences of overspending on projects.

At the recommendation of the Audit Committee, internal controls were carried out:
- control of reports, contracts and investments made in Switzerland;
- auditing of major contracts;
- auditing of infrastructure in Lyon.

Customer risks

Risk of default
Sword Group identified no significant risk in terms of customer payments.

In addition, historically speaking, the Group stands out for its high customer loyalty rate. This rate represents the number of customers who renew contracts in year N, compared with the number of customers in year N-1.

Competition risk
The competition risk is very low due to:
- Sword Group’s technological edge;
- its functional knowledge of its customers' areas of activity;
- the dispersion of its competitors, who are very different from each other;
- the nature of its customers (for example, the European institutions), which requires a considerable initial investment.

This wide spectrum of competition is actually a major benefit, especially when the customer requires a wide range of skills for its integration projects, for instance.

Sword Group's 10 largest customers accounted for 19.7% of consolidated revenue in 2017.
The leading customer accounted for 4.4% of consolidated revenue in 2017.

Risks related to IT security and technological progress
As far as hardware and local networks are concerned, a seven-strong team is dedicated to maintaining our infrastructure and, in particular, our daily data backups, which are stored in fireproof cabinets.

In addition, a civil liability insurance policy allows us to cover all risks relating to damage caused by our employees at customer sites.

Last but not least, capitalising on our know-how with our software components allows us to confidently grasp the technological advances of our partners and suppliers.

Liquidity risk
The company has negotiated contracts for the opening of credit lines with several banks to finance general corporate requirements and external growth.

	Drawdowns	Available	Covenants
Total drawing rights	K€17,000	K€108,000	Net consolidated financial debt/consolidated EBITDA less than 3.5 Net consolidated financial debt/consolidated equity less than 1

Also see Note 20 to the consolidated financial statements, which complement the previous table.
Promissory note drawing rights: earn out: see Note 20 to the consolidated financial statements.
Default and early collection clauses: see Note 20.3 to the consolidated financial statements.
Financial liabilities: see Note 20 to the consolidated financial statements.
Other bank borrowings: see Note 20 to the consolidated financial statements.

The Group has no difficulty gaining access to loans (long-term relationship with Sword Group's partner banks).

Market risks
See Note 4.3 to the consolidated financial statements.

Exchange-rate risk
See Note 4.3 (a) to the consolidated financial statements.

Interest-rate risk
See Note 4.3 (b) to the consolidated financial statements.

Equity risk
Treasury shares
The Company may end up holding treasury shares under the share repurchase programme authorised by the Extraordinary General Meeting on 28 April 2017, redeemable at 5% of its share capital for a period of five (5) years. The objectives of share ownership under this programme are as follows:
- to provide stability for the market or liquidity as part of a liquidity contract entered into with a certified provider;
- to purchase for exchange or payment as part of external growth operations;
- to cancel shares up to a maximum of 5% of the Company's share capital, over a period of 24 months, subject to its Extraordinary General Meeting of Shareholders authorising its capital reduction.

The same Extraordinary General Meeting on 28 April 2017 authorised the Board of Directors to reduce the share capital by cancelling shares acquired through the Company's purchase of treasury shares, up to a maximum of 5% of its share capital and for a period of five (5) years.

As at 31 December 2017, Sword Group held 10,671 treasury shares.

Equity investments
Investments are selected from those that pose no real risk, i.e. risk-free cash UCITS shares, which can be used or disposed of very quickly and present no risk of impairment loss in case of interest-rate fluctuations.

Among its financial assets (securities available for sale) as at 31 December 2017, Sword Group held interests in the following companies:
- SBT: As at 31 December 2017, Sword Group held 38,861 shares in this company. As at 31 December 2017, the fair value was K€251. The change in fair value was recognised in equity.
- Interests held in other companies, the main one being Instant System (fair value of K€267).

Excluding treasury shares, the portfolio remains marginal.

Risk factors related to the acquisition policy
Sword Group is pursuing its external growth targets, although its primary strategy remains internal growth.

The Group's external growth policy has the following objectives:
- to acquire additional skills;
- to expand the geographical scope;
- to strengthen existing lines of business.

The Group uses the following tactics to limit the risks arising from this policy:
- close involvement of senior management in the implementation of acquisitions;
- systematic performance of external audits.

Details of the method used for recognising goodwill can be found in Note 2.7 to the consolidated financial statements.

Legal risks

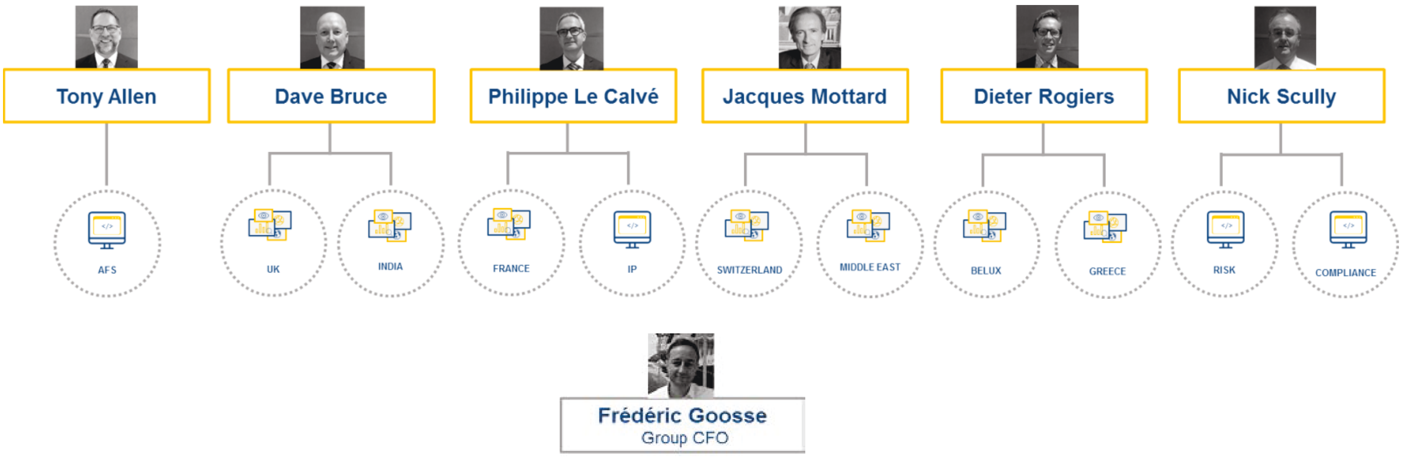
There are no current general legal risks due to business activities, apart from possible commercial or technical risks that may result from the outcome of work in progress. These detected risks are systematically subject to a provision for risks and contingencies recognised as liabilities in the balance sheet whenever these are regarded as likely.

As at 31 December 2017, there is no general legal risk associated with the Group's business that is likely to be subject to a provision, other than those that have already been provisioned.

Dependence on top managers and key individuals

Unlike other companies that rely on individuals to achieve results on the basis of their know-how, Sword Group is built firmly on software components which are improved from one project to the next and which mean that this know-how is not lost if a particular employee leaves the company.

As at 31 December 2017, the management team is made up of the following members:



Each member of the EMC (except Frédéric Goosse) is also the Director of a Business Unit. There are currently 32 Business Unit Directors.

Insurance and risk coverage

The company's general insurance policy revolves around three main areas:

- operations/post-delivery/professional civil liability for all Group companies;
- liability for the management and corporate officers of Sword Group;
- All Travel Risks liability.

Its general policy aims to cover risks having a significant financial impact and for which the Group is unable to insure itself financially.

The guarantee levels of the first-line civil liability insurance contract are as follows:

NATURE OF GUARANTEES	LIMITS OF GUARANTEES	EXCESS per claim
BODILY INJURY of which NEGLIGENCE	**€10,000,000** per claim and **€15,000,000** per year of insurance **€5,000,000** per claim and per year of insurance	**NONE**
CONSEQUENTIAL OR NON-CONSEQUENTIAL MATERIAL AND NON-MATERIAL DAMAGE including **DAMAGE USA/CANADA**	**€10,000,000** per claim and **€15,000,000** per year of insurance	**€75,000** except for operations civil liability €3,000
ACCIDENTAL HARM TO THE ENVIRONMENT (ALL TYPES OF DAMAGE)	**€1,000,000** per year of insurance	**€3,000** for all damage other than bodily injury
DEFENCE	included in the guarantee	**NONE** Except where provided in Article 2.2.2. of the Special Agreements (USA/Canada)
LITIGATION	**€50,000** per dispute	**NONE**
ADDITIONAL GUARANTEES PERFORMANCE GUARANTEE ADDITIONAL INSURED CUSTOMER GUARANTEE	Included Included	

Sword Group has also taken out second-line insurance to double the guarantee levels for the first-line civil liability insurance. The guarantees of the second-line contract are €10,000,000 per claim and €15,000,000 per surplus year of insurance and/or after exhaustion of the €10,000,000 per claim and €15,000,000 per year of insurance provided for in the first-line contract.

Insurance for management and corporate officers covers all Sword Group subsidiaries, encompassing, on behalf of the insured parties, the defence costs and financial consequences of legal action against them incurring their civil and/or criminal liability and based on any type of fault, up to the policy limit (€15,000,000 per year of insurance).

All Travel Risks insurance covers employee travel.

An analysis of the Group's risks does not reveal any significant risk not covered by an insurance contract.

Extraordinary events and current litigation
To the company's knowledge, apart from litigation that has not been provided for in the accounts, there have not been any events or litigation that could lead to such a situation and could have or have had an impact on the results in the last 12 months, the financial position or the assets of Sword Group or any of its subsidiaries.

Provisions setup policy
The level of provisions for risks and contingencies is due to BU management's rigorous approach regarding the risks covered.
Provisions are recognised for these risks and contingencies on the basis of the best estimate of costs likely to be borne. The total sum of provisions for non-current risks and contingencies stood at K€688in the consolidated financial statements as at 31 December 2017.

Shareholder structure

Breakdown of capital at year end (31 December 2017):

Shareholders	Number of shares	% of capital
Financière Sémaphore	1,706,280	17.9%
Treasury shares	10,671	0.1%
Employees and miscellaneous registered shareholders	315,655	3.3%
Floating stock	7,512,359	78.7%
Total	9,544,965	100.0%

Variations in the share price:

2017	**As at 31 January 2018**
Highest closing price: €37.50 (on 26 June 2017)	Highest closing price: €37.25 (on 31 January 2018)
Lowest closing price: €27.75 (on 19 January 2017)	Lowest closing price: €32.50 (on 18 January 2018)
Number of shares traded on stock market: 7,344 (1)	Number of shares traded on stock market: 14,193 (2)

(1) This is the average number of shares traded in 2017, a year in which a total of 1,872,822 shares were traded.
(2) This is the average number of shares traded in January 2018, a month in which a total of 312,254 shares were traded.

Information on the acquisition and sale by the company of treasury shares as at 31 December 2017:

Number of shares held by the Company as at 31 December 2016	105,809
Number of shares purchased in 2017	62,924
Number of shares sold in 2017	158,062
Number of shares held by the company as at 31 December 2017	10,671

The company acquired treasury shares in accordance with the authorisation granted by the Extraordinary General Meeting of 28 April 2017 in its Resolution 8 relating to the agreed objectives of that meeting.

Issuer's statement regarding transactions involving treasury shares as at 31 December 2017:

Percentage of capital held by the issuer either directly or indirectly	0.1%
Number of shares cancelled in the past 24 months	-
Number of shares held	10,671
Portfolio carrying amount as at 31 December 2017	€356,641.38
Portfolio market value as at 31 December 2017	€361,106.64

	Accumulated gross flows 2017		**Outstanding positions as at 31 December 2017**	
Number of shares	Purchases 62,924	Sales 158,062	For purchase	For sale
Maximum average	-	-	-	-
Average price	€32.5914	€29.7308	-	-
Average exercise price	-	-	-	-
Amounts	€2,050,780.00	€4,699,307.90	-	-

Sword Group did not use derivatives in this share repurchase programme.

Proposed allocation of profit or loss
We invite you to approve the corporate annual accounts for the year ended 31 December 2017 (balance sheet, income statement and notes), showing a loss of **€2,778,394**, such as they are presented to you.

We would hereby like to remind you that the sum of €356,641.38 appears under *'Reserve for treasury shares'* as the company held 10,671 treasury shares as at 31 December 2017.

Therefore, we suggest that the result be allocated as follows.

Loss for the year	**- €2,778,393.82**
with the addition of the following items:	
from distributable profit or loss carried forward:	€144,456,910.61
plus the share premium:	€70,676,064.46
resulting in a distributable profit of:	€212,354,581.25
which Is appropriated to the following items:	
Dividends*	€11,453,958.00
Profit or loss carried forward	€200,900,623.25

*** The net dividend per share would be €1.20.**

In terms of taxation, in accordance with Luxembourg law, dividend distributions are in principle subject to a 15% withholding tax in Luxembourg.

However, this rate can be reduced under both tax treaties signed by Luxembourg and European law, depending on the tax residence of the recipient and under his or her own responsibility. In such a case, a refund request shall be sent to the Luxembourg tax authorities no later than 31 December of the year following the payment of the withholdingtax, using Form 901bis (http://www.impotsdirects.public.lu/content/dam/acd/fr/formulaires/retenue_a_la_source/pluriannuel/901bis%20FR%20EN%20I2.pdf).

In addition, subject to tax treaties and the legislation applicable in the beneficiary's country of residence, any withholding tax in Luxembourg will be eligible for a tax credit of the same amount on the tax due in that country of residence.

For information purposes, in the view of the French authorities, conventional tax credits related to the proceeds of securities of European companies registered in a PEA share savings plan and whose issuers do not have their headquarters in France are not entitled to reimbursement, in so far as income from shares placed in the PEA is tax-exempt income (see e.g. BOI-RPPM-RCM-40-50-30 of 12 September 2012).

Cross-shareholdings
The company has not had to perform transfers of shares to put an end to cross-shareholdings prohibited by Article 49a of the Law of 10 August 1915 on commercial companies.

Operations conducted by management involving shares during the year
None

Table of authorisations for capital increases
None

Financial instruments
As part of the acquisition of AAA Group Ltd in 2015, buyback options for 791 shares issued by Sword Charteris Ltd (previously referred to as "Sword IT Solutions"), representing 31% of its capital and held by individuals holding executive management positions in AAA Ltd, were granted to Sword Soft Ltd. These buyback options can be exercised at any time in a period commencing on 31 December 2019 and ending on 1 December 2025, provided that certain return targets (expressed in percentage of revenue and EBIDTA growth) are not met. The exercise price (GBP 2,077 per share) is the price paid by the holder of these shares. As at 31 December 2017, given the prospects of Sword Charteris Ltd and the conditions for exercising the options, these options had no value (as in 2016). See Notes 8 and 21 to the consolidated financial statements.

Agreements covered by Article 57 of the Law of 10 August 1915 on commercial companies – Special report
Please note that the company entered into, in respect of the period ended 31 December 2017, an agreement falling within the scope of Article 57 of the Law of 10 August 1915 on commercial companies, as amended, namely an agreement regarding the sale of a property investment company (SCI) owning an office block to Ruitor S.à r.l., a non-consolidated company sharing a common manager. This transaction, which falls within the scope of Article 57 of the Law of 10 August 1915 on commercial companies and Article 16 of the Memorandum and Articles of Association, was conducted under market conditions verified and approved by the Board of Directors with a view to improving the company's cash position.
The presentation of the financial report, including the special report, is provided for in the first resolution of the AGM (draft text of resolutions) and must be approved by the shareholders before they can move on to any other resolutions.

Offices and positions held by the company's corporate officers
In accordance with the recommendations set out in the principles of corporate governance of the Luxembourg Stock Exchange, please find below the list of all offices and positions the company's corporate officers held in any French or foreign companies during the year ended 31 December 2017.

Role	Duration	Company	End date of term
Jacques Mottard: Chairman of the Board of Directors			
Executive Chairman Director General Manager	4 years	Sword Group SE	31/12/2019 (*)
Director	Unlimited	Active Risk Group Ltd	Unlimited period
Director	Unlimited	Active Risk Ltd	Unlimited period
Director	Unlimited	Active Risk Inc.	Unlimited period
Director	Unlimited	Active Risk Australia	Unlimited period
Chairman and Director	Unlimited	Apak Group Ltd	Unlimited period
Chairman and Director	Unlimited	Apak Beam Ltd	Unlimited period
Chairman and Director	1 year	Eurogenia	31/12/2017 (*)
Manager	Unlimited	Le Connecteur by Sword	Unlimited period
Director	Unlimited	Minttulip Ltd	Unlimited period
Director	Unlimited	Mobile Productivity Ltd	Unlimited period
Chairman and Director	1 year	Swissgenia	31/12/2017 (*)
Director	Unlimited	Sword Achiever Ltd	Unlimited period
Chairman and Director	Unlimited	Sword Apak Inc	Unlimited period
Director	Unlimited	Sword Charteris	Unlimited period
Chairman	Unlimited	Sword Connect	Unlimited period
Director	Unlimited	Sword General Partner Ltd	Unlimited period
Director	Unlimited	Sword Global India	Unlimited period
Chairman and Director	6 years	Sword Integra	31/12/2018 (*)
Director	Unlimited	Sword IT Solutions Ltd	Unlimited period
Chairman of the Board of Directors	Unlimited	Sword Lebanon	Unlimited period

Partner	Unlimited	Sword Middle East FZ LLC	Unlimited period
Chairman of the Board of Directors	1 year	Sword Performance International AG	31/12/2017 (*)
Chairman of the Board of Directors	1 year	Sword Performance Solutions AG	31/12/2017 (*)
Chairman of the Board and Director	6 years	Sword S.A.	31/12/2020 (*)
Chairman	1 year	Sword Services S.A.	31/12/2017 (*)
Chairman and Director	Unlimited	Sword Soft Ltd	Unlimited period
Manager	Unlimited	Sword Sol	Unlimited period
Chairman	Unlimited	Sword Solutions Inc.	Unlimited period
Managing Director	6 years	Sword Technologies S.A. (Belgium)	31/12/2020 (*)
Chairman and Director	1 year	Sword Technologies S.A. (Switzerland)	31/12/2017 (*)
Director	Unlimited	Sword Technology Solutions Ltd	Unlimited
Chairman and Director	1 year	Sword Suisse Holding	31/12/2017 (*)
Positions held outside the Group			
Role	Duration	Company	End date of term
Director and Chairman	1 year	Ardéva S.A.	31/12/2017 (*)
Director	1 year	Bella Tola S.A.	31/12/2017 (*)
Manager	Unlimited	Financière Sémaphore S.à r.l.	Unlimited period
Director	1 year	INEA IT Group S.A.	31/12/2017 (*)
Manager	Unlimited	Maya	Unlimited period
Chairman of the Board and Director	1 year	Orny Holding S.A.	31/12/2017 (*)
Manager	Unlimited	Ruitor	Unlimited period
Manager	Unlimited	SCI Banga	Unlimited period
Manager	Unlimited	SCI Combin	Unlimited period
Manager	1 year	SCI Decan	31/12/2018 (*)
Member of the Supervisory Board	10 years	Talence Gestion	Unlimited period
Director	1 year	Veisivi Holding S.A.	31/12/2017 (*)

(*) General Meeting approving the accounts for the period

Nicolas Mottard: Director			
Role	Duration	Company	End date of term
Director	4 years	Sword Group SE	31/12/2019 (*)

(*) General Meeting approving the accounts for the period

François-Régis Ory: Director/Chairman of the Audit Committee			
Role	Duration	Company	End date of term
Chairman of the Audit Committee	4 years	Sword Group	31/12/2019 (*)
Director	4 years	Sword Group	31/12/2019 (*)
Positions held outside the Group			
Chairman	Unlimited	L'Améliane SAS	Unlimited period
Chairman	Unlimited	Florentiane SAS	Unlimited period
Chairman	Unlimited	Lypolyane SAS	Unlimited period
Director	6 years	Medicrea International S.A.	31/12/2020 (*)
Director	6 years	Olympique Lyonnais Groupe S.A.	30/06/2018 (*)
Chairman	Unlimited	ABM Medical SAS	Unlimited period
Chairman	Unlimited	ABM Ile de France SAS	Unlimited period
Chairman	Unlimited	ABM Nord SAS	Unlimited period
Manager	Unlimited	ABM Rhône Alpes S.à r.l.	Unlimited period
Manager	Unlimited	ABM Sud S.à r.l.	Unlimited period
Manager	Unlimited	SCI de Chanas	Unlimited period
Manager	Unlimited	SCI L'Amaury	Unlimited period
Manager	Unlimited	SCI L'Amelaïs	Unlimited period
Manager	Unlimited	SCI Florine	Unlimited period

(*) General Meeting approving the accounts for the period

Frédéric Goosse: Director/General Manager			
Role	Duration	Company	End date of term
Director	4 years	Sword Group	31/12/2019 (*)
General Manager	4 years	Sword Group	31/12/2019 (*)
Manager	Unlimited	Sword Sol	Unlimited period
Director	6 years	Sword Technologies	31/12/2020 (*)
Positions held outside the Group			
Co-manager	Unlimited	Financière Sémaphore	Unlimited period
Manager	Unlimited	PME Xpertise	Unlimited period

(*) General Meeting approving the accounts for the period

François Barbier: Director/Member of the Audit Committee			
Role	Duration	Company	End date of term
Director	4 years	Sword Group	31/12/2019 (*)
Member of the Audit Committee	4 years	Sword Group	31/12/2019 (*)
Positions held outside the Group			
Deputy General Manager	2 years	21 Centrale Partners	31/12/2018 (*)
Director	2 years	21 Partners SpA	31/12/2019 (*)
Chairman and Director	1 year	Advanced Coffee Investment (Swiss company)	31/12/2019 (*)
Chairman of the Supervisory Board	Open-ended	Daltys	Open-ended period

(*) General Meeting approving the accounts for the period

PACBO Europe: Director/Appointed temporarily by the Board of Directors meeting on 20 November 2013			
Role	Duration	Company	End date of term
Director	4 years	Sword Group	31/12/2019 (*)
Positions held outside the Group			
Director	N/C	Alphabet S.A.	30/06/2018 (*)
Director	N/C	Argos S.A.	30/06/2018 (*)
Director	N/C	Cafra S.A.	30/06/2018 (*)
Director	N/C	Cippus S.A.	30/06/2018 (*)
Director	N/C	Deltainvest S.A.	30/06/2018 (*)
Director	N/C	Diorasis International	30/06/2018 (*)
Director	N/C	Domanial S.A., SPF	30/06/2018 (*)
Director	N/C	Emanimmo S.A.	30/06/2018 (*)
Director	N/C	FDD, Financière de développement S.A.	30/06/2018 (*)
Manager	N/C	Felix S.à r.l.	N/C
Director	N/C	Fiver S.A. SPF	30/06/2018 (*)
Director	N/C	Gladinvest S.A.	30/06/2018 (*)
Director	N/C	Gravey S.A.	30/06/2018 (*)
Director	N/C	Grevlin S.A.	30/06/2018 (*)
Director	N/C	Haute Horlogerie Benelux S.A.	30/06/2018 (*)
Director	N/C	Helen Holdings S.A.	30/06/2018 (*)
Director	N/C	Hiorts Finance S.A.	N/C
Director	N/C	Jezara Holdings S.A.	30/06/2018 (*)
Director	N/C	Jufine S.A.	30/06/2018 (*)
Director	N/C	Lagomar S.A.	30/06/2018 (*)
Director	N/C	Lux-Food S.A.	30/06/2018 (*)
Director	N/C	Luxad S.A.	30/06/2018 (*)
Director	N/C	MHDS Investments S.A.	30/06/2018 (*)
Director	N/C	Nicoba S.A.	30/06/2018 (*)
Director	N/C	Ormylux S.à r.l.	30/06/2018 (*)
Director	N/C	Parmeria S.A. SPF	30/06/2018 (*)
Director	N/C	Philubis S.A.	30/06/2018 (*)
Director	N/C	Saran S.A.	30/06/2018 (*)
Manager	N/C	Sophialux S.à r.l.	30/06/2018 (*)
Director	N/C	Sovimo S.A.	30/06/2018 (*)
Director	N/C	Tibergest S.A.	30/06/2018 (*)
Director	N/C	TMPARIF S.A.	30/06/2018 (*)

Director	N/C	TreeTop Asset Management Luxembourg	30/06/2018 (*)
Director	N/C	TreeTop Belgium S.A.	30/06/2018 (*)
Director	N/C	Wertex S.A.	30/06/2018 (*)
Director	N/C	West Indies Invest S.A.	N/C

(*) General Meeting approving the accounts for the period

Compensation for corporate officers

The presentation of compensation for corporate officers below is consistent with the relevant recommendation (No. 8) of the principles of corporate governance of the Luxembourg Stock Exchange relating to information on compensation for such officers.

Table 1: Summary of compensation and options and shares allocated to each corporate officer

Jacques Mottard	**31/12/2017**	**31/12/2016**
Compensation due for the year *(detailed in Table 2)*	€45,163 (1)	€30,703 (1)
Valuation of the options allocated during the year *(detailed in Table 3)*	N/A	N/A
Valuation of the performance shares allocated during the year *(detailed in Table 5)*	N/A	N/A
TOTAL	€45,163	€30,703

(1) Financière Sémaphore S.à r.l., a company owned by Jacques Mottard, billed Sword Group SE for services and recharged miscellaneous fees for a total amount of:

- for the year ended 31 December 2017: €520,130.52 (excl. tax);
- for the year ended 31 December 2016, €590,000 (excl. tax).

At its meeting on 23 October 2017, the Board of Directors decided to pay Jacques Mottard a gross monthly sum of €1,000 for his duties as Chairman. This compensation amounted to a total of €8,500 in respect of the year ended 31 December 2017.

Nicolas Mottard	**31/12/2017**	**31/12/2016**
Compensation due for the year *(detailed in Table 2)*	€15,000	€20,000
Valuation of the options allocated during the year *(detailed in Table 3)*	N/A	N/A
Valuation of the performance shares allocated during the year *(detailed in Table 5)*	N/A	N/A
TOTAL	€15,000	€20,000

Frédéric Goosse	**31/12/2017**	**31/12/2016**
Compensation due for the year *(detailed in Table 2)*	€20,000	€35,000
Valuation of the options allocated during the year*(detailed in Table 3)*	N/A	N/A
Valuation of the performance shares allocated during the year *(detailed in Table 5)*	N/A	N/A
TOTAL	€20,000	€40,000

François Barbier	**31/12/2017**	**31/12/2016**
Compensation due for the year *(detailed in Table 2)*	€20,000	€35,000
Valuation of the options allocated during the year *(detailed in Table 3)*	N/A	N/A
Valuation of the performance shares allocated during the year *(detailed in Table 5)*	N/A	N/A
TOTAL	€20,000	€40,000

François-Régis Ory	**31/12/2017**	**31/12/2016**
Compensation due for the year *(detailed in Table 2)*	€20,000	€35,000
Valuation of the options allocated during the year *(detailed in Table 3)*	N/A	N/A
Valuation of the performance shares allocated during the year *(detailed in Table 5)*	N/A	N/A
TOTAL	€20,000	€40,000

Patrice Crochet	**31/12/2017**	**31/12/2016**
Compensation due for the year *(detailed in Table 2)*	€20,000	€35,000
Valuation of the options allocated during the year *(detailed in Table 3)*	N/A	N/A
Valuation of the performance shares allocated during the year *(detailed in Table 5)*	N/A	N/A
TOTAL	€20,000	€35,000

Table 2: Summary of compensation for each corporate officer

Jacques Mottard	**Amount as at 31/12/2017**		**Amount as at 31/12/2016**	
	Due	Paid	Due	Paid
Fixed compensation	€8,500	€8,500	€6,000	€6,000
Variable compensation	€0	€0	€0	€0
Special compensation	€0	€0	€0	€0
Directors' fees	€12,819	€12,819	€13,885	€13,885
Benefits in kind	€23,844	€23,844	€10,818	€10,818
TOTAL	€45,163	€45,163	€30,703	€30,703

Table 2 is only completed for Jacques Mottard because for the other officers the sums are solely made up of directors' fees.

Table 3: Share subscription or purchase options allocated during the year to each corporate officer by the company or by any Group company
Not applicable

Table 4: Share subscription or purchase options exercised during the year by each corporate officer
Not applicable

Table 5: Performance shares allocated to each corporate officer
Not applicable

Table 6: Performance shares that became available during the year for each corporate officer
Not applicable

Table 7: History of allocations of share subscription or purchase options
No subscription option schemes are currently in place.

Table 8: Share subscription or purchase option allocated to the top 10 employees who are not corporate officers and options they have exercised
Not applicable

Table 9:

	Employment contract		Top-up retirement plan		Allowances or benefits due or likely to be due as a result of termination or a change of role		Allowances related to a non-competition clause	
Corporate officers	Yes	No	Yes	No	Yes	No	Yes	No
J. Mottard - Executive Chairman		X		X		X		X

Directors' fees
We propose that the directors' fees paid to members of the Board of Directors be set at €95,000.

Reappointment of the statutory auditor
The term of Mazars Luxembourg S.A., 'Cabinet de Révision Agréé' (approved audit firm), is due to expire at this meeting. We therefore invite you to renew its term for a further period of one year or for a term expiring after the meeting called to approve the accounts for the year ended 31 December 2018.

Authorisation and powers granted to the Board of Directors for the company to purchase treasury shares
The Extraordinary General Meeting held on 28 April 2017 implemented a new share repurchase programme that will be subject to the provisions of Articles 49-2 and 72-1 of the Law of 10 August 1915 on commercial companies, as amended, European Regulation No. 2273/2003 of 22 December 2003 and the Company's Memorandum and Articles of Association.

The repurchase programme has the following objectives:
- to provide stability for the market or liquidity as part of a liquidity contract entered into with a certified provider;
- to purchase for exchange or payment as part of external growth operations;
- to allocate payouts to employees;
- to cancel shares up a maximum that cannot exceed 5% of the company's share capital, over a period of 24 months.

Authorisation to proceed accordingly is granted under the following conditions:
- the number of shares purchased by the company pursuant to such authorisation may not exceed 5% of the share capital, including shares purchased under authorisations previously granted by the General Meeting of Shareholders; within the limits specified by Articles 49-2 and 72-1 of the Law of 10 August 1915 on commercial companies, as amended, the maximum number of shares that may be acquired by the end of this programme may not result in the Company's net assets dropping below the amount of the Company's subscribed capital, supplemented by reserves which are not allowed to be distributed by law or under the Memorandum and Articles of Association;
- the acquisition price of each share in the Company may not be less than 85% of the closing market price on the day before the transaction date or greater than 115% of the closing market price on the day before the transaction date, excluding acquisition costs;
- the shares may be acquired through stock market purchases, in blocks or over the counter at market prices prevailing at that time or at a lower price;
- this authorisation was granted for a maximum period of five years, i.e. until 28 April 2022.

The Board invites you, after reading of the various reports that are presented, to adopt the resolutions submitted for your approval.

Jacques Mottard
Executive Chairman, Sword Group

11 REPORT OF THE *RÉVISEUR D'ENTREPRISES AGRÉÉ* (STATUTORY AUDITOR) ON THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

Report on the Financial Statements

Opinion

We have audited the financial statements of Sword Group SE (the "Company"), which comprise the balance sheet as at 31 December 2017 and the profit and loss account for the year then ended and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

Basis for Opinion

We conducted our audit in accordance with EU Regulation No. 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the 'Commission de Surveillance du Secteur Financier' (CSSF) [Financial Sector Supervisory Commission]. Our responsibilities under the under those Regulation, Law and standards are further described in the 'Responsibilities of the 'Réviseur d'Entreprises Agréé' (statutory auditor) for the Audit of the Financial Statements' section of our report. We are also independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reasons for which a key audit matter has been raised	Response to the identified key audit matter
Shares in associates and other interests	
As at 31 December 2017, the Company owns a number of subsidiaries, recognised at acquisition cost, which may be subject to allowances in case of a permanent decrease in their value. The valuation of these investments is significant for our audit, given the carrying amount thereof and the judgement required in assessing the permanent nature of any allowance.	Tests of substantive details have been conducted to ensure the existence of investments as well as the reconciliation of movements of shareholders' funds in the course of the year. We assessed management's handling of indicators of potential losses. In this assessment, the net carrying amount is used as a starting point for evaluating whether a loss is permanent, in addition to a qualitative analysis. We have also reviewed the adequacy of the information in Notes 5.1 'Investments in associates' and 5.2 'Investments in companies with which there is a shareholding link'.

Key observations communicated to those charged with governance	Based on the audit procedures carried out, we have identified no material misstatements.
Reasons for which a key audit matter has been raised	**Response to the identified key audit matter**
Revenue recognition	
The Company provides management services, as described in Note 10 to the financial statements, to various subsidiaries. International Standards on Auditing require auditors to assume a fraud risk in revenue recognition when initially assessing the risk of material misstatements.	Our procedures included evaluating the income recognition method for management services contracts and the design and effectiveness of management controls regarding income-recognition analysis and the identification of unusual contractual conditions. Detailed substantive procedures have been carried out with regard to the cost-plus analysis and testing of the calculation of management fees and margin validation.
Key observations communicated to those charged with governance	Based on the audit procedures carried out, we have identified no material misstatements.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the management report and the Corporate governance Statement but does not include the financial statements and our report of "Révisuer d'Entreprises Agréé" thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and Those Charged with Governance for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of financial statements, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and the Company's status as a using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Responsibilities of the 'Réviseur d'Entreprises Agréé' for the Audit of the Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of "Réviseur d'Entreprises Agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee, that an audit conducted in accordance with EU Regulation No. 537/2014 and the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with EU Regulation No. 537/2014 and the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

→ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;

→ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

→ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;

→ Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern:If we conclude that a material uncertainty exists, we are required to draw attention in our report of "Révisuer d'Entreprises Agréé" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.Our conclusions are based on the audit evidence obtained up to the date of our report of "Réviseur d'Entreprises Agréé".However, future events or conditions may cause the Company to cease to continue as a going concern;

→ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless laws or regulations precludes public disclosure about the matter

Report on Other Legal and Regulatory Requirements

We have been appointed as 'Réviseur d'Entreprises Agréé' by the General Meeting of Shareholders on 28 April 2017 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is six years.

The Corporate Governance Statement, as published on the Company's website http://www.sword-group.com, is the responsibility of the Board of Directors. The information required by Article 68ter paragraph (1) letters c) and d) of the amended law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent, at the date of this report, with the financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the Audit Committee or equivalent.

We confirm that the prohibited non-audit services referred to in EU Regulation No. 537/2014 on the audit profession were not provided and that we remain independent of the Company in conducting the audit.

Other Matter

The Corporate Governance Statement includes information required by Article 68ter paragraph (1) a), b), e), f) and g) of the amended law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

For Mazars Luxembourg, 'Cabinet de Révision Agréé' (approved audit firm)
10A, rue Henri M. Schnadt
LU-2530 Luxembourg

Olivier Biren,
'Réviseur d'Entreprises Agréé' (statutory auditor)

26 March 2018

12 FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

ASSETS

		Reference(s)		Current year		Previous year
A. Subscribed capital unpaid	1101		101	0,00	102	0,00
I. Subscribed capital not called	1103		103	0,00	104	0,00
II. Subscribed capital called but unpaid	1105		105	0,00	106	0,00
B. Formation expenses	1107		107	0,00	108	0,00
C. Fixed assets	1109		109	210 618 062,67	110	208 477 406,08
I. Intangible assets	1111	4.1	111	115 353,82	112	183 114,07
1. Costs of development	1113		113	0,00	114	0,00
2. Concessions, patents, licences, trade marks and similar rights and assets, if they were	1115		115	103 851,44	116	172 463,57
a) acquired for valuable consideration and need not be shown under C.I.3	1117		117	103 851,44	118	172 463,57
b) created by the undertaking itself	1119		119	0,00	120	0,00
3. Goodwill, to the extent that it was acquired for valuable consideration	1121		121	0,00	122	0,00
4. Payments on account and intangible assets under development	1123		123	11 502,38	124	10 650,50
II. Tangible assets	1125	4.2	125	0,00	126	5 144,41
1. Land and buildings	1127		127	0,00	128	0,00
2. Plant and machinery	1129		129	0,00	130	0,00
3. Other fixtures and fittings, tools and equipment	1131		131	0,00	132	5 144,41
4. Payments on account and tangible assets in the course of construction	1133		133	0,00	134	0,00
III. Financial assets	1135	5	135	210 502 708,85	136	208 289 147,60
1. Shares in affiliated undertakings	1137	5.1	137	207 815 642,74	138	205 633 807,42
2. Loans to affiliated undertakings	1139		139	0,00	140	0,00
3. Participating interests	1141	5.2	141	2 436 412,66	142	2 436 412,66
4. Loans to undertakings with which the undertaking is linked by virtue of participating interests	1143		143	0,00	144	0,00
5. Investments held as fixed assets	1145	5.3	145	250 653,45	146	218 927,52
6. Other loans	1147		147	0,00	148	0,00

The notes in the annex from an integral part of the annual accounts

D. Current assets	1151		151	30 337 046,29	152	46 247 815,29
I. Stocks	1153		153	0,00	154	0,00
1. Raw materials and consumables	1155		155	0,00	156	0,00
2. Work in progress	1157		157	0,00	158	0,00
3. Finished goods and goods for resale	1159		159	0,00	160	0,00
4. Payments on account	1161		161	0,00	162	0,00
II. Debtors	1163		163	17 909 272,91	164	26 443 597,13
1. Trade debtors	1165		165	75 425,38	166	54 087,96
a) becoming due and payable within one year	1167		167	75 425,38	168	54 087,96
b) becoming due and payable after more than one year	1169		169	0,00	170	0,00
2. Amounts owed by affiliated undertakings	1171		171	14 514 754,48	172	22 741 361,94
a) becoming due and payable within one year	1173	9.1	173	14 514 754,48	174	22 741 361,94
b) becoming due and payable after more than one year	1175		175	0,00	176	0,00
3. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests	1177		177	302 150,58	178	302 150,58
a) becoming due and payable within one year	1179	9.3	179	302 150,58	180	302 150,58
b) becoming due and payable after more than one year	1181		181	0,00	182	0,00
4. Other debtors	1183	6	183	3 016 942,47	184	3 345 996,65
a) becoming due and payable within one year	1185		185	1 068 333,75	186	989 196,86
b) becoming due and payable after more than one year	1187		187	1 948 608,72	188	2 356 799,79
III. Investments	1189		189	356 641,38	190	3 005 169,28
1. Shares in affiliated undertakings	1191		191	0,00	192	0,00
2. Own shares	1209	7.4	209	356 641,38	210	3 005 169,28
3. Other investments	1195		195	0,00	196	0,00
IV. Cash at bank and in hand	1197		197	12 071 132,00	198	16 799 048,88
E. Prepayments	1199		199	308 716,58	200	282 799,00
TOTAL (ASSETS)			201	241 263 825,54	202	255 008 020,37

The notes hereafter form an integral part of the annual financial statements.

LIABILITIES

		Reference(s)		Current year		Previous year
A. Capital and reserves	1301	7	301	223 210 684,13	302	237 434 110,35
I. Subscribed capital	1303	7.1	303	9 544 965,00	304	9 544 965,00
II. Share premium account	1305	7.1	305	70 676 064,46	306	70 676 064,46
III. Revaluation reserve	1307		307	0,00	308	0,00
IV. Reserves	1309		309	1 311 137,88	310	3 946 665,78
1. Legal reserve	1311	7.2	311	954 496,50	312	941 496,50
2. Reserve for own shares	1313	7.4	313	356 641,38	314	3 005 169,28
3. Reserves provided for by the articles of association	1315		315	0,00	316	0,00
4. Other reserves, including the fair value reserve	1429		429	0,00	430	0,00
a) other available reserves	1431		431	0,00	432	0,00
b) other non available reserves	1433		433	0,00	434	0,00
V. Profit or loss brought forward	1319		319	144 456 910,61	320	148 722 992,86
VI. Profit or loss for the financial year	1321		321	-2 778 393,82	322	4 543 422,25
VII. Interim dividends	1323		323	0,00	324	0,00
VIII. Capital investment subsidies	1325		325	0,00	326	0,00
B. Provisions	1331		331	327 135,00	332	408 820,00
1. Provisions for pensions and similar obligations	1333		333	0,00	334	0,00
2. Provisions for taxation	1335	14	335	327 135,00	336	408 820,00
3. Other provisions	1337		337	0,00	338	0,00
C. Creditors	1435		435	17 726 006,41	436	17 165 090,02
1. Debenture loans	1437		437	0,00	438	0,00
a) Convertible loans	1439		439	0,00	440	0,00
i) becoming due and payable within one year	1441		441	0,00	442	0,00
ii) becoming due and payable after more than one year	1443		443	0,00	444	0,00
b) Non convertible loans	1445		445	0,00	446	0,00
i) becoming due and payable within one year	1447		447	0,00	448	0,00
ii) becoming due and payable after more than one year	1449		449	0,00	450	0,00
2. Amounts owed to credit institutions	1355	8	355	17 034 319,76	356	13 527 238,08
a) becoming due and payable within one year	1357		357	34 319,76	358	27 238,08
b) becoming due and payable after more than one year	1359		359	17 000 000,00	360	13 500 000,00

The notes hereafter form an integral part of the annual financial statements.

	Reference(s)		Current year		Previous year
3. Payments received on account of orders in so far as they are shown separately as deductions from stocks	1361	361	0,00	362	0,00
a) becoming due and payable within one year	1363	363	0,00	364	0,00
b) becoming due and payable after more than one year	1365	365	0,00	366	0,00
4. Trade creditors	1367	367	650 231,86	368	777 643,86
a) becoming due and payable within one year	1369	369	650 231,86	370	777 643,86
b) becoming due and payable after more than one year	1371	371	0,00	372	0,00
5. Bills of exchange payable	1373	373	0,00	374	0,00
a) becoming due and payable within one year	1375	375	0,00	376	0,00
b) becoming due and payable after more than one year	1377	377	0,00	378	0,00
6. Amounts owed to affiliated undertakings	1379 9.1	379	38 872,16	380	9 614,71
a) becoming due and payable within one year	1381	381	38 872,16	382	9 614,71
b) becoming due and payable after more than one year	1383	383	0,00	384	0,00
7. Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests	1385	385	0,00	386	0,00
a) becoming due and payable within one year	1387	387	0,00	388	0,00
b) becoming due and payable after more than one year	1389	389	0,00	390	0,00
8. Other creditors	1451	451	2 582,63	452	2 850 593,37
a) Tax authorities	1393	393	0,00	394	0,00
b) Social security authorities	1395	395	2 582,63	396	2 593,37
c) Other creditors	1397	397	0,00	398	2 848 000,00
i) becoming due and payable within one year	1399	399	0,00	400	2 848 000,00
ii) becoming due and payable after more than one year	1401	401	0,00	402	0,00
D. Deferred income	1403	403	0,00	404	0,00
TOTAL (CAPITAL, RESERVES AND LIABILITIES)		405	241 263 825,54	406	255 008 020,37

The notes hereafter form an integral part of the annual financial statements.

PROFIT AND LOSS ACCOUNT AS AT 31 DECEMBER 2017

		Reference(s)		Current year		Previous year
1. Net turnover	1701	10	701	3 427 731,34	702	2 721 594,80
2. Variation in stocks of finished goods and in work in progress	1703		703	0,00	704	0,00
3. Work performed by the undertaking for its own purposes and capitalised	1705		705	0,00	706	0,00
4. Other operating income	1713		713	74 494,46	714	86 504,41
5. Raw materials and consumables and other external expenses	1671		671	-2 688 684,06	672	-2 982 150,23
a) Raw materials and consumables	1601		601	-4 247,21	602	-17 136,38
b) Other external expenses	1603		603	-2 684 436,85	604	-2 965 013,85
6. Staff costs	1605	11	605	-139 812,83	606	-143 247,81
a) Wages and salaries	1607		607	-123 801,11	608	-126 923,30
b) Social security costs	1609		609	-16 011,72	610	-15 913,58
i) relating to pensions	1653		653	-9 593,16	654	-9 230,28
ii) other social security costs	1655		655	-6 418,56	656	-6 683,30
c) Other staff costs	1613		613	0,00	614	-410,93
7. Value adjustments	1657		657	-1 869 260,43	658	-1 366 032,93
a) in respect of formation expenses and of tangible and intangible fixed assets	1659	4	659	-89 221,54	660	-76 473,86
b) in respect of current assets	1661	12.1	661	-1 780 038,89	662	-1 289 559,07
8. Other operating expenses	1621	16	621	-102 200,00	622	-174 254,45
9. Income from participating interests	1715		715	2 760 792,32	716	5 000 000,00
a) derived from affiliated undertakings	1717	13	717	2 760 792,32	718	5 000 000,00
b) other income from participating interests	1719		719	0,00	720	0,00
10. Income from other investments and loans forming part of the fixed assets	1721		721	0,00	722	0,00
a) derived from affiliated undertakings	1723		723	0,00	724	0,00
b) other income not included under a)	1725		725	0,00	726	0,00
11. Other interest receivable and similar income	1727		727	1 235 845,31	728	1 359 008,67
a) derived from affiliated undertakings	1729	9.1	729	753 243,04	730	1 020 732,63
b) other interest and similar income	1731		731	482 602,27	732	338 276,04
12. Share of profit or loss of undertakings accounted for under the equity method	1663		663	0,00	664	0,00

The notes hereafter form an integral part of the annual financial statements.

	Code	Note	Code	Current year	Code	Previous year
13. Value adjustments in respect of financial assets and of investments held as current assets	1665	12.2	665	-4 693 767,84	666	6 489 016,23
14. Interest payable and similar expenses	1627		627	-1 124 028,24	628	-6 265 088,90
a) concerning affiliated undertakings	1629	9.1	629	-4 674,67	630	-5 605 871,37
b) other interest and similar expenses	1631		631	-1 119 353,57	632	-659 217,53
15. Tax on profit or loss	1635	14	635	6 420,00	636	0,00
16. Profit or loss after taxation	1667		667	-3 112 469,97	668	4 725 349,79
17. Other taxes not shown under items 1 to 16	1637	14	637	334 076,15	638	-181 927,54
18. Profit or loss for the financial year	1669		669	-2 778 393,82	670	4 543 422,25

The notes hereafter form an integral part of the annual financial statements.

13 NOTES TO THE 2017 FINANCIAL STATEMENTS

Note 1: General information

Sword Group SE, hereinafter referred to as "the Company", is a European company (Societas Europaea, or SE) whose head office was transferred on 26 March 2012 from France to Luxembourg.

The Company's purpose is:

- to acquire by way of participation, contribution, subscription, underwriting, option or negotiation or in any other manner any securities, titles, rights, patents and licences and other rights in rem, personal rights and interests, such as the Company deems necessary;

- generally to hold, manage, develop and sell them in whole or in part, for the price that the Company deems fit and in particular in return for shares or securities of any company purchasing them;

- to conclude, assist with or take part in financial, business or other transactions;

- to grant to any holding company, subsidiary or any other company associated in one way or another with the Company or any company belonging to the same group of companies (the "Associate") any assistance, loans, advances, guarantees or sureties (in the last two cases, including to third parties lending to the Associate);

- to borrow or raise funds in any manner whatsoever and to guarantee the repayment of any borrowed funds;

- to provide administrative consultancy services or carry out any other research, development and supervisory activities; any consultancy and production activities in the field of information systems;

- generally to conduct any type of activity that might seem incidental or facilitate the attainment of any or all of the aforementioned purposes;

- to conduct any commercial, technical and financial tasks, directly or indirectly connected to the areas described above, to facilitate the accomplishment of its purpose;

- to act directly or indirectly and carry out all these operations on its own behalf or on the behalf of third parties, either alone or with any other person or company, either by itself or in association with company groupings or associations, and may do so in any form; and also to acquire interests and shareholdings in any companies or business deals of any nature whatsoever.

It may act directly or indirectly and carry out all these operations on its own behalf or on behalf of third parties, either alone or with any other person or company, either by itself or in association with company groupings or associations, and it may do so in any form. It may also acquire interests and shareholdings in any companies or business deals of any nature whatsoever.

The Company, having its headquarters in Windhof, was established for an indefinite period on 22 June 2001.

The Company prepares consolidated financial statements in accordance with the Law of 19 December 2002 on the accounting and annual accounts of companies in Luxembourg, as amended (hereinafter referred to as "the Law of 19 December 2002, as amended"). The Company is listed on NYSE Euronext in Paris under ISIN number FR0004180578.

The consolidated financial statements are available on the Company's website at the following address: http://www.sword-group.com/investors/

Note 2: Significant accounting policies

The Company keeps its books in euros. The financial statements have been prepared in accordance with Luxembourg legal and regulatory requirements under the historical-cost convention. The financial year coincides with the calendar year.

Accounting policies and valuation rules are – besides the ones laid down by the Law of 15 December 2017, as amended – defined by the Board of Directors. The preparation of the financial statements requires the use of certain critical accounting estimates by the Board of Directors which exercises its judgement in the process of applying the accounting policies. Any change in accounting estimates can give rise to a significant impact on the financial statements. The Board of Directors believes that the assumptions associated with these estimates are appropriate and that the financial statements present the Company's financial position and results fairly.

The Company makes estimates and assumptions that may affect the reported amounts of assets and liabilities in the next period. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Note 3: Valuation rules

3.1 Intangible assets

Intangible assets are recognised on the assets side of the balance sheet at historical cost, including incidental expenses, less depreciation calculated based on the estimated useful lives of property and allowances. Allowances are not continued if the reasons behind them no longer apply. This item, depreciated at a straight-line rate of 33%, is represented by a software licence.

3.2 Property, plant and equipment

Property, plant and equipment is recognised on the assets side of the balance sheet at historical cost, including incidental expenses, less depreciation calculated based on the estimated useful lives of property and allowances. Allowances are not continued if the reasons behind them no longer apply. This item is depreciated at a straight-line rate of 20% and is represented by computer hardware.

3.3 Financial assets

Financial assets are valued at historical cost, including incidental expenses or par value (loans and receivables). In the event of an impairment which, in the opinion of the Board, is of a permanent nature, financial assets are subject to allowances. Allowances are not continued if the reasons behind them no longer apply.

3.4 Receivables

Receivables are recognised at their nominal amount. They are subject to allowances when their recovery is compromised. Allowances are not continued if the reasons behind them no longer apply.

3.5 Securities

The securities represented by shares in money market funds are valued at their fair value which is the latest price available as at the reporting date. The unrealised gains and losses are recognised in the profit and loss account.

The securities represented by treasury shares in the Company are valued at their acquisition price, including incidental expenses. An allowance is recognised when the historical cost is less than the market price. According to the provisions of Article 430-18) of the Law of 10 August 1915 on commercial companies, as amended, an unavailable reserve with the value of treasury shares included in the balance sheet has been established on the liabilities side.

The market value corresponds to the latest price available on the day of valuation for securities officially allowed to be listed on the exchange or on another regulated market.

3.6 Deferred charges and accrued income

This item comprises expenses recognised during the year but which are attributable to a subsequent year.

3.7. Provisions

At the end of each year, provisions are made to cover losses or debts which are clearly defined in nature but which, on the reporting date, are either probable or certain but uncertain as to the amount or date of payment, for all foreseeable risks and costs. Provisions relating to prior periods are reviewed regularly and recognised in profit or loss if they are no longer required.

3.8 Payables

Payables are recognised at their reimbursement value. Payables are recognised as contingent liabilities when their status is subject to unsecured debts.

3.9 Conversion of foreign-currency accounts

All transactions denominated in a currency other than the euro are recognised at the exchange rate prevailing at the transaction date. As at the reporting date:

- All assets denominated in a currency other than the euro, with the exception of bank deposits, securities, short-term receivables and fixed assets, are individually valued at the lowest value, the historical exchange rate or the value determined on the basis of exchange rates prevailing as at the reporting date.

- All liabilities denominated in a currency other than the euro, with the exception of short-term debt, are valued individually at the highest value, the historical exchange rate or the value determined on the basis of exchange rates prevailing as at the reporting date.

- Bank deposits, securities, receivables and short-term debt, by their liquid nature, denominated in a currency other than the euro, are valued at the exchange rate prevailing as at the reporting date.

- All fixed assets denominated in a currency other than the euro are converted into euros at the historical exchange rate prevailing as at the transaction date. As at the reporting date, these fixed assets are converted at the historical exchange rate.

Income and expenses in currencies other than the euro are converted into euros at the exchange rate prevailing at the transaction dates. Therefore, only realised foreign-exchange gains and losses and unrealised foreign-exchange losses are recognised in the profit and loss statement.

3.10 Revenue

Revenue includes amounts resulting from services rendered by the Company to associates, net of any sales rebates and of value-added tax and other taxes related to sales.

3.11 Derivative financial instruments

The Company may enter into financial contracts such as options, swaps or currency forward contracts. The Company initially records financial instruments at historical cost. At each reporting date, the unrealised losses are recognised in the profit and loss statement, while profits are only recognised when they are realised. In case of hedging an asset or liability that has not been recognised at fair value, the unrealised loss or gain is deferred until the recognition of the loss or profit on the covered item.

Note 4: Intangible and tangible assets

4.1 Intangible assets

In the year ended 31 December 2017, intangible assets developed as follows:

	Dealerships Patents and licences	Advances Paid	TOTAL
Purchase price at beginning of year	251,365.27	10,650.50	262,015.77
Newly consolidated companies	0.00	16,317.00	16,317.00
Transfers	15,465.00	(15,465.00)	0.00
Purchase price at year end	266,830.27	11,502.38	278,332.65
Allowances at beginning of year	(78,901.70)	-	(78,901.70)
Charges for the year	(84,077.13)	-	(84,077.13)
Reversals for the year	-	-	-
Allowances at year end	(162,978.83)	-	(162,978.83)
Net amount at year end	**103,851.44**	**11,502.38**	**115,353.82**
Net amount at beginning of year	**172,463.57**	**10,650.50**	**183,114.07**

4.2 Property, plant and equipment

For the year ended 31 December 2017, property, plant and equipment has developed as follows:

	Investments held as fixed assets	Other fixtures, tools and furniture	TOTAL
Purchase price at beginning of year	19,294.00	40,592.04	59,886.04
Newly consolidated companies	-	-	-
Deconsolidations	-	-	-
Purchase price at year end	19,294.00	40,592.04	59,886.04
Allowances at beginning of year	(19,294.00)	(35,447.63)	(54,741.63)
Charges for the year	-	(5,144.41)	(5,144.41)
Reversals for the year	-	-	-
Allowances at year end	(19,294.00)	(40,592.04)	(59,886.04)
Net amount at year end	**-**	**-**	**-**
Net amount at beginning of year	**-**	**5,144.41**	**5,144.41**

Note 5: Financial assets

For the year ended 31 December 2017, financial assets developed as follows:

	Shares in associates	Investments in companies with which there is a shareholding link	Investments and other financial instruments held as fixed assets	TOTAL
Purchase price at beginning of year	205,663,807.42	3,482,191.39	511,873.86	209,657,872.67
Newly consolidated companies	7,767,044.00	-	9,493.77	7,776,537.77
Deconsolidations	(869,208.68)	-	(64,459.59)	(933,668.27)
Purchase price at year end	212,561,642.74	3,482,191.39	456,908.64	216,500,742.17
Allowances at start of year	(30,000.00)	(1,045,778.73)	(292,946.34)	(1,368,725.07)
Charges for the year	(4,716,000.00)	-	-	(4,716,000.00)
Reversals for the year	-	-	86,691.75	86,691.75
Allowances at year end	(4,746,000.00)	(1,045,778.73)	(206,254.59)	(5,998,033.32)
Net amount at year end	**207,815,642.74**	**2,436,412.66**	**250,653.45**	**210,502,708.85**
Net amount at beginning of year	**205,633,807.42**	**2,436,412.66**	**218,927.52**	**208,289,147.60**

5.1 Investments in associates

On 4 July 2017, the Company transformed part of its receivable in respect of Sword Suisse Holding S.A. into a capital contribution of €7,767,043.00.

Then on 7 November 2017, Sword Sol S.à r.l. partially repaid its capital contribution by returning €869,207.68.

On 15 May 2017, SCI Decan was established with a capital sum of €1,000 represented by 1,000 shares, made up of one share subscribed by the Company and 999 shares subscribed by Sword Sol S.à r.l. SCI Decan was sold on 18 December 2017, with the Company selling its single share for €1 and Sword Sol S.à r.l. selling its 999 shares for €999. See Note 9.2.

On 31 December 2017, an additional allowance was recognised in respect of shares in associates. The Board of Directors believes that:

- for Sword Sol S.à r.l., Sword Solutions Inc. and Sword Suisse Holding, the value of the companies exceeds the historical acquisition price;
- for Sword Création Informatique Ltd, the shares have been fully depreciated (in a depreciation worth €30,000.00) since 2015;
- for Sword Soft Ltd, the shares were partially depreciated, to the tune of €4,716,000.00 in 2017.

On 31 December 2017, investments in associates were represented by:

Subsidiary name	% held	Purchase price	Equity as at 31/12/2017	Profit or loss as at 31/12/2017
Sword Soft Ltd (UK)	100%	161,366,200.00	55,031,765.00	5,452,469.00
Sword Sol S.à r.l. (Luxembourg)	100%	18,849,792.32	16,038,754.41	3,564,212.09
Sword Création Informatique Ltd (South Africa)	100%	30,000.00	823.00	(970.00)
Sword Solutions Inc. (USA)	100%	1,302,000.00	1,629,389.00	(124,910.00)
Sword Suisse Holding S.A. (Switzerland)	100%	31,013,650.42	7,443,183.00	(43,468.00)
		212,561,642.74		

5.2 Investments in companies with which there is a shareholding link

As at 31 December 2017, investments in companies with which there is a shareholding link were represented by:

Subsidiary name	% held	Purchase price	Equity for share as at 31/12/2017	Profit or loss for share as at 31/12/2017
Tipik Communication Agency S.A.	49%	2,436,412.66	235,454.26	-185,582.40
Lyodssoft HK	20%	1,045,778.73	*	*

** Not available*

It is estimated that the value of the company Tipik Communication Agency S.A. exceeds the historical acquisition price. Therefore, no allowance was recognised.

On 31 December 2017, the Board of Directors decided to maintain an allowance of €1,045,775.73 for Lyodssoft HK.

5.3 Investments held as fixed assets

During the year ended 31 December 2017, the liquidation of Cosseco S.A. was completed. The historical acquisition price of €64,459.59 was fully provided for in 2016. In the 2017 accounts it was considered that this sum was no longer recoverable.

On 31 December 2017, the Board of Directors decided to:

- reverse the allowance of €22,232.16 for the shares of Scientific Brain Training, bringing the net carrying amount of these shares back to €250,653.45; and
- maintain the 2015 allowance of €124,828.23 for the shares of Tooxme S.A., whose historical acquisition price was €124,828.23.

Note 6: Other receivables

Following the voluntary dissolution of FI System Belgium S.A. in 2015, the Company assumed an amount receivable in respect of the main shareholder of Tipik Communication Agency S.A. for €1,128,730.81, repayable within less than one year.

As at 31 December 2017, the residual balance was €446,400.81 (the same as on 31 December 2016). According to the Company's Board of Directors, this is not considered doubtful.

On 31 December 2017, the Company granted loans to executives of Group subsidiaries in connection with financing the acquisition of minority holdings in Group subsidiaries. The amount of the loans and interest accrued as at 31 December 2017 was €2,341,621.70 (compared with €2,742,362.79 in 2016), of which €1,948,608.72 (compared with €2,356,799.79 in 2016) was repayable in more than one year.

Note 7: Equity

7.1 Subscribed capital

As at 31 December 2017, the share capital stood at €9,544,965, represented by 9,544,965 shares with a par value of €1 each, fully paid up (the same as on 31 December 2016). The share capital is accompanied by a share premium of €70,676,064.46.

As at 31 December 2017, the authorised share capital stood at €4,745,000. As regards new shares to be issued in respect of debt securities giving access to capital, the amount of authorised capital was set at €100,000,000. This authorisation expired on 2 May 2017 and has not been renewed.

7.2 Legal reserve

Each year, a fixed percentage of 5% of the net profit, after absorption of deferred losses, if applicable, will be allocated to the legal reserve. The deduction will no longer be compulsory when the reserve reaches 10% of the share capital. The reserve cannot be distributed.

7.3 Changes in equity accounts

For the period ended 31 December 2017, the changes are as follows:

	01/01/2017	Allocation of profit or loss	Profit for the year	Dividends paid	Treasury shares	31/12/2017
Share capital	9,544,965.00					9,544,965.00
Share premium	70,676 64.46	-				70,676,064.46
Legal reserve	941,496.50	13,000.00				954,496.50
Reserve for treasury shares	3,005,169.28	-			-2,648,527.90	356,641.38
Profit or loss carried forward	148,722,992.86	4,530,422.25		-11,445,032.40	2,648,527.90	144,456,910.61
Profit for the year	4,543,422.25	-4,543,422.25	-2,778,393.82			-2,778,393.82
TOTAL	237,434,110.35		-2,778,393.82	-11,445,032.40		223,210,684.13

7.4 Treasury shares

As at 31 December 2017, there were 10,671 treasury shares recognised amounting to a total of €356,641.38, recognised under 'Securities'.

According to the provisions of Article 430-18 of the Law of 10 August 1915 on commercial companies, as amended, an unavailable reserve for the amount of treasury shares included in the balance sheet has been established on the liability side, i.e. a total amount of €356,641.38.

Treasury shares listed as securities were acquired to support the market price of the Sword Group share.

Note 8: Amounts owed to credit institutions

No bank debt has a maturity of over five years. No debt is covered by collateral. As at 31 December 2017, the breakdown of bank debt was as follows:

	Amount drawn down	Authorised amount
Bank debt due in more than one year	17,000,000.00	125,000,000.00
Bank debt due within one year	-	-
Interest and commissions payable	33,436.62	-
Creditor bank accounts	883.14	
	17,034,319.76	

Classification of amounts owed to credit institutions due in more than one year

Bank debt due in more than one year comprises floating-rate syndicated loans that are subject to drawdowns by the Company in the form of promissory notes whose term can vary from one to six months. To classify outstanding promissory notes at the end of the year end as financial debt due in more than one year, the following aspects were taken into account:

- the ability of the Company, without opposition on the part of the banks that granted the loans, to renew the drawdowns for a period of at least one year (all credit openings valid at 31 December 2017 cannot be reduced by the banks within a period of 12 months);
- the Company's desire to utilise that form of funding within the 12 months ahead.

Bank covenants

The Company pledges to maintain, in accordance with the covenant clauses:

- a net consolidated debt/consolidated EBITDA ratio of less than 3.5 or 3, depending on the agreement;

- a net consolidated financial debt/consolidated equity ratio of less than 1.

Should the Company fail to comply with the aforementioned covenants, the lending banks can demand the reimbursement of the outstanding loan, amounting to K€17,000 as at 31 December 2017. As at 31 December 2017, the Company complied with these covenants.

Note 9: Related-party transactions

9.1 In respect of associates

As at 31 December 2017, balance-sheet items concerning associates were as follows:

	Amounts owed by associates falling due in less than one year	**Amounts owed to associates falling due in less than one year**
Miscellaneous associates	668,924.00	38,872.16
Sword Technologies S.A.	12,023,941.21	-
Charteris	1,821,889.27	-
	14,514,754.48	38,872.16

The main balance-sheet items listed above are generated primarily by cash pooling. The main current accounts between Group companies are paid at rates ranging from 2.75% to 4.25%, depending on the market conditions applicable to each subsidiary.

During the year ended 31 December 2017, the following events occurred:

- In the year ended 31 December 2017, the liquidation of Buildonline Inc. was completed. The Company was owed €1,173,056.86 by Buildonline Inc., with this being fully provided for in 2016. In the 2017 accounts it was considered that this sum was no longer recoverable.

- The Company waived an amount of K€1,775 with a clawback provision vis-à-vis the current account of Sword Technologies S.A. As at 31 December 2017, there was a current-account waiver with a clawback provision vis-à-vis Sword Technologies S.A. amounting to €6,625,000. Sword Technologies S.A.'s current account of €12,023,941.21 already takes this current-account waiver into consideration.

For the year ended 31 December 2017, the main types of income and expenses in respect of associates were as follows:

	Expenses	Income
Management services	-	3,427,731.34
Dividends	-	2,760,792.32
Subcontracting/miscellaneous fees	255,434.00	-
Management Committee's fees	36,000.00	-
Marketing expenses	149,902.50	-
Other miscellaneous expenses	23,451.50	42,362.00
Interest on current account	4,674.67	753,243.04
Current-account waiver with clawback provision	1,775,000.00	
Foreign-exchange income	15,196.79	67,988.67
	2,259,659.46	7,052,117.37

9.2 In respect of non-consolidated companies sharing common executive management

For the year ended 31 December 2017, Financière Semaphore S.à r.l., a Luxembourg company, invoiced the following services:

- assistance to the Company's general management: €370,130.52;
- success fees related to sales/acquisitions: €150,000.00.

The Company and Sword Sol S.à r.l. established SCI Decan having a value of €1,000, with this company being sold to Financière Sémaphore S.à r.l. subsidiary Ruitor S.à r.l. See Note 5.1.

9.3 In respect of companies with which there is a shareholding link

For the year ended 31 December 2015, the Company paid advances totalling €4.5 million to Tipik Communication Agency S.A.

As at 31 December 2015, these advances totalling €4.5 million were waived with a clawback provision.

As regards the voluntary dissolution of FI System Belgium S.A. in 2015, the Company assumed an amount receivable totalling €972,231.38 in respect of Tipik Communication Agency S.A.

During the year ended 31 December 2016, the Company waived an amount of €250,000 with a clawback provision.

As at 31 December 2017, this amount receivable came to €302,150.58 (including the waiver with clawback provision) and was not considered doubtful by the Company's Board of Directors.

Note 10: Net revenue

During the year ended 31 December 2017, revenue was €3,427,731.34 and comprised services for all of the Group's subsidiaries.

The breakdown by geographical area was as follows:

- Europe: 97%;
- North America: 1%;
- Oceania: 1%;
- Asia: 1%.

Note 11: Staff

During the year ended 31 December 2017, the number of Sword Group employees stood at an average of one person, as in 2016.

Note 12: Allowances

12.1 Allowances on current assets

For the year ended 31 December 2017, allowances on current assets comprised the following items:

- allowances on receivables in respect of associates: €5,038.39 (compared with €0 in 2016);

- a waiver with current-account clawback provision in respect of associates: €1,750,000 (compared with €1,000,000 in 2016). See Note 9.1.

12.2 Allowances on financial assets and on securities that are part of current assets

For the year ended 31 December 2017, allowances on financial assets and on securities that were part of current assets comprised the following items:

- a reversal of an allowance on securities in respect of associates: €22,232.16 (compared with an allowance totalling €87,046.79 in 2016): see Note 5.3;
- an allowance for Sword Soft Ltd shares: €4,716,000.00: see Note 5.1.

Note 13: Income from financial assets

Income from financial assets was represented mainly by dividends from Company subsidiaries.

Note 14: Taxation

The Company is subject to all taxes applicable to companies with share capital. The Company was definitively taxed until 31 December 2014.

Note 15: Off-balance-sheet commitments

As at 31 December 2017, the Company had the following off-balance sheet commitments:

- The Company gave its guarantee for the proper performance of the commitments and obligations subscribed by Apak Group Ltd in connection with the signature of various sales contracts.
- The Company stood surety for a bank loan granted to Tipik Communication Agency S.A. in which the Company has an 49% shareholding. The amount of the surety was €6,000,000; this will reach maturity on 31 March 2018. In this connection, the company pledged as collateral a bank account holding €6,000,000. The surety will be renewed for a maximum amount of €6,500,000, with this sum being reduced in light of a partial bank-debt repayment by Tipik Communication Agency S.A.
- The Company stood surety in respect of Sword IT Solutions in connection with a residual payable of GBP 133,000 generated by the acquisition of AAA Group Limited, a UK company.
- In the event of the termination of the contracts between PMExpertise and Sword Group SE, the Company undertakes to pay compensation equivalent to the previous two years' revenue of PMExpertise to Sword Group SE and its subsidiaries.

Note 16: Board of Directors' remuneration

For the year ended 31 December 2017, the directors received fees amounting to €95,000 (compared with €160,000 in 2016). This amount is included in 'Other operating expenses'.

For the year ended 31 December 2017, no advance or credit was paid to members of the administrative bodies.

Note 17: Fees received by the 'Réviseur d'Entreprises Agréé' (statutory auditor)

In accordance with Article 470-1 of the Law of 18 December 2009, as amended, the information specified in Article 444-5 of this amended Law has been omitted. Information on the audit fees is given in the consolidated statements and includes the audit fees for the financial statements.

Note 18: Subsequent events

No significant events occurred after the closure of the financial statements ended 31 December 2017.

14 REPORT OF THE *RÉVISEUR D'ENTREPRISES AGRÉÉ* (STATUTORY AUDITOR) ON THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

Report on the audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Sword Group SE (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fairly view of, the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with EU Regulation No. 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the 'Commission de Surveillance du Secteur Financier' (CSSF) . Our responsibilities under the under those Regulation, Law and standards are further described in the 'Responsibilities of the 'Réviseur d'Entreprises Agréé' for the Audit of the Consolidated Financial Statements' section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reasons for which a key audit matter has been raised	Response to the identified key audit matter
Goodwill impairment	
As at 31 December 2017, goodwill stands at a net value of €86,162. Under the IFRS standards as adopted by the EU, the Company must perform a goodwill impairment test at least once a year. Impairment tests are significant for our audit in light of the complexity of the valuation process and the judgement and the assumptions adopted which are subject to economic developments and future business conditions.	We checked the cash-flow forecasts included in the annual goodwill impairment tests by considering the exact nature of previous forecasts. For our audit, we also critically examined and tested the key assumptions, methodologies, weighted average cost of capital and other data used and issued by management, for example comparing them with external and historical data, such as external market growth forecasts. We performed a sensitivity analysis within the framework of the valuation model used by the Group. Our department specialising in assessing valuations was integrated into the audit team to assist us with these activities. We focused on the sensitivity of the available margin in cash-generating units, evaluating whether any reasonable change in the assumptions could cause the net carrying amount to exceed the estimated value. We assessed the accuracy of previous estimates made by the Board of Directors. We also verified the appropriacy of the information in Note 3.2 to the consolidated financial statements.

Key observations communicated to those charged with governance	Based on the audit procedures carried out, we have identified no material misstatements.
Reasons for which a key audit matter has been raised	**Response to the identified key audit matter**
Revenue recognition	
As detailed in Note 5 to the financial statements, the Group sells its services to various customers and operates in a range of geographical and business sectors. International Standards on Auditing require auditors to assume a fraud risk in revenue recognition when initially assessing the risk of material misstatements. Some of the Group's revenue is generated by large-scale, complex contracts. As a result, it is necessary to assess the conditions under which risks and benefits are transferred to the buyer, in order to evaluate whether the income and expenses should be recognised in the current period.	Our activities include assessing the revenue recognition method for complex contracts. Drawing on the work already carried out by the subsidiaries' auditors, we tested the design and effectiveness of the controls implemented by management relating to analysing revenue recognition and identifying unusual contractual clauses. Our activities included random testing of documentation indicating the delivery of licences or services, including contracts and correspondence with third parties, with a view to ensuring the accuracy and completeness of revenue recognition. We assessed the appropriacy of previous estimates made by management regarding the work in progress.
Key observations communicated to those charged with governance	Based on the audit procedures carried out, we have identified no material misstatements.

Other information

The Board of Directors is responsible for other information. The other information comprises the information included in the consolidated management report and the Corporate Governance Statement but does not include the consolidated financial statements and our report of "reviseur d'Entreprises Agréé".thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and Those Charged with Governance for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs as adopted by the European Union relating to the preparation and presentation of the consolidated financial statements, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Responsibilities of the 'Réviseur d'Entreprises Agréé' for the Audit of the Consolidated Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of “Réviseur d'Entreprises Agrée” that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee, that an audit conducted in accordance with EU Regulation No. 537/2014 and the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with EU Regulation No. 537/2014 and the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

→ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion; The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control;

→ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

→ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;

→ Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern; if we conclude that a material uncertainty exists, we are required to draw attention in our report of “Réviseur d'Entreprises Agrée” to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the report of “Réviseur d'Entreprises Agréé”; however, future events or conditions may cause the Group to cease to continue as a going concern;

→ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

→ Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements.We are responsible for the direction, supervision and performance of the Group audit.We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless laws or regulations precludes public disclosure about the matter.

Report on Other Legal and Regulatory Requirements

We have been appointed as 'Réviseur d'Entreprises Agréé' by the General Meeting of Shareholders on 28 April 2017 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is six years.

The consolidated management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

The Corporate Governance Statement, as published on the Company's website http://www.sword-group.com, is the responsibility of the Board of Directors. The information required by Article 68ter paragraph (1) letters c) and d) of the amended law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended, is consistent, at the date of this report, with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

We confirm that the audit opinion is consistent with the additional report to the Audit Committee or equivalent.

We confirm that the prohibited non-audit services referred to in EU Regulation No. 537/2014 were not provided and that we remain independent of the Group in conducting the audit.

Other Matter

The Corporate Governance Statement includes information required by Article 68ter paragraph (1) a), b), e), f) and g) of the amended law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended.

For Mazars Luxembourg, 'Cabinet de Révision Agréé' (approved audit firm)
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Olivier Biren,
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26 March 2018

15 CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2017

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2017 – ASSETS

(in thousands of €)	**Notes**	**31 December 2017**	**31 December 2016**
ASSETS			
NON-CURRENT ASSETS			
Goodwill	12	86,162	86,253
Other intangible assets	11	11,918	10,850
Property, plant and equipment	10	7,277	7,517
Investments in associates	7	2,852	2,644
Financial assets held for sale	14.24	518	518
Deferred tax assets	25	1,438	1,165
Other assets	16	10,253	12,895
TOTAL NON-CURRENT ASSETS		120,418	121,842
CURRENT ASSETS			
Trade and other receivables	15	54,105	46,255
Current tax assets		2,026	1,159
Other assets	16	9,209	14,496
Cash and cash equivalents	17	38,479	46,196
TOTAL CURRENT ASSETS		103,819	108,106
TOTAL ASSETS		**224,238**	**229,948**

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2017 – LIABILITIES

(in thousands of €)	**Notes**	**31 December 2017**	**31 December 2016**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	33	9,545	9,545
Share premiums		70,676	70,676
Reserves		230	2,558
Retained earnings		58,668	64,372
TOTAL EQUITY – GROUP SHARE		139,119	147,151
Non-controlling interests (minority interests)	6	4,213	5,017
TOTAL EQUITY		**143,332**	**152,168**
NON-CURRENT LIABILITIES			
Financial debt	20	17,000	13,500
Provisions for retirement benefits	18	1,015	852
Other provisions	19	688	800
Deferred tax liabilities	25	1,449	1,593
Other liabilities	23	85	93
TOTAL NON-CURRENT LIABILITIES		20,237	16,838
CURRENT LIABILITIES			
Financial debt	20	876	738
Other provisions	19	232	408
Trade and other payables	22	17,367	17,837
Current tax liabilities		2,258	3,708
Other liabilities	23	39,936	38,251
TOTAL CURRENT LIABILITIES		60,669	60,942
TOTAL LIABILITIES		**80,906**	**77,780**
TOTAL EQUITY AND LIABILITIES		**224,238**	**229,948**

The notes hereafter form an integral part of the consolidated financial statements.

CONSOLIDATED INCOME STATEMENT AS AT 31 DECEMBER 2017

(in thousands of €)	Notes	31 December 2017	31 December 2016
REVENUE	5	**173,489**	**160,157**
Purchases		(6,966)	(6,093)
Personnel expenses	26	(79,304)	(74,354)
Other external charges		(58,378)	(54,566)
Provision (charges)/write-backs on provisions	27	(323)	105
Other current operating expenses		(1,583)	(1,086)
Other current operating income		874	741
EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTISATION, EXCLUDING NON-RECURRING ELEMENTS (EBITDA)		**27,809**	**24,904**
EBITDA in %		**16.03%**	**15.55%**
Charges for depreciation of property, plant and equipment	10	(1,965)	(1,948)
Charges for intangible assets arising from business combinations	11	(1,976)	(2,235)
Charges for depreciation of other intangible assets	11	(1,417)	(1,184)
EARNINGS BEFORE INTEREST AND TAXES EXCLUDING NON-RECURRING ELEMENTS (EBIT)		**22,451**	**19,537**
EBIT in %		**12.94%**	**12.20%**
Income from disposals of assets	28	(445)	(230)
Impairment loss on assets	29	(2,909)	-
Other non-recurring items	30	(1,766)	(4,082)
OPERATING PROFIT (OP)		**17,331**	**15,225**
OP in %		**9.99%**	**9.51%**
Financial income		1,158	3,114
Finance costs		(2,040)	(2,307)
FINANCIAL RESULT	31	**(882)**	**807**
Share of profit or loss of associates	7	(192)	(370)
PROFIT BEFORE TAX		**16,257**	**15,662**
Income tax	25	(5,019)	(4,846)
PROFIT FOR THE YEAR		**11,238**	**10,816**
Of which:			
Group share		10,419	10,498
Non-controlling interests (minority interests)	6	819	318
Earnings per share *(in €)*	32	1.09	1.12
Diluted earnings per share *(in €)*	32	1.09	1.11

The notes hereafter form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AS AT 31 DECEMBER 2017

(in thousands of €)	**Notes**	**31 December 2017**	**31 December 2016**
PROFIT FOR THE YEAR		**11,238**	**10,816**
OTHER COMPREHENSIVE INCOME			
Recyclable items in profit or loss			
Translation differences			
- during the year		(5,597)	(10,441)
Financial assets held for sale			
- gain related to remeasurement at fair value	14	22	91
Total recyclable items in profit or loss		(5,575)	(10,350)
Non-recyclable items in profit or loss			
Defined benefit plans			
- Actuarial gains and losses on post-employment benefits		(12)	(76)
Total non-recyclable items in profit or loss		(12)	(76)
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX		**(5,587)**	**(10,426)**
COMPREHENSIVE INCOME FOR THE PERIOD		**5,651**	**390**
Of which:			
Group share		5,164	1,528
Non-controlling interests (minority interests)		487	(1,138)

The notes hereafter form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2017

(in thousands of €)	Share capital	Share premium	Reserves: Treasury shares	Reserves: Reserve for remeasurement of financial assets	Reserves: Defined benefit plans	Reserves: Foreign-currency translation reserve	Retained earnings	Total	Non-controlling interests (minority interests)	Total equity
BALANCE AS AT 31 DECEMBER 2015	**9,415**	**68,699**	**1,593**	**447**	**20**	**12,202**	**61,829**	**154,205**	**7,088**	**161,293**
Profit for the year	-	-	-	-	-	-	10,498	10,498	318	10,816
Other comprehensive income	-	-	-	91	(76)	(8,985)	-	(8,970)	(1,456)	(10,426)
Comprehensive income for the year	-	-	-	91	(76)	(8,965)	10,498	1,528	(1,138)	390
Issue of ordinary shares	130	1,977	-	-	-	-		2,107	-	2,107
Repurchase/resale of ordinary shares	-	-	(2,734)	-	-	-		(2,734)	-	(2,734)
Share-based payments	-	-	-	-	-	-	92	92	-	92
Payment of dividends	-	-	-	-	-	-	(11,303)	(11,303)	(19)	(11,322)
Transactions between shareholders	-	-	-	-	-	-	3,256	3,256	(914)	2,342
BALANCE AS AT 31 DECEMBER 2016	**9,545**	**70,676**	**(1,141)**	**538**	**(56)**	**3,217**	**64,372**	**147,151**	**5,017**	**152,168**
Profit for the year	-	-	-	-	-	-	10,419	10,419	819	11,238
Other comprehensive income	-	-	-	22	(12)	(5,265)	-	(5,255)	(332)	(5,587)
Comprehensive income for the year	-	-	-	22	(12)	(5,265)	10,419	5,164	487	5,651
Repurchase/resale of ordinary shares	-	-	2,927	-	-	-	-	2,927	-	2,927
Payment of dividends	-	-	-	-	-	-	(11,445)	(11,445)	(37)	(11,482)
Transactions between shareholders [1]	-	-	-	-	-	-	(4,678)	(4,678)	(1,254)	(5,932)
BALANCE AS AT 31 DECEMBER 2017	**9,545**	**70,676**	**1,786**	**560**	**(68)**	**(2,048)**	**58,668**	**139,119**	**4,213**	**143,332**

[1] *Transactions between shareholders during 2017 result mainly from transactions with Sword Technologies S.A. and Apak Group Ltd.*

The notes hereafter form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS AS AT 31 DECEMBER 2017

(in thousands of €)	**Notes**	**31 December 2017**	**31 December 2016**
Cash flows from operating activities			
Profit for the year		11,238	10,816
Adjustments:			
Depreciation charges	10, 11	5,358	5,367
Impairment losses on trade receivables		1,001	466
Other provision charges/(write-backs on) other provisions		(69)	125
Provision charges for employee benefits		162	165
Net capital losses/gains on disposals of non-current assets, net of transaction costs	28	445	230
Share-based payments	26	-	92
Interest income	32	(421)	(442)
Interest expenses	32	416	427
Income tax	25	5,019	4,846
Change in working capital		729	3,196
Cash flow generated by operating activities		23,878	25,288
Tax paid		(7,452)	(3,488)
NET CASH FLOWS FROM OPERATING ACTIVITIES		16,426	21,800
Cash flows from investing activities			
Acquisitions/new consolidations:			
- Intangible assets generated internally		(4,556)	(2,870)
- Other intangible assets		(229)	(357)
- Property, plant and equipment		(5,618)	(2,350)
- Investments in associates	7	(400)	(582)
- Financial assets held for sale		(24)	(250)
Disposals/deconsolidations:			
- Property, plant and equipment		22	77
- Financial assets held for sale		-	600
Interest received		425	515
Control taken of subsidiaries and increase in ownership in existing subsidiaries, net of cash and cash equivalents acquired		(9,993)	(14,044)
Loss of control of subsidiaries, net of cash and cash equivalents disposed of		(384)	363
NET CASH FLOWS FROM/(ALLOCATED TO) INVESTMENT ACTIVITIES		(20,757)	(18,898)

The notes hereafter form an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS AS AT 31 DECEMBER 2017 – CONTINUED

(in thousands of €)	Notes	31 December 2017	31 December 2016
Cash flows from financing activities			
Income from the issue of ordinary shares		-	2,106
Payment related to the repurchase and resale of ordinary shares		2,927	(2,734)
Consideration received from non-controlling interests (minority interests)		1	1,141
New loans and use of lines of credit		7,070	7
Repayment of loans		-	(5,504)
Interest paid		(557)	(435)
Dividends paid to shareholders in the parent company		(11,445)	(11,303)
Dividends paid to non-controlling interests		(37)	(19)
NET CASH FLOWS ALLOCATED TO FINANCING ACTIVITIES		(2,041)	(16,741)
Net change in cash and cash equivalents		**(6,372)**	**(13,839)**
Cash and cash equivalents at the beginning of the year		45,458	61,444
Change in foreign exchange rate effect		(1,483)	(2,147)
CASH AND CASH EQUIVALENTS AT YEAR END	17	**37,603**	**45,458**

The notes hereafter form an integral part of the consolidated financial statements.

16 NOTES TO THE CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT AS AT 31 DECEMBER 2017 (AMOUNTS IN THOUSANDS OF €)

NOTE 1. GENERAL INFORMATION

1.1 Company presentation

Sword Group SE (the "Company") is a European company (Societas Europaea, or SE) established under Luxembourg law, having its headquarters at 2 Rue d'Arlon, Windhof (Luxembourg). The Company is registered in the Commercial and Companies Register of Luxembourg under number B 168.244.

Sword Group, comprising the Company and the companies it controls, specialises in the global delivery of software and IT services for regulated industries and international groups.

Sword Group's activities are organised and managed around two businesses:
- IT Services (also called "Solutions"); and
- Software (also called "Products").

The Group offers a broad range of services, including strategic and operational consulting, solution engineering and application development, project ownership support and project management support, change management and third-party maintenance.

The Company is listed on Euronext Paris (Compartment B).

The consolidated financial statements were approved by the Board of Directors on 26 February 2018. The consolidated financial statements will be finalised once approved by the Annual General Meeting on 27 April 2018.

Major events in 2017On 14 January 2017, the Group paid CHF 833,000 (equivalent to €774,000) to increase its stake in Eurogenia S.A. from 41% to 100%.
Then in April 2017, the Group spent €2,559,000 on boosting its stake in its subsidiary Apak Group Ltd from 84% to 87% and €980,000 on upping its stake in another subsidiary, Active Risk Group Ltd, from 96.58% to 100%.
The Group invested €400,000 on 1 May 2017 in the acquisition of 18% of the capital of Plefsys IT PC ("Plefsys"), a Greek company. Under the deal in question, it pledged to pay up to €1,500,000, including the amount of the original investment, to increase the Group's stake to 64% of this company's capital over a three-year period. See Notes 7 and 37.2.
In October 2017, the Group forked out €2,210,000 to acquire a 100% interest in Venture Information Management Ltd, a British company specialising in IT services for the oil and gas exploration and production industry. See Note 8.1.
In September 2017, the Group also acquired a 100% shareholding in Minttulip Ltd, a British company and Microsoft partner specialising in cloud services – an acquisition involving an outlay of €1,788,000. See Note 8.1.

NOTE 2. BASIS FOR PREPARATION AND ACCOUNTING PRINCIPLES

2.1 Basis for preparation

The consolidated financial statements are presented in thousands of euro (the company's functional currency), rounded off to the nearest thousand, unless indicated otherwise. They are prepared on the basis of the historical cost, with the exception of derivatives and financial assets held for sale that were valued at their fair value.

As per European Regulation No. 1606/2002 of 19 July 2002, the consolidated financial statements as at 31 December 2017 were prepared in accordance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) and adopted by the European Union (hereinafter "IFRSs" or "IFRS standards").

Assets and liabilities, expenses and income were not offset, unless permitted or required by IFRS standards.

(b) New and revised IFRS standards impacting the amounts presented or the disclosures to be provided in the financial statements

On 1 January 2017, the Group adopted the following amendments:

Disclosure Initiative
(Amendments to IAS 7: Statement of Cash Flows)
The amendments require the presentation of information enabling users of financial statements to assess the changes to liabilities from financing activities, whether or not they come from cash flows. Following the adoption of this new provision, the Group now presents a reconciliation of opening and closing balances for liabilities from its financing activities. See Note 20.4.

During the current year, the Group adopted no new or revised IFRS standards which had to be mandatorily applied for the period commencing on 1 January 2017 and which were likely to have a significant impact on the Group's consolidated financial statements.

(c) New and revised IFRS standards, published but not yet applicable

The Group has not applied any standard, interpretation or amendment in advance.

The new standards and amendments likely to impact the Group are the following:

IFRS 9: Financial Instruments
On 24 July 2014, the IASB published the final version of IFRS 9, bringing together the three project phases, namely classification and measurement (phase 1), impairment (phase 2) and hedge accounting (phase 3). This standard was intended to completely replace IAS 39: Financial Instruments: Recognition and Measurement. IFRS 9 is a major overhaul of the accounting rules applying to financial instruments. It introduces a new approach to the classification of financial assets, based on the economic model the entity uses for managing its assets and on the contractual cash flow characteristics of the financial asset. The IAS 39 impairment model, based on actual losses, has been replaced by an impairment model based on the premise of providing for expected losses.
Instead of an entity identifying an event that will generate a credit impairment, there is now an expanded range of information to assess the credit risk and measure the expected credit impairments. In addition, IFRS 9 has reformulated the hedge-accounting requirements by more closely aligning hedge accounting with an entity's risk management activities, by increasing the eligibility of hedged items and hedging instruments and by establishing an approach more firmly based on principles for assessing hedge effectiveness. The new version supersedes all previous versions and is mandatorily effective for periods beginning on or after 1 January 2018, with early adoption permitted.

The standard should be applied retrospectively. The restatement of comparative years is optional during the initial application of the provisions pertaining to phases 1 and 2 of IFRS 9. If the Group does not restate the previous years, it must recognise the impact related to initial application in its reserves upon the opening of the first year of adoption.

The Group performed an analysis of the impact of IFRS 9 on its financial statements, bearing in mind the obligation to recognise, in advance and where appropriate, impairment losses on financial assets and other financial commitments, on the basis of the new model for providing for credit risk based on the notion of 'expected' risk.

To this end, the Group reviewed the classification of trade receivables as at 31 December 2017 and the level of provision for receivables as at 31 December 2016, adjusted to take account of provision charges and write-backs on provisions relating to these receivables at the beginning of the year and recognised during the year 2017 and the three-year history of losses resulting from defaults on payment.

The analysis revealed no material impact on the Group's consolidated financial statements arising from the application of this new standard on trade receivables and work in process. This is due in particular to the nature of the Group's activities, the methods of invoicing and collection of receivables and the nature of its customer base, being mainly made up of public bodies and key accounts.

In accordance with the requirements of the new standard, the Group's management also assessed the risk of default and the amount to be provided for in case of any default on other financial receivables and liabilities. According to the Group's management, in case of any such default, the estimated recovery rates at year end are such that the impairment losses to be recorded as equity when switching to IFRS 9 would be insignificant.

IFRS 15: Revenue from Contracts with Customers

In May 2014, the IASB published IFRS 15, a harmonised standard providing a single, five-step model for recognising revenue from contracts with customers. The standard must be applied to every contract and supplies specific guidelines on identifying the various items of contracts concluded with customers that should be accounted for separately, the concept of continuous transfer of control for accounting for revenue as the contract progresses, measurement of the transaction price, accounting for credit risk and variable consideration, and the accounting of licences and the costs associated with obtaining contracts with customers. In addition, the new standard considerably increases the information disclosure requirements on accounting for revenue. The initial version of the standard published by the IASB in May 2014 was amended on 12 April 2016 to clarify certain matters.

IFRS 15 supersedes all previous standards and interpretations for revenue from contracts with customers and applies to annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The standard should be applied retrospectively. However, the Group decided to adopt the modified retrospective adoption method. Under this method, the Group is required to recognise the cumulative effect of the adoption of IFRS 15 as an adjustment of the opening balance of the retained earnings on the date of the initial adoption, without restating the comparative periods presented. Consequently, the entity will only apply IFRS 15 retrospectively to contracts which are not yet completed on the date of initial adoption.

With regard to the 'IT Services' segment, to be able to continue recognising its revenue on a percentage of completion basis, the Group will be required to verify that the services provided up to the date in question and corresponding to 'work in progress' cannot be intended for an alternative use and that they provide entitlement to compensation in the same way as services already received by the customers in question.

For the 'Software' segment, the Group will be required to determine the extent to which the goods and services delivered to a customer have a distinct character – or do not have such a character, as the case may be – and must therefore be recognised separately (or not). It must also determine whether separate services and goods must be recognised progressively if one of the criteria set by the standard for percentage-of-completion recognition is met or, failing that, if they must be recognised at a specific time, i.e. at the time when the customer obtains control of the good or service in question.

The Group conducted a preliminary analysis of the impact of the IFRS 15 standard on its financial statements, based on existing contracts as at 31 December 2017.

The main divergence that could have a significant impact on the financial statements arises from the installation and configuration services for certain software. These services are essential to the use of this software by the end customer, the revenue from and the associated costs of which must be recognised in the same way as the income from licences or from the release of software in SaaS mode, leading to deferral of the revenue.

The table below illustrates the impact of the adoption of the standard on the consolidated statement of financial position as at 1 January 2018:

(in thousands of €)	
Decrease in retained earnings (following the increase in prepaid expenses and the increase in prepaid income)	1.916
Increase in prepaid expenses (as a result of the deferral of the recognition of expenses related to the aforementioned services)	2.843
Increase in deferred income (following the deferral of the recognition of revenue generated by the aforementioned services)	4,759

Based on the most recent estimates by the Group's management, the revenue and related contract costs to be deferred under IFRS 15 will be mainly recognised in the income statement over a five-year period, as of 1 January 2018.

IFRS 16: Leases
IFRS 16 sets out the principles for recognising, measuring and presenting leases, as well as information to be provided in the financial statements. The new standard applies both to lessors and to lessees and replaces all the current IFRS standards and interpretations pertaining to leases. It will take effect for the opening of financial years as of 1 January 2019, with early adoption permitted if IFRS 15 is also applied.

The Group conducted an assessment of the possible impact on its consolidated financial statements. To date, the most significant impact identified relates to the fact that the Group will recognise a liability corresponding to the present value of payments of future rents. The lease obligation will be valued at the amortised cost via an effective interest rate. The Group must also recognise an asset under right of use, which will initially be recognised at the amount of the lease obligation. This pertains to operating leases, including property leases, which account for most of the contracts targeted by the new standard. The amount of commitments as at 31 December 2017 as set out in Note 38 gives an indication of the impact, excluding the new standard's potential discounting effects on the assets and liabilities.

The recognised rents pursuant to the current method will be replaced by depreciation expenses (generally linear) calculated on the lifetime of the asset and an interest burden (which will be degressive in line with periodic payments).

Upon the Group's adoption of IFRS 16, the following amendments to the performance measures presented by the Group are expected:
- the debt/equity ratio will increase pursuant to the increase in the debt level due to the inclusion of lease obligations on the liabilities side;
- earnings before interest and taxes excluding non-recurring elements (EBIT) should increase pursuant to the replacement of rents with a lower depreciation expense;
- earnings before interest, taxes, depreciation and amortisation excluding non-recurring elements (EBITDA) should increase pursuant to the elimination of rents, albeit without including any depreciation.

2.2 Use of estimates
Preparing consolidated financial statements in accordance with IFRS requires management to make estimates and select scenarios in the process of applying accounting principles. Those areas involving a higher level of judgement or complexity, or those for which the estimates and scenarios are significant with respect to the consolidated financial statements, are presented in Note 3.

2.3 'Current' and 'non-current' presentation
The consolidated statement of financial position is presented according to the 'current' and 'non-current' distinction defined by IAS 1.

Current assets and liabilities are those which the Group expects to realise, consume or settle during the normal operating cycle, which may extend beyond 12 months after the year end. All other assets and liabilities are non-current.

2.4 Consolidation method
The consolidated financial statements include the financial statements of the Company and its subsidiaries (together constituting the "Group"), prepared as at 31 December 2017.

(a) Subsidiaries
A subsidiary is a company over which the Group has direct or indirect control. Subsidiaries are consolidated using the full consolidation method as of the date on which the Group obtains control, and are deconsolidated as of the date on which such control ends.

Control is considered to exist if and only if:
- the Group holds power over the subsidiary;
- it is exposed or entitled to variable returns due to its links with the subsidiary; and
- it is able to exert its power over the subsidiary in such a way as to influence the amount of returns it obtains.

Controlled entities are those where the Group has the power to direct their financial and operational policies.

The financial statements of subsidiaries are prepared for the same reference period as those of the Group, using uniform accounting principles.

All intra-Group transactions and balances are eliminated in the consolidation process. The profits and losses realised due to the disposal of assets within the Group are fully eliminated.

Profit and loss and each item in other comprehensive income are allocated to shareholders in the parent company and to non-controlling interests (minority interests), even if this results in a deficit balance.

(b) Loss of control in a subsidiary
When the Group loses control over a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the total fair value of the consideration received and the fair value of any interest retained, and (ii) the former carrying amount of the assets (including goodwill) and liabilities of the subsidiary, as well as any non-controlling interest. All amounts previously recognised in other comprehensive income pertaining to the subsidiary in question are recognised in profit or loss for the period or transferred to another category of equity, where appropriate, as if the Group had directly removed the assets and associated liabilities from the subsidiary. The fair value of an interest retained in the former subsidiary on the date of loss of control must be considered as being the fair value at the time of initial recognition for the purposes of subsequent recognition under IAS 39.

A list of consolidated companies is provided in Note 6.

(c) Associates
Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of these entities without however controlling them. The Group is assumed to have significant influence if it holds 20% or more of the voting rights (directly or indirectly), unless it can be clearly demonstrated that it does not have such influence. Conversely, if the Group holds less than 20% of the voting rights in an entity (directly or indirectly) and it can be clearly demonstrated that the Group exercises significant influence, the interest is classified as an associate.

Investments in associates are initially recognised under the cost method, but subsequently recognised under the equity method. They include the goodwill observed at the time of acquisition and are presented net of accumulated impairment losses. Associates recognised under the equity accounting method are subject to an impairment test if there is an objective indication of impairment. If the recoverable amount of the investment is lower than its carrying amount, an impairment loss is then recognised in the profit or loss for the year.

Following acquisition until the date on which significant influence is lost, the Group share in the profit or loss of associates is accounted for in the profit for the year while the Group share in other comprehensive income is accounted for in other comprehensive income. Accumulated movements since acquisition are accounted for by adjusting the initial cost, on the assets side, in the consolidated statement of financial position.

2.5 Translation methods
(a) Translation of the financial statements of foreign subsidiaries
The functional currency of each of the Group's entities is the currency of the economy in which the entity is operating. The accumulated impact of the translation of financial statements of foreign operations is accounted for in equity under 'translation reserve'. The assets and liabilities of foreign operations are translated at the closing rate and their income and expenses at the average rate for the year.

Translation differences on monetary items which comprise a receivable or a payable from/to a foreign subsidiary, whose settlement is neither planned nor probable, and which constitute a share of the net investment in the foreign subsidiary are initially recognised in other comprehensive income and recognised in profit or loss at the time of reimbursement of monetary items.

At the time of the disposal of a foreign subsidiary, all accumulated translation differences in equity are recognised in profit or loss.

(b) Transactions in foreign currencies

Transactions made in foreign currencies are translated into functional currency at the exchange rate prevailing at the time of the transaction. At the year end, any accounts receivable or accounts payable in foreign currency are translated at the closing exchange rate.

Translation differences arising when these transactions are settled and when monetary assets and liabilities denominated in foreign currencies are translated at the closing exchange rate are reported in the income statement.

Exchange rate of the euro to the most significant foreign currencies as at 31 December 2017 and 31 December 2016:

	Closing rate		Average rate	
(Currency)	**2017**	**2016**	**2017**	**2016**
Pound sterling	0.8872	0.8562	0.8761	0.8189
US dollar	1.1993	1.0541	1.1293	1.1067
Australian dollar	1.5346	1.4596	1.4729	1.4886
Tunisian dinar	2.9780	2.4256	2.7695	2.3848
Moroccan dirham	11.2218	10.6566	10.9934	10.0981
Swiss franc	1.1702	1.0739	1.1115	1.0902
Colombian peso	3,584.23	3,164.56	3,378.38	3,355.70
South African rand	14.8054	14.4569	15.04348	16.27816
Indian rupee	76.6049	71.5922	73.4970	74.3550

2.6 Business combinations

When the Group takes control of an entity, the identifiable assets and liabilities are accounted for at their fair value on the date of acquisition.

The consideration transferred in a business combination corresponds to the fair value of assets transferred (including cash), liabilities assumed and equity instruments issued by the Group in exchange for control of the acquired entity. The costs directly related to the acquisition are accounted for in profit and loss.

Goodwill is measured as the positive difference between the following two items:

- the sum of (i) the consideration transferred and, where appropriate, (ii) the amount of non-controlling interests (minority interests) in the acquired entity, and (iii) the fair value of interests already held by the Group prior to taking control; and
- the net amount on the acquisition date of the fair value of identifiable assets and liabilities acquired and assumed.

If, after confirmation of the values, this difference is negative, the amount is immediately recognised in profit and loss as a gain on a bargain purchase.

Goodwill is recognised on the assets side of the consolidated statement of financial position under 'Goodwill' and is subject to an annual impairment test (see section 2.7. below).
In addition, in the goodwill measurement explained below, the amount of non-controlling interests can be measured, on a case-by-case basis with the Group being able to choose, either at fair value ('full goodwill' option) or the share of the acquired entity's identifiable net assets ('partial goodwill' option).

Acquisition differences are recognised in the functional currency of the acquiree.

Any earn outs are included in the acquisition price at their fair value on the date on which control was taken. This takes the form of a consideration in equity or debts depending on how the earn outs are settled. The subsequent recognition of changes in the fair value of any contingent consideration depends on its classification in the consolidated financial statements.

Contingent consideration classified as an asset or liability is remeasured on the subsequent reporting dates as per IAS 39 or IAS 37, depending on the case in question, and the ensuing profit or loss is accounted for in the profit for the year.

Taking control through consecutive purchases is analysed as a twofold operation: (1) a disposal of the entire previously held interest; and (2) an acquisition of all shares with recognition of an acquisition difference (goodwill) on the entire interest (old batch and new acquisition).

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the provisional amounts are adjusted retrospectively to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. However, the measurement period shall not exceed one year from the acquisition date.

2.7 Goodwill

Goodwill arising from the acquisition of a business is recognised at the cost established on the acquisition date (see Note 2.6), less any accumulated impairment losses.

For the purposes of impairment testing, goodwill is allocated to cash-generating units (CGUs), namely those likely to benefit from the synergies expected of the business combination and representing, within the Group, the lowest level at which goodwill is monitored for internal management purposes. CGUs correspond to sectors of business activity.

The recoverable amount of a CGU is the higher of its fair value less costs to sell and its value in use, determined using the cash-flow discount method. When the recoverable amount is lower than the carrying amount, an impairment loss must be recognised.

The impairment loss is then allocated, firstly, as a decrease in the carrying amount of any goodwill allocated to the CGU, and then, for the remainder, as a decrease in the carrying amount of the CGU's other assets pro rata on the basis of the carrying amount of each asset in the CGU.

Goodwill is not depreciated and is subject to impairment testing at least once a year by comparing its carrying amount with its recoverable amount on the reporting date, determined on the basis of three-year cash-flow forecasts. Impairment testing frequency can be shorter if events or circumstances indicate that the carrying amount is not recoverable.

2.8 Intangible assets other than goodwill

Intangible assets other than goodwill comprise mainly software, SaaS (software as a service) contracts, software maintenance contracts and production backlog, business combination activities, the amount paid to buy out a non-competition clause (see Note 11) and development costs for upgrading existing software solutions.

(a) Intangible assets acquired separately

Intangible assets acquired separately mainly comprise the non-competition clause. It has an indefinite useful life and is, consequently, recognised at its acquisition cost less any accumulated impairment losses.

(b) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill if they meet the definition of an intangible asset. The cost of intangible assets corresponds to their fair value on the date of acquisition.

After initial recognition, these intangible assets are depreciated using the straight-line method over an expected useful life which is the following:

- Software (and associated contracts): 5-10 years
- Order books: 3 months to 5 years

(c) Intangible assets generated internally

Research costs are recognised as an expense in the period in which they are incurred.

Development costs are capitalised when they meet the following criteria:

- the technical feasibility needed for 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;
- the probability that future economic benefits will flow to the Group as a result of the intangible asset;
- the availability of adequate technical, financial and other resources to realise the intangible asset;
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Development costs that meet the above criteria are treated as assets up to the level of the direct costs attributed to the project. They are depreciated over the expected useful life, as of the project commercialisation date.

Bearing in mind the specific characteristics of the Group's activities, the crucial criterion is technical feasibility, since that is generally the last criterion met. The risks and uncertainties inherent in the development of new software are such that it is impossible to demonstrate a product's technical feasibility until shortly before it is launched. Consequently, costs incurred in this phase of development, which are likely to be capitalised, are not significant and are therefore recognised in profit or loss as they are incurred.

Internal and external direct expenses incurred for major updates to marketed software and upgrades delivering additional functionalities are capitalised.

(d) Derecognition of intangible assets

An intangible asset is derecognised when it is disposed of or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an intangible asset (determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset) is recognised in profit or loss.

2.9 Property, plant and equipment

Property, plant and equipment are recognised at their acquisition cost, including directly attributable costs less accumulated depreciation and any impairment losses.

Subsequent expenditures are capitalised if it is probable that the future economic benefits associated with the item will flow to the Group and if their cost can be estimated reliably. All other expenditures are recognised immediately as expenses as they are incurred.

Items are depreciated using the straight-line method in accordance with the expected useful life of the item in question. An impairment loss is recognised, where appropriate, when the carrying amount exceeds the recoverable amount (see Note 2.10).

The estimated useful lives are as follows:

- Facilities and fixtures: 10 years
- Transport equipment: 5 years
- Office equipment: 3-5 years
- Computer hardware: 3 years
- Office furniture: 10 years

The depreciation arrangements for property, plant and equipment are reviewed annually and can be modified prospectively according to the circumstances.

A property, plant and equipment item is derecognised when it is disposed of or when no future economic benefits are expected from the continuing use of the asset. The gain or loss arising from the disposal or retirement of a property, plant and equipment item is the difference between the sale proceeds and the carrying amount of the asset, and is recognised in profit or loss.

2.10 Impairment of property, plant and equipment and of intangible assets
At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets in order to determine if there is any indication of an impairment loss. If there is, then the recoverable amount is estimated with a view to determining the amount of the impairment loss. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. When measuring value in use, estimated future cash flows are discounted by applying a pre-tax rate that reflects the current assessment of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

If the recoverable amount of an asset (or CGU) is less than its carrying amount, the carrying amount of the asset (or CGU) shall be reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

If an impairment loss is reversed subsequently, the carrying amount of the asset or CGU is increased in line with the revised estimated recoverable amount provided the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. The reversal of an impairment loss is recognised immediately in profit or loss. However, no reversal is possible for impairments of goodwill.

2.11 Fair value
The Group measures financial instruments, such as derivative instruments and financial assets held for sale, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement implies that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or, in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal (or most advantageous) market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The measurement of an asset takes into account a market participant's ability to generate an economic benefit by using the asset in its highest and best use or by selling it to another market participant that will use the asset in its highest and best use. Highest and best use takes into account the use of the asset that is physically possible, legally permissible and financially feasible.:

The Group uses measurement techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All of the assets or liabilities for which a fair value is measured or presented in the consolidated financial statements are classified in the fair value hierarchy (see Note 24).

2.12 Non-derivative financial instruments

(a) Classification

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, investments held until their maturity, and financial assets held for sale. Classification is determined at the time of initial recognition and depends on the objective sought at the time of acquisition.

The Group's financial assets comprise financial assets held for sale and loans and receivables. Loans and receivables comprise trade receivables and other receivables, deposits and guarantees, as well as cash and cash equivalents. Financial assets held for sale comprise non-consolidated holdings in listed and unlisted companies.

Financial liabilities are classified as financial liabilities at fair value through profit or loss or other financial liabilities.

The Group's financial liabilities comprise bank borrowings, and trade and other payables. They are classified as other financial liabilities in accordance with IAS 39.

(b) Initial measurement

Financial assets/liabilities are recognised initially at fair value, plus/less - for financial instruments which are not at fair value through profit or loss - directly attributable transaction costs.

(c) Subsequent measurement

After initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less provisions for impairment, when management is of the opinion that there is an objective indicator of impairment that will decrease the initially expected cash flows. Discounting is omitted for short-term loans and receivables, bearing in mind the negligible impact of discounting.

The effective interest method is a method for calculating the amortised cost of a financial instrument and allocating interest income during the period in question. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, over a shorter period, to the net carrying amount.

Assets held for sale are measured subsequently at fair value with recognition of latent gains or losses in other comprehensive income and accumulated in the 'remeasurement reserve' until the investment is derecognised, leading to recognition of accumulated gains or losses in profit or loss ('recycling').

The other financial liabilities are subsequently measured at amortised cost using the effective interest method.

(d) Impairment of financial assets

<u>Assets at depreciated cost</u>

At each reporting date, the Group ascertains whether there is an objective indication of an impairment loss on a financial asset or a group of financial assets. If there is such an objective indication (such as major financial difficulties experienced by the counterparty, breach of contract or the growing probability of bankruptcy or other financial restructuring of a debtor), the asset is subjected to an impairment test. The recognised amount of the impairment loss is the difference between the carrying amount of the asset and the amount of estimated future cash flows, discounted at the original effective interest rate of the financial asset. The carrying amount of the financial asset is reduced immediately by the amount of the impairment loss.

With respect to trade receivables, a provision for impairment is recognised when there is an objective indication (such as the age of the receivable, the existence of a dispute or major financial difficulties on the part of a customer) that the Group will not be able to recover the receivable according to the original terms of the invoice. The carrying amount of the trade receivable is reduced by using an allowance account. Changes in the carrying amount of the provision for impairment are recognised in profit or loss.

If, during a later period, the amount of the impairment loss decreases and if this decrease can be objectively linked to an event arising after the recognition of the impairment, the previously recognised impairment loss is reversed, provided the carrying amount of the asset on the date of reversing the impairment does not exceed the amortised cost that would have been obtained if the impairment had not been recognised.

Assets classified as 'held for sale'
At each reporting date, the Group ascertains whether there is an objective indication of an impairment loss on a financial asset or a group of financial assets. For investments in equity instruments held for sale, a significant or prolonged decrease in the fair value of the security below its cost constitutes an objective indication of impairment loss. If the tested asset is considered impaired, the impairment loss recognised in equity is reclassified in profit or loss. The amount of the impairment loss recognised is the difference between the amortised cost of the interest and its fair value at the year end. Any rise in the rate beyond the net carrying amount cannot be reflected in profit or loss but in equity, in accordance with the IFRS standards.

(e) Derecognition
A financial asset is derecognised if and only if the contractual rights to cash flows related to the financial asset mature or if the Group substantially transfers all of the risks and rewards inherent to ownership of the asset.

A financial liability is derecognised if and only if the obligation stated in the contract is settled, cancelled or if it matures.

(f) Offset
A financial asset and a financial liability are offset and the net amount is presented in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and an intention either to settle them on a net basis, or to realise the asset and settle the liability simultaneously.

2.13 Derivative financial instruments
The Group uses various derivative financial instruments to manage its exposure to changes in interest rates and exchange rates.

Derivative financial instruments are initially recognised at fair value on the date on which the derivative contract is concluded, and subsequently measured at fair value at the end of each period. The resulting gain or loss is immediately recognised in profit or loss, unless the derivative is a designated and effective hedging instrument.

2.14 Trade and other receivables
Trade receivables are amounts receivable from customers for goods sold or services rendered in the normal course of business. They are part of current assets provided they are realised during the normal operating cycle. Otherwise, they are part of non-current assets.

2.15 Cash and cash equivalents
Cash and cash equivalents comprise cash at bank, cash in hand, short-term deposits originally maturing in less than three months and any monetary investment subject to a negligible risk of change in value.

For the purposes of the consolidated cash flow table, cash and cash equivalents comprise cash and cash equivalents as defined above, net of current bank overdrafts. Current bank overdrafts are presented on the liabilities side of the balance sheet under "financial debt" in current liabilities.

2.16 Trade and other payables
Trade payables are obligations to pay for goods and services acquired in the normal course of business. They are part of current liabilities provided they are settled during the normal operating cycle. Otherwise, they are part of non-current liabilities.

2.17 Provisions
(a) General
A provision must be recognised if:
- the Group has a present legal or implicit obligation as a result of past events;
- it is probable that resources will have to be expended to meet the obligation;
- the amount of the obligation can be estimated reliably.

The provisions are recognised at the current value of the expected expenditure of resources.

The provisions are discounted if the time impact is significant. The impact of the discount realised at each reporting date is recognised in finance costs.

(g) Onerous contracts
The present obligations arising from onerous contracts are recognised and measured as provisions. A contract is considered onerous when the Group has concluded a contract for which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

2.18 Taxes
Tax expense includes current tax and deferred tax.

(a) Current tax
Current tax comprises the estimated amount of tax payable (or receivable) on the taxable profit (or loss) for a period realised by the Company and its subsidiaries, and any adjustments to the current tax for previous periods. It is calculated on the basis of the tax rates that have been enacted or substantively enacted by the reporting date.

Management will rely on their own judgement and estimates in situations where the tax regulations are open to interpretation. These positions are reviewed regularly.

(b) Deferred tax
Deferred taxes are recognised using the liability method to the extent of the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. No deferred tax is recognised if it arises from the initial recognition of an asset or liability in a transaction, other than a business combination, which, at the time of the transaction, affects neither accounting profit (loss) nor taxable profit (tax loss). In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred taxes are determined using tax rates and tax regulations which have been enacted or substantively enacted by the reporting date and which are intended to apply when the deferred tax asset in question is realised or when the deferred tax liability is settled.

Deferred tax assets are recognised only in so far as the realisation of a future taxable profit, which will allow the charging of temporary differences, is probable. To assess the Group's ability to recover these assets, the following are taken into account: forecasts of future tax results, the share of non-recurring charges that will not reoccur in the future included in past losses, the history of taxable profits for prior periods, and, if applicable, the tax strategy such as the proposed disposal of undervalued assets.

Deferred tax assets are recognised for temporary differences linked to investments in subsidiaries, save when the timetable for reversal of these temporary differences is controlled by the Group and when it is probable that such reversal will not take place in the near future.

Deferred tax assets and liabilities are offset per tax entity when the tax entity is entitled to offset its current tax assets and liabilities, and when the deferred tax assets and liabilities in question are levied by the same taxation authority.

2.19 Operating leases
Leases for which the lessor retains nearly all the risks and rewards inherent to ownership of an asset are classified as operating leases. Operating leases are not capitalised. Rents are recognised as operating expenses.

2.20 Principle of recognising revenue
Revenue is recognised at fair value of the consideration received, less patronage dividends, trade discounts and taxes on sales.

The Group generates its revenue from two main sources:
- consultancy and engineering services;
- sales of licences (software) via a single licence, maintenance services related to licence sales comprising updates and technical support, SaaS contracts (see definition below) and the development of additional functionality to standard products commissioned by customers.

SaaS (Software as a Service) sales are based on the principle of providing access to an application over the Internet. Users pay for the service via a service subscription, unlike the traditional model of providing software under a single licence and installing it on the customer's own servers.

(a) Consultancy and engineering services;
Revenue from fixed-price services is recognised as the service is provided, depending on progress, when the profit or loss upon completion can be determined reliably. The progress is determined by comparing the accumulated costs incurred as of a given date to the total planned costs of the contract. When it is probable that the total costs of the contract will exceed the total income from the contract, the expected loss is recognised immediately as an expense. Services relating to these contracts are found in the consolidated statement of financial position under 'Trade and other receivables' for the proportion of accrued income and under 'Other liabilities (current)' for the proportion of deferred income. When the outcome of a fixed-price contract cannot be estimated reliably, the revenue is recognised only within the limit of contract costs incurred that will probably be recovered.

Revenue from services arising from cost-plus contracts is recognised as the service is provided.

(b) Sales of licences, maintenance contracts and provision of SaaS applications
Revenue from licences is recognised, provided the Group has no other obligations to meet, in the event of an agreement with the customer, that delivery and acceptance take place, that the amount of the income and associated costs can be measured reliably, and that it is probable that the economic benefits associated with the transaction will flow to the Group. If one of the criteria is not met, recognition of the revenue arising from the sale of the software licence is deferred until all of the criteria are met. Any discounts and rebates are subtracted from sales.

Revenue from set-up, configuration and incorporation of software is recognised as the service is provided, depending on progress, when the profit or loss upon completion can be determined reliably. See Note 2.20 a) for more details.

Maintenance contracts (including updates and technical support) are concluded when the customer acquires the licence for the underlying software. Such contracts can be renewed by the customer at the end of each fixed term. Maintenance revenue is recognised using the straight-line method over the term of the contract.

Services to develop additional functionality commissioned by the customer for standard products are recognised when the service is provided.

Services provided in connection with SaaS are the subject of a tacitly renewed contract and are calculated on the basis of a fixed price linked with costs and resources incurred by the Group to provide such services. Income from these contracts is recognised pro rata over the term of the contract and results in, where applicable, the recognition of deferred income.

2.21 Distribution of dividends
The distribution of dividends to the shareholders of the parent company is recognised as a liability in the Group's financial statements in the period in which the dividend distribution was approved by the General Meeting of shareholders, until the payment thereof.

2.22 Earnings per share
Earnings per share are calculated by dividing profit or loss (attributable to the shareholders of the parent company) by the weighted average number of ordinary shares in circulation during the period.

Treasury shares are ignored in the calculation of earnings per share or diluted earnings per share.

The diluted earnings per share amount is calculated by dividing profit or loss (attributable to the shareholders of the parent company) by the average weighted number of ordinary shares in circulation, plus all dilutive potential ordinary shares (subscription options, warrants, etc.), less treasury shares.

A share subscription plan is considered dilutive when it results in the issue of ordinary shares at a price lower than the average market price during the period.

2.23 Employee benefits

(a) Short-term benefits:

Expenses relating to short-term benefits comprise gross pay, social security contributions, paid leave and other short-term benefits. They are recognised as an expense in the period in which the services are rendered by the personnel. Sums unpaid as at the reporting date are recognised in 'Other current liabilities'.

(b) Defined-contribution retirement plans

Expenses relating to defined-contribution plans are recognised in profit or loss on the basis of contributions paid or payable for the period in which the associated services were rendered by the beneficiaries. Sums unpaid as at the reporting date are recognised in 'Other current liabilities'.

(c) Defined-benefit retirement plans

Defined-benefit retirement plans are post-employment benefit plans other than defined contribution plans, including mainly retirement obligations defined by French collective agreements or company-level agreements.

The Group's commitments relating to defined-benefit plans are measured using an actuarial technique, the projected unit credit method. This method is based mainly on a projection of future pension levels payable to employees, anticipating the impact of their future salary increases, and on specific assumptions, detailed in Note 18, which are updated periodically by the Group.

The Group does not outsource the management or financing of retirement benefits to an outside fund.

(d) Compensation for termination of employment contract

Termination benefits are recognised as an expense when the Group is demonstrably engaged, without any real possibility of withdrawing, in a formalised and detailed plan either for dismissal prior to the normal retirement date or offers encouraging voluntary retirement with a view to reducing staff numbers.

2.24 Share capital

(a) Ordinary shares

Ordinary shares are classified as equity instruments. Ancillary costs directly attributable to the issue of ordinary shares or share options are recognised as a deduction from equity, net of share.

(b) Treasury shares

All of the treasury shares held by the Group are recognised at their acquisition cost taken from equity. The income (or expense) from any disposal of treasury shares is charged directly to the increase (or decrease) of equity (net of taxes), so that any gains or losses do not affect the profit or loss from the period.

2.25 Share-based payments

Share options representing share-based payments, settled in equity instruments, are regularly awarded to management personnel and certain employees. The Group measured the fair value of these instruments on the allocation date using the Black & Scholes model (see Note 37). The fair value of the options is fixed on the allocation date. It is recognised as personnel expenses using the straight-line method between the date on which the rights were awarded and their date of maturity with a direct consideration in equity.

At the end of the plan, the amount of accumulated benefits accounted for is retained in reserves, whether the options are exercised or not.

NOTE 3. ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing consolidated financial statements, management issues judgements, performs estimates and formulates assumptions likely to have an impact on the amount of assets, liabilities, income and expenses recognised in the consolidated financial statements, as well as on the information in the notes on contingent assets and liabilities on the reporting date.

3.1 Critical judgements made in connection with applying accounting policies

The following analysis presents the critical judgements made in connection with applying the Group's accounting principles, excluding those which involve estimates, having the most significant impact on the amounts recognised in the consolidated financial statements.

(a) Control of subsidiaries in which the holding is less than 50%

Sword Charteris Ltd (Charteris) (formerly known as Sword IT Solution Ltd), the parent company of AAA Group Ltd, AAA Ltd, Infinity Ltd, Minttulip Ltd, Venture Information Management Ltd and Sword IT Solution Ltd (formerly known as Sword Charteris Ltd) is a Group subsidiary, even though it has only a 49% interest in Charteris. Under the Memorandum and Articles of Association, the Group has the power to appoint the majority of members of the Board of Directors of Charteris, including the director serving as Chairman of the Board of Directors. Since the decision-making process of this company is governed by a simple majority voting system, the Group can implement, alone, its proposed strategic and operational approaches. The Group's management personnel examined the provisions of the Memorandum and Articles of Association in light of the obligations imposed by IFRS 10 and concluded that the Group controls Charteris.

(b) Significant influence over Plefsys IT PC

Plefsys IT PC is presented in the Group's consolidated financial statements as an associate. As the result of a shareholders' agreement, the Group is entitled to appoint a representative to the Board of Directors of Plefsys IT PC. According to the Group's management, the Group exercises a significant influence over Plefsys IT PC given that it is involved in the strategic decision-making of this associate.

(c) Determining cash-generating units (CGUs) for goodwill impairment testing

As recommended in IAS 36, the goodwill arising from a business combination is allocated to a CGU likely to benefit from business combination synergies. Bearing in mind the impact of synergies based on organisational and commercial criteria and the level at which the goodwill is managed and its performance assessed by the Group, the CGUs selected by the Group for the needs of impairment testing correspond to the Group's operating segments, i.e. IT services and software.

3.2 Main sources of uncertainty about estimates

Key assumptions and other main sources of uncertainty about estimates as at the reporting date are detailed below.

(a) Recognising revenue and costs for fixed-price services contracts

Applying the progress method for fixed-price services contracts, the Group regularly measures the progress of said contracts in progress on the basis of objectives reached or costs insured and estimated profit upon completion. These significant estimates pertain mainly to total contract costs, costs remaining until completion, total income from the contract and contractual risks. If these estimates show that a contract will make a loss, a provision for loss upon completion is recognised immediately, covering the loss in full.

(b) Goodwill impairment testing

Goodwill is subject to impairment testing at least annually, in accordance with the accounting principles set out in Note 2.7. The CGUs' recoverable amounts are determined on the basis of the calculation of their value in use and, where appropriate, their fair value less costs to sell. The CGUs' value in use is determined using the future discounted net cash flows method, which is influenced by parameters such as estimated medium and long-term revenue growth, expected rate of profitability and discount rate applied. The assumptions selected by the Group for performing tests are presented in Note 12. Any change to these assumptions could have a significant effect on the recoverable amount.

(c) Measurement of intangible assets arising from a business combination

The Group uses valuation techniques and assumptions to determine the fair value of intangible assets arising from a business combination. The valuation techniques and assumptions used are described in Note 24. The adoption of a different valuation model and any change to underlying variables could have a significant impact on the value allocated to these assets.

(d) Useful life of intangible assets acquired in business combinations
Depreciable intangible assets acquired in business combinations are valued and amortised taking into account their useful life forecast by the Group. Uncertainties regarding these estimates are related mainly to the technical obsolescence that could affect software intended for sale or leased under SaaS arrangements and to the erosion rate of customers or contract renewals that could impact assets such as contracts to deliver software as a service (SaaS), support contracts and, where appropriate, customer relations.

(e) Intangible assets with indefinite lives
The Group is of the opinion that the fee paid by the Group to Tipik Communication Agency S.A. ("Tipik") (see Note 9) to cancel a restraint of trade agreement (see Note 11) is comparable to an open-ended operating licence granted to the Group, an authorisation without which the Group would be unable to generate any cash flow within the scope of business activities subject to the non-competition clause. Consequently, the fee paid was classified as an asset with an indefinite useful life that is subject to impairment testing at least once per year.

(f) Recognition of deferred tax assets
Deferred tax assets can be recognised only in so far as the tax losses can be used to reduce the tax burden on taxable profits. The Group's management use budgets and medium-term growth and profitability assumptions to recognise deferred tax assets. A downward revision of the projections established by management can significantly influence the recoverable nature of deferred tax assets.

NOTE 4. FINANCIAL RISK MANAGEMENT POLICY

The Group is exposed to credit risk, liquidity risk and market risk (including interest rate risk) and foreign exchange risk with respect to the use of financial instruments. Financial risk management is handled by the Finance Department and consists of minimising the potentially unfavourable impact of these risks on the Group's performance. This note gives information on the Group's exposure to various risks as well as on how the Group addresses and manages these risks.

4.1 Credit risk
The credit risk is the Group's risk of loss if a customer or any other counterparty of a financial instrument is inadequate in the performance of its obligations. The main credit risk identified by the Group pertains to trade receivables, to which are added accrued income for work in progress and cash in financial institutions.

The Group's maximum exposure to credit risk by class of financial asset can be analysed as follows:

(in thousands of €)	**31 December 2017**	**31 December 2016**
Trade receivables	54,105	46,255
Other assets	13,608	18,303
Cash and cash equivalents	38,479	46,196
TOTAL	**106,192**	**110,754**

In addition to the credit risk exposure inherent to the holding of financial assets, there is the risk of default represented by accrued income for work in progress, the balance of which as at 31 December 2017 was K€22,068 (compared with K€20,867 in 2016). See Note 15.

The Group rigorously selects its counterparties on the basis of their credit standing, measured on the basis of multiple criteria including ratings from agencies and financial ratios.

In addition to the customers' acceptance conditions, the Group's Finance Department determines the maximum payment deadlines and sets customer credit limits applied by the business units.

The customer credit risk is managed by the Finance Department of each Group business unit. Trade receivables due are reviewed regularly at each reporting date by the business units. Each significant delayed payment is monitored and, if necessary, given an action plan. At each reporting date, those receivables at risk of non-recovery are subject to an allowance representing the best estimate of the probable loss the Group will incur. See Note 15.

The Group's Finance Department regularly reviews trade receivables and work in progress on the basis of aged balances.

The Group's trade receivables classified by customer category are as follows:

(in thousands of €)	31 December 2017	31 December 2016
State-owned companies	15,750	19,276
Large companies and multinationals	34,109	22,575
SMEs	5,645	5,734
TOTAL	**55,504**	**47,585**

There is no significant concentration of credit risk at Group level on the basis of trade receivables as at 31 December 2017.

No customer accounts for more than 10% of the Group's revenue. The top 10 customers together account for 19.7% of the Group's revenue (compared with 16.4% in 2016).

Cash, cash equivalents and short-term investments are invested with seven financial institutions having an S&P rating of AA- or higher. With respect to managing its cash surpluses, the Group adopts a cautious short-term investment policy.

4.2 Liquidity risk

The liquidity risk is the risk that the Group will not be able to meet its financial obligations.

The Board of Directors of the parent company is ultimately responsible for managing liquidity risk. It has established a framework for managing liquidity risk based on proposals formulated by the Group's Finance Department. The Group manages liquidity risk by maintaining adequate reserves, maintaining banking facilities, closely monitoring projected and actual cash flows and adjusting, if necessary, the maturities of financial assets and liabilities. The details of the lines of credit available to the Group to further reduce its liquidity risk are described in Note 20.

The Group's Finance Department has established tools for monitoring projected cash flows for each of the Group's business units, enabling it to manage the liquidity risk with sufficient visibility.

The tables below provide an analysis by class of maturity, according to the amount of time until the contractual maturity date, for the Group's non-derivative financial liabilities and derivative financial assets and liabilities. To assess and manage the liquidity risks of derivative financial instruments, the Group considers both contractual cash inflows and outflows, whereas for non-derivative liabilities, only contractual outflows are considered. The tables were prepared on the basis of non-discounted cash flows according to the closest date by which the Group could be required to make a payment.

The tables include cash flows related to interest and principal. In so far as interest flows are floating rate, the non-discounted amount is obtained on the basis of market conditions prevailing on 31 December 2017.

As at 31 December 2017 and 2016, the contractual maturities for the Group's non-derivative financial liabilities and derivative financial assets and liabilities (including interest payments) were as follows:

As at 31 December 2017

(in thousands of €)	**<1 year**	**>1 year <2 years**	**>2 years <3 years**	**>3 years <5 years**	**>5 years**	**TOTAL**
Bank borrowings						
Share capital	-	*(17,000)*	-	-	-	*(17,000)*
Interest	*(104)*	*(74)*	-	-	-	*(178)*
Bank overdrafts	(876)	-	-	-	-	(876)
Trade and other payables	(17,367)	-	-	-	-	(17,367)
Other liabilities	(1,051)	(85)	-	-	-	(1,136)
Contingent consideration	(549)	-	-	-	-	(549)
Financial guarantee given	(6,000)	-	-	-	-	(6,000)
TOTAL	**(25,947)**	**(17,159)**	**-**	**-**	**-**	**(43,106)**

As at 31 December 2016

(in thousands of €)	**<1 year**	**>1 year <2 years**	**>2 years <3 years**	**>3 years <5 years**	**>5 years**	**TOTAL**
Bank borrowings						
Share capital	-	-	*(13,500)*	-	-	*(13,500)*
Interest	*(97)*	*(97)*	*(69)*	-	-	*(263)*
Bank overdrafts	(738)	-	-	-	-	(738)
Trade and other payables	(17,837)	-	-	-	-	(17,837)
Other liabilities	(3,593)	(93)	-	-	-	(3,686)
Financial guarantee given	(6,500)	-	-	-	-	(6,500)
TOTAL	**(28,765)**	**(190)**	**(13,569)**	**-**	**-**	**(42,524)**

The variable rate used to estimate the interest cash flows is the three-month Euribor, plus a margin, i.e. a rate of 0.614% as at 31 December 2017 (compared with 0.718% as at 31 December 2016).

The financial guarantees granted by the Group and detailed above correspond to the Group's maximum exposure. Apart from the amounts for which provisions were set aside (Note 19), management are of the opinion that, as at the reporting date, there is a low probability of such an amount being payable.

The amounts in the above tables reflect the non-discounted contractual cash flows, which can differ from the carrying amounts of the assets and liabilities in question on the date the financial information is submitted.

4.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to developments in market rates. The market risk arises from open positions in foreign currencies and interest-bearing assets and liabilities.

(a) Foreign-currency risk

Exposure to exchange-rate risk arises from sales and purchases made by the Group abroad, mainly denominated in US dollars, sterling and Swiss francs, and the resulting outstandings.

With a view to managing its exposure to exchange-rate risk, the parent company's Board of Directors adopted limits for each currency and each maturity, pursuant to a proposal by the Finance Department.

With a view to mitigating the Group's exposure to exchange-rate risk, the Group's net foreign-currency positions classified by maturity, both real and estimated on the basis of budgets and financial forecasts, are monitored and spot or forward contracts are concluded to respect the limits set.

The table below shows the carrying amounts of monetary assets and liabilities denominated in foreign currencies as well as the overall net position for each currency as at the reporting date:

	Assets		Liabilities		Net position	
(in thousands of €)	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Pound sterling	38,035	36,774	(20,525)	(16,231)	17,510	20,543
US dollar	9,428	10,609	(6,291)	(8,084)	3,137	2,525
Swiss franc	15,556	17,739	(6,983)	(16,666)	8,573	1,073
Other	1,758	1,946	(1,348)	(1,245)	410	701

The table below illustrates the sensitivity of net profit or loss and equity to fluctuations against the euro of exchange rates applied to the Group's financial assets and liabilities denominated in foreign currencies, i.e. the Group's net position in the currency, with all other variables remaining constant. It assumes a fluctuation in the exchange rate in line with the historical volatility of exchange rates on the market, calculated on the basis of the last 12 months, with the exception of sterling in 2016 (see below). The sensitivity analysis is based on financial instruments denominated in foreign currencies held by the Group on the date that financial information is presented. Non-significant currencies as at the reporting date have been grouped together.

(In thousands of €)	31 December 2017			31 December 2016		
Currency	**Exchange-rate changes**	**Impact on earnings**	**Impact on equity**	**Exchange-rate changes**	**Impact on earnings**	**Impact on equity**
Pound sterling	6%	954	3,567	9%	576	3,448
US dollar	8%	31	94	6%	91	29
Swiss franc	6%	52	1,006	4%	162	660

The above exchange rate changes represent management's best estimate, bearing in mind historical volatility within one year, with the exception of sterling in 2016, whose volatility was measured over a period of six months following the referendum on 23 June 2016 on whether or not the UK should remain part of the European Union.

(b) Interest-rate risk

The Group's exposure to the risk of interest rate changes is linked to the Group's financial debt level. The Group manages this risk by maintaining an appropriate composition of fixed rate and floating rate borrowings and by using, where appropriate, interest rate swaps.

The risk management policy takes account of management's anticipated rate fluctuations, historical volatility and the impact of fluctuations on the Group's profit or loss.

As at 31 December 2017, bank borrowings contracted by the Group were reimbursed at a variable rate only. In addition, on that date, the Group had no open swap contracts.

Despite the significant proportion of floating rate borrowings, the Group estimates that its exposure to interest rate fluctuations is limited, given current monetary policies.

The main borrowings are denominated in euro and held with the Company.

The sensitivity analysis for floating rate debts was prepared in accordance with the assumption whereby debts as at the reporting date presented a stable outstanding throughout the period.

If interest rates were to rise/fall by 50 basis points (corresponding to management's assessment of the reasonably possible interest-rate fluctuation) and if all other variables remained constant, the profit or loss for the period ended 31 December 2017 would fall/rise by K€85 (compared with K€71 on 31 December 2016).

4.4 Capital management
The Group manages its capital in such a way that it can ensure ongoing operations while maximising return for stakeholders by optimising the gearing ratio (net debt to equity).

The Group is not subject to any external capital requirements, with the exception of complying with the financial ratios imposed by the banks (see Note 20.3).

As at 31 December 2017, the financial structure ratio was as follows:

(in thousands of €)	**31 December 2017**	**31 December 2016**
Financial debt	17,876	14,238
Cash and cash equivalents	(38,479)	(46,196)
Net debt/(net cash)	**(20,603)**	**(31,958)**
Equity	143,332	152,168
NET DEBT RATIO	**(14.37%)**	**(21.00%)**

NOTE 5. SEGMENT INFORMATION

In accordance with IFRS 8, the segment information presents operating segments roughly corresponding to industries identified on the basis of the Group's 'business' components. This segment information is based on the organisation of the Group's internal management, which leads to the preparation – in each business component – of management tools used by the Group's management.

Taking a business approach, the Group defined two operating segments, i.e. 'IT Services' and 'Software', both of which influence the Group's performance measurement and strategic approach.

Around the operating segments gravitate support functions, such as sales, finance, human resources and logistics.

The industries are defined as follows:

- **IT Services (Solutions)**:
  This is a division specialising in information and content engineering systems integration and targeting regulated markets and compliance management. It bases its strategy on technical software components such as document management tools.

- **Software (or Products):**
  This division covers software for Governance Risk & Compliance (GRC), document management and large project management. It also includes applications for vehicle and equipment financing mainly for lease companies and brokers.

5.1 Information by geographical area

The table below shows the breakdown of revenue by geographical market, excluding intra-industry revenue and information on non-current assets by geographical area:

	Revenue from external customers		*Non-current assets [(*)]*	
(in thousands of €)	**31 December 2017**	**31 December 2016**	**31 December 2017**	**31 December 2016**
Benelux	24,969	22,604	19,086	20,609
France	35,838	31,617	11,729	11,833
Switzerland	23,249	25,224	26,356	30,221
United Kingdom	44,506	37,605	61,139	57,522
United States	17,119	15,801	6	-
Other	27,808	27,306	663	492
TOTAL	**173,489**	**160,157**	**118,979**	**120,677**

[(*)] *Non-current assets exclude financial instruments and deferred tax assets.*

5.2 Information by industry

(a) Income statement analysis

As at 31 December 2017

(in thousands of €)	**IT Services**	**Software**	**Non-allocated**	**Consolidated total**
Revenue				
- outside the Group *(external customers)*	124,298	49,191	-	173,489
- intra-industry	-	-	-	-
TOTAL REVENUE	**124,298**	**49,191**	**-**	**173,489**
Earnings before interest, taxes, depreciation and amortisation, excluding non-recurring elements (EBITDA)	**13,298**	**14,511**	**-**	**27,809**
Depreciation charges	(3,128)	(2,051)	(179)	(5,358)
Earnings before interest and taxes excluding non-recurring elements (EBIT)	**10,170**	**12,460**	**(179)**	**22,451**
Income from disposals of assets	1,456	(223)	(1,678)	(445)
Impairment losses on assets	-	(1,534)	(1,375)	(2,909)
Other non-recurring items	(972)	(344)	(450)	(1,766)
Operating profit (OP)	**9,279**	**10,359**	**(3,682)**	**17,331**
Financial result				(882)
Profit or loss of associates				(192)
Income tax				(5,019)
Profit for the year				**11,238**
Non-controlling interests				819
Group share				**10,419**

As at 31 December 2016

(in thousands of €)	**IT Services**	**Software**	**Non-allocated**	**Consolidated total**
Revenue				
- outside the Group *(external customers)*	113,296	46,861	-	160,157
- intra-industry	-	-	-	-
TOTAL REVENUE	**113,296**	**46,861**	**-**	**160,157**
Earnings before interest, taxes, depreciation and amortisation, excluding non-recurring elements (EBITDA)	**10,919**	**13,985**	**-**	**24,904**
Depreciation charges	(3,454)	(1,745)	(168)	(5,367)
Earnings before interest and taxes excluding non-recurring elements (EBIT)	**7,465**	**12,240**	**(168)**	**19,537**
Income from disposals of assets	10	(2)	(238)	(230)
Impairment losses on assets	-	-	-	-
Other non-recurring items	(1,590)	(539)	(1,953)	(4,082)
Operating profit (OP)	**5,885**	**11,699**	**(2,359)**	**15,225**
Financial result				807
Profit or loss of associates				(370)
Income tax				(4,846)
Profit for the year				**10,816**
Non-controlling interests				318
Group share				**10,498**

(b) Analysis of assets and liabilities

As at 31 December 2017

(in thousands of €)	**IT Services**	**Software**	**Non-allocated**	**Adjustments and eliminations**	**Consolidated total**
Segment assets	120,901	70,432	-	-	191,333
Non-allocated assets	-	-	32,905	-	32,905
TOTAL ASSETS	**120,901**	**70,432**	**32,905**	**-**	**224,238**
Segment liabilities	49,940	14,392	-	117,031	181,363
Non-allocated liabilities	-	-	16,572	(117,031)	(100,459)
TOTAL LIABILITIES	**49,940**	**14,392**	**16,572**	**-**	**80,906**
Intangible and tangible investments made during the period	*2,151*	*4,904*	*3,349*	*-*	*10,404*

As at 31 December 2016

(in thousands of €)	**IT Services**	**Software**	**Non-allocated**	**Adjustments and eliminations**	**Consolidated total**
Segment assets	113,587	74,110	-	-	187,697
Non-allocated assets	-	-	42,250	-	42,250
TOTAL ASSETS	**113,587**	**74,110**	**42,250**	**-**	**229,947**
Segment liabilities	43,920	17,789		110,379	172,088
Non-allocated liabilities	-	-	16,071	(110,379)	(94,308)
TOTAL LIABILITIES	**43,920**	**17,789**	**16,071**	**-**	**77,780**
Intangible and tangible investments made during the period	*1,306*	*4,307*	*171*	*-*	*5,784*

See Note 12.2 for allocation of goodwill to cash-generating units.

All of the assets are allocated to the segments, with the exception of assets which cannot be allocated to a CGU, which comprise mainly cash and cash equivalents held by the Company.

All of the liabilities are allocated to the segments, with the exception of liabilities which cannot be allocated to a CGU, which comprise mainly financial debt contracted by the Company for the purpose of financing the Group.

NOTE 6. GROUP INFORMATION

6.1 Scope of consolidation

Company	Main business/ operating segment	Method	% controlled 31 December 2017	% controlled 31 December 2016	% interest 31 December 2017	% interest 31 December 2016
Luxembourg						
Sword Group SE	Parent					
Sword Technologies S.A.	IT Services	IG	95%	90%	95%	90%
Sword Sol S.à r.l.	Holding company	IG	100%	100%	100%	100%
South Africa						
Sword Création Informatique Ltd	IT Services/ Software	IG	100%	100%	100%	100%
Australia						
Active Risk Australia Pty Ltd	Software	IG	100%	100%	100%	97%
Belgium						
Sword Integra S.A.	IT Services	IG	100%	100%	95%	90%
Cyprus						
Apak Beam Ltd	Software	IG	100%	100%	100%	100%
Colombia						
Sword Colombia SAS	IT Services	IG	100%	100%	100%	100%
United States						
Active Risk Inc.	Software	IG	100%	100%	100%	97%
Sword Apak Inc.	Software	IG	100%	100%	87%	84%
Buildonline Inc. (1)	IT Services/ Software	IG	-	100%	-	100%
Sword Solutions Inc.	IT Services	IG	100%	100%	100%	100%
France						
Sword Connect SAS	IT Services	IG	67%	67%	67%	67%
Sword Insight SAS	IT Services	IG	70%	70%	70%	70%
Sword Kami SAS	IT Services	IG	68%	68%	68%	68%
Sword Orizon SAS	Software	IG	72%	71%	72%	71%
Sword Performance France SAS	IT Services	IG	100%	85%	86%	52%
Sword S.A.	IT Services	IG	100%	100%	100%	100%
Greece						
Sword Services Greece S.A.	IT Services	IG	99%	99%	94%	99%
India						
Sword Global India Pvt Ltd	IT Services	IG	100%	100%	100%	100%
Lebanon						
Sword Lebanon SAL	IT Services	IG	96%	99%	96%	99%
Sword Middle East LLC	IT Services	IG	98%	98%	98%	98%
Morocco						
Adhoc S.à r.l. Morocco	IT Services	IG	100%	100%	100%	100%

Company	Main business/ operating segment	Method	% controlled		% interest	
			31 December 2017	31 December 2016	31 December 2017	31 December 2016
United Kingdom						
AAA Group Ltd	Holding company	IG	100%	100%	49%	49%
AAA Ltd	IT Services	IG	100%	100%	49%	49%
Apak Group Ltd (2)	Software	IG	87%	84%	87%	84%
Active Risk Group Ltd (3)	Holding company	IG	100%	97%	100%	97%
Active Risk Ltd	Software	IG	100%	100%	100%	97%
Infinity Ltd	IT Services	IG	100%	100%	49%	49%
Minttulip Ltd (4)	IT Services	IG	100%	-	49%	-
Mobile Productivity Ltd	Software	IG	100%	100%	87%	84%
Sword Achiever Ltd	Software	IG	100%	100%	100%	97%
Sword Apak Aurius Ltd	Software	IG	100%	100%	87%	84%
Sword IT Solutions Ltd (5)	IT Services	IG	100%	100%	49%	49%
Sword General Partners Ltd	Holding company	IG	100%	100%	100%	100%
Sword Charteris Ltd (6)	Holding company	IG	49%	49%	49%	49%
Sword Soft Ltd	Holding company	IG	100%	100%	100%	100%
Sword Technologies Solutions Ltd	IT Services	IG	100%	100%	100%	100%
Venture Information Management Ltd (7)	IT Services	IG	100%	-	49%	-
Switzerland						
CBA Sourcing S.A.	IT Services	IG	51%	76%	51%	31%
Eurogenia S.A. (8)	Holding company	IG	100%	41%	100%	41%
Sword Technologies S.A. (9)	IT Services	IG	45%	45%	45%	45%
Swissgenia S.A.	IT Services	IG	80%	80%	80%	32%
Sword Consulting S.A. (10)	IT Services	IG	-	100%	-	100%
Sword Performance Solutions AG (11)	IT Services	IG	86%	78%	86%	78%
Sword Performance International AG	IT Services	IG	91%	91%	78%	56%
Sword Services S.A.	IT Services	IG	100%	100%	100%	100%
Sword Suisse Holding S.A.	Holding company	IG	100%	100%	100%	100%
Tunisia						
Adhoc CTS Tunisia	Software	IG	95%	95%	82%	59%
Adhoc ISL Tunisia	IT Services	IG	95%	95%	82%	59%

(1) *Liquidated and dissolved on 31 March 2017*
(2) *In April 2017, the Group boosted its stake in Apak Group Ltd from 84% to 87%.*
(3) *In April 2017, the Group increased its stake in Active Risk Group Ltd from 97% to 100%.*
(4) *Acquired on 1 September 2017. See Note 8.1.*
(5) *Formerly known as Sword Charteris Ltd*
(6) *Under the Memorandum and Articles of Association, the Group has control over Sword Charteris Ltd (formerly known as Sword IT Solution Ltd).*
(7) *Acquired on 1 October 2017. See Note 8.1.*
(8) *On 14 January 2017, the Group increased its interest in Eurogenia S.A. from 41% to 100%.*
(9) *The Group signed a shareholders' agreement taking effect on 1 January 2014 that gave it control over Sword Technologies S.A. (Switzerland). Consequently, the company is fully consolidated.*
(10) *Absorbed by Sword Suisse Holding S.A. as at 1 January 2017*
(11) *During 2017, the Group stepped up its stake in Sword Performance Solutions AG from 78% to 86%, paying CHF 410,000 for the privilege.*

6.2 Information on Group subsidiaries in which the non-controlling interests (minority interests) are significant as at 31 December 2017

The table below gives details of Group subsidiaries in which the non-controlling interests are significant:

Company	Percentage of interests held via non-controlling interests	Comprehensive income for the year attributed to non-controlling interests	Accumulated non-controlling interests
Sword Charteris Ltd (*)	51%	298	1,382
Apak Group Ltd (*)	13%	(161)	1,273
Other	From 1% to 55%	349	1,558
Total		**486**	**4,213**

(*) *The amounts presented for Sword Charteris Ltd and Apak Group Ltd take account of all entities belonging to the respective subgroup.*

The table below shows summarised information prior to intra-Group eliminations:

	Sword Charteris Ltd		Apak Group Ltd	
(in thousands of €)	31 December 2017	31 December 2016	31 December 2017	31 December 2016
STATEMENT OF FINANCIAL POSITION (SUMMARY)				
Non-current assets	8,639	5,351	33,398	34,202
Current assets	7,690	5,094	14,986	19,330
Non-current liabilities	(772)	(945)	(48)	(80)
Current liabilities	(12,595)	(7,097)	(46,557)	(48,681)
NET ASSETS	**2,962**	**2,403**	**1,779**	**4,771**
Of which:				
Group share	1,580	1,390	506	2,699
Non-controlling interests (minority interests)	1,382	1,013	1,273	2,071
STATEMENT OF NET INCOME AND OTHER COMPREHENSIVE INCOME (SUMMARY)				
Revenue	26,314	17,696	29,394	27,473
Profit for the year	**768**	**14**	**6,549**	**6,556**
Of which:				
Group share	376	7	6,549	6,556
Non-controlling interests (minority interests)	392	7	-	-
Other comprehensive income	**(184)**	**(855)**	**(1,271)**	**(6,111)**
Of which:				
Group share	(90)	(419)	(1,110)	(5,143)
Non-controlling interests (minority interests)	(94)	(436)	(161)	(968)
COMPREHENSIVE INCOME FOR THE YEAR	**584**	**(841)**	**5,278**	**545**
Of which:				
Group share	286	(412)	5,439	1,513
Non-controlling interests (minority interests)	298	(429)	(161)	(968)
Dividends paid to non-controlling interests	-	-	-	-

(in thousands of €)	Sword Charteris Ltd 31 December 2017	Sword Charteris Ltd 31 December 2016	Apak Group Ltd 31 December 2017	Apak Group Ltd 31 December 2016
CASH-FLOW STATEMENT (SUMMARY)				
Net cash inflows/(outflows) from operating activities	3,475	(115)	4,182	6,298
Net cash outflows from investment activities	(3,889)	(298)	(2,403)	(6,240)
Net cash inflows/(outflows) from financing activities	-	1	(5,707)	4,211
Net change in cash and cash equivalents	**(414)**	**(412)**	**(3,928)**	**4,269**

NOTE 7. ASSOCIATES

(a) Changes during the year

(in thousands of €)	31 December 2017	31 December 2016
Balance at beginning of year	**2,644**	**2,432**
Acquisition and securing a significant influence (1)	400	582
Disposal and loss of significant influence	-	-
Share of profit or loss for the year	(192)	(370)
Dividends paid	-	-
BALANCE AT YEAR END	**2,852**	**2,644**

(1) In May 2017, the Group acquired 18% of Plefsys IT PC for a total amount of K€400.

(b) Information on associates

Company	Foundation location and main site	Main business/ sector	% interest 2017	% interest 2016
Tipik Communication Agency S.A.	Belgium	IT Services	49%	49%
Plefsys IT PC	Greece	IT Services	18%	-
Cowork Engineering	France	IT Services	24%	24%

The table below shows summarised information about the associates (after any adjustments by the Group to ensure compliance with the Group's accounting principles by virtue of applying the equity accounting method):

(in thousands of €)	Tipik 2017	Tipik 2016	Other 2017	Other 2016
Non-current assets	3,476	4,033	1	-
Current assets	9,151	8,246	407	205
Non-current liabilities	-	-	-	-
Current liabilities	(12,147)	(11,420)	(189)	(94)
Net assets	**480**	**859**	**219**	**111**
Revenue	16,783	17,975	706	287
Profit for the year	**(379)**	**3**	**106**	**36**
Other comprehensive income	**-**	**-**	**-**	**-**
Dividends received from the associate during the year	-	-	-	-

(c) Commitments to associates' shareholders

The Group has made a commitment to increase its stake in Plefsys over the next three years in three consecutive tranches, namely 20%, 26% and 6%, in exchange for a payment of €800,000, along with an additional price calculated on the basis of the revenue generated by the collaboration between the Group and Plefsys and capped at €300,000. The price was determined on the basis of a business plan based on discounted cash flows.

NOTE 8. BUSINESS COMBINATIONS AND ACQUISITIONS

8.1 Acquisitions in 2017

(a) Description

Venture Information Management Ltd

With effect from 1 October 2017, the Group forked out K€2,210 to acquire, through Sword Charteris Ltd, a Group subsidiary, a 100% interest in Venture Information Management Ltd ("VIM"). VIM is a British company specialising in IT services for the oil and gas exploration and production industry. This combination aimed to enable the Group to expand its customer base and to grow by developing its business without additional short-term fixed costs, thereby boosting its profit margin.

Minttulip Ltd

On 1 September 2017, the Group also acquired, through Sword Charteris Ltd, a 100% shareholding in Minttulip Ltd, a British company – an acquisition involving an outlay of K€1,788. Minttulip Ltd is a Microsoft partner specialising in cloud services. This combination has allowed the Group to extend its geographical reach, to expand its range of services and to grow by developing its activities without additional short-term fixed costs, thereby boosting its profit margin.

(b) Consideration transferred

(in thousands of €)	**Minttulip Ltd**	**Venture Information Management Ltd**	**TOTAL**
Consideration settled in cash	1,740	1,588	3,328
Less:			
Balance of cash and cash equivalents acquired	114	45	159
NET CASH OUTFLOW	**1,626**	**1,543**	**3,169**

The Venture Information Management Ltd purchase agreement envisages an additional payment corresponding to three times the difference between Venture Information Management Ltd's EBITDA for 2018 and its EBITDA for 2017. The additional payment qualifying as a 'contingent consideration liability' will be made in the first half of 2018. The fair value of this liability was K€549 as at 31 December 2017, based on discounting estimated cash flows.

(c) Assets acquired and liabilities recognised on the acquisition date

(in thousands of €)	**Minttulip Ltd**	**Venture Information Management Ltd**	**TOTAL**
Non-current assets			
Property, plant and equipment	-	35	35
Deferred tax assets	-	161	161
Current assets			
Trade and other receivables	378	1,166	1,544
Other assets	121	65	186
Cash and cash equivalents	114	45	159
Current liabilities			
Trade and other payables	(347)	(630)	(977)
Other liabilities	(115)	(311)	(426)
IDENTIFIABLE NET ASSETS ACQUIRED	**151**	**531**	**682**

(d) Goodwill arising from the acquisition

(in thousands of €)	Minttulip Ltd	Venture Information Management Ltd	TOTAL
Consideration transferred	1,788	2,210	3,998
Less:			
Fair value of identifiable net assets acquired	151	531	682
GOODWILL ARISING FROM THE ACQUISITION	**1,637**	**1,679**	**3,316**

In accordance with IFRS 3, the Group undertook a provisional assessment of the fair value of the two acquired companies' identifiable assets and liabilities pending the finalisation of the checks being performed by third-party experts.

The goodwill on the acquisition of these two companies is related mainly to growth forecasts, expected future profitability and cost reductions implemented upon the acquisition and to medium-term synergies arising from the support provided to these companies by the Group via support functions.

Goodwill should not be deductible for tax purposes.

(e) Impact of acquisitions on the Group's profit or loss

If these business combinations had been in place as at 1 January 2017, the revenue and profit or loss for the year of the acquired entities would be presented as follows:

(in thousands of €)	Minttulip Ltd	Venture Information Management Ltd	TOTAL
Revenue	2,195	4,697	6,892
Profit or loss	(30)	148	118

For the period from their acquisition date until 31 December 2017, the acquired companies contributed to the Group's revenue and profit or loss in the following proportions:

(in thousands of €)	Minttulip Ltd	Venture Information Management Ltd	TOTAL
Revenue	751	1,543	**2,294**
Profit or loss	88	98	**186**

8.2 Acquisitions in 2016

In January 2016, the Group acquired 100% of Infinity Ltd for a total amount of K£50. Since the amounts associated with that acquisition were not significant at Group level, the information to be provided under IFRS 3 was not presented.

NOTE 9. DISPOSALS

9.1 Disposals in 2017

In May 2017, the Group established the subsidiary SCI Decan. On 20 July 2017, SCI Decan bought the building at 6 rue Claude Chappe, 69370 Saint Didier au Mont d'Or in France for a price of K€3,500, funded entirely by a loan. On 18 December 2017, the Group disposed of its subsidiary for €1,000, corresponding to that company's share capital. See Note 37.3.

9.2 Disposals in 2016

On 7 December 2016, the Group finalised the disposal of its subsidiary Sword Consulting France SAS for a price of K€1,148.

(a) Consideration received

(in thousands of €)	Total
Consideration received in cash and cash equivalents	1,148
Consideration receivable	-
TOTAL CONSIDERATION	**1,148**

(b) Analysis of assets and liabilities over which control was lost

(in thousands of €)	Total
Non-current assets	
Goodwill	309
Property, plant and equipment	7
Deferred tax assets	4
Current assets	
Trade and other receivables	886
Other assets	35
Cash and cash equivalents	454
Current liabilities	
Trade and other payables	(133)
Current tax liability	(3)
Other liabilities	(334)
NET ASSETS SOLD	**1,225**

(c) Profit/(loss) generated on disposal

(in thousands of €)	Total
Consideration received	**1,148**
Less: Net assets transferred	1,225
LOSS ON DISPOSAL	**(77)**

(d) Net cash outflow on disposal

(in thousands of €)	Total
Consideration received in cash and cash equivalents	1,148
Less:	
Balance of cash and cash equivalents disposed of	454
NET CASH OUTFLOW	**694**

NOTE 10. PROPERTY, PLANT AND EQUIPMENT

(in thousands of €)	Land and buildings	Facilities, developments and fixtures	Transport equipment	Office equipment and computer equipment	Office furniture	TOTAL
GROSS AMOUNT						
As at 31 December 2015	**557**	**2,692**	**311**	**11,209**	**6,793**	**21,562**
Acquisitions	-	227	58	1,781	284	**2,350**
Acquisitions via business combinations	-	-	-	-	78	**78**
Disposals	-	(18)	(105)	(383)	(60)	**(566)**
Deconsolidations	-	-	-	(49)	-	**(49)**
Translation difference	(79)	5	(15)	(524)	(718)	**(1,331)**
As at 31 December 2016	**478**	**2,906**	**249**	**12,034**	**6,377**	**22,044**
Acquisitions	-	3,620	2	1,703	293	**5,618**
Acquisitions via business combinations	25	-	-	263	76	**364**
Disposals	(83)	(76)	(2)	(774)	(883)	**(1,818)**
Deconsolidations	-	(3,333)	-	(37)	-	**(3,370)**
Translation difference	(16)	(113)	(21)	(521)	(243)	**(914)**
Other movements	-		-	(215)	8	**(207)**
As at 31 December 2017	**404**	**3,004**	**228**	**12,453**	**5,628**	**21,717**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES						
As at 31 December 2015	**(361)**	**(1,643)**	**(179)**	**(9,150)**	**(2,380)**	**(13,713)**
Depreciation charges	(66)	(235)	(45)	(1,101)	(501)	**(1,948)**
Scope changes	-	-	-	-	(78)	**(78)**
Reversals of impairment losses	-	9	48	422	60	**539**
Translation difference	54	(2)	3	435	183	**673**
As at 31 December 2016	**(373)**	**(1,871)**	**(173)**	**(9,394)**	**(2,716)**	**(14,527)**
Depreciation charges	(45)	(231)	(40)	(1,242)	(407)	**(1,965)**
Scope changes	(25)	-	-	(249)	(49)	**(323)**
Reversals of impairment losses	83	59	-	769	654	**1,565**
Translation difference	13	79	16	384	109	**601**
Other movements	-	-	-	216	(7)	**209**
As at 31 December 2017	**(347)**	**(1,964)**	**(197)**	**(9,516)**	**(2,416)**	**(14,440)**
NET AMOUNT						
As at 31 December 2016	**105**	**1,035**	**76**	**2,640**	**3,661**	**7,517**
As at 31 December 2017	**57**	**1,040**	**31**	**2,937**	**3,212**	**7,277**

As at 31 December 2017, no guarantees had been issued regarding property, plant and equipment (the same had been the case in 2016).

NOTE 11. OTHER INTANGIBLE ASSETS

(in thousands of €)	Software	Software contracts	Non-competition clause	Other intangible assets	TOTAL
GROSS AMOUNT					
As at 31 December 2015	**7,770**	**4,657**	**1,113**	**7,425**	**20,965**
Inflows of assets generated internally	2,870	-	-	-	**2,870**
Acquisitions	-	207	-	355	**563**
Disposals	-	-	-	(1)	**(1)**
Deconsolidations	-	-	-	(2)	**(2)**
Translation difference	(342)	(376)	-	(309)	**(1,027)**
As at 31 December 2016	**10,298**	**4,488**	**1,113**	**7,469**	**23,368**
Inflows of assets generated internally	4,556	-	-	-	**4,556**
Acquisitions	-		-	233	**233**
Disposals	(507)		-	(117)	**(624)**
Deconsolidations	-	-	-	-	**-**
Translation difference	(310)	(173)	-	(40)	**(523)**
As at 31 December 2017	**14,037**	**4,315**	**1,113**	**7,545**	**27,010**
ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES					
As at 31 December 2015	**(3,823)**	**(2,376)**	**-**	**(3,303)**	**(9,502)**
Depreciation charges	(858)	(1,005)	-	(1,556)	**(3,419)**
Scope changes	-	-	-	3	**3**
Translation difference	40	289	-	71	**400**
As at 31 December 2016	**(4,641)**	**(3,092)**	**-**	**(4,785)**	**(12,518)**
Depreciation charges	(1,178)	(746)	-	(1,469)	**(3,393)**
Scope changes	507	-	-	115	**622**
Translation difference	61	132	-	4	**197**
As at 31 December 2017	**(5,251)**	**(3,706)**	**-**	**(6,135)**	**(15,092)**
NET AMOUNT					
Net amount as at 31 December 2016	**5,657**	**1,396**	**1,113**	**2,684**	**10,850**
Net amount as at 31 December 2017	**8,786**	**609**	**1,113**	**1,410**	**11,918**

'Software contracts' comprise SaaS contracts and software maintenance contracts.

The Tipik contract of sale concluded by the Group on 10 March 2014 was accompanied by a non-competition clause. Under this, the Group undertook to refrain from competing with Tipik in the European Union.

Since then, bearing in mind the new growth prospects in the public sector and its desire to bolster its presence in this segment, the Group has reassessed its strategy and sought to be able to once again compete with Tipik in dealings with the European Union bodies.

On 11 September 2014, the Group concluded an agreement under which, in return for payment of €6 million, in addition to cancelling the non-competition clause, the Group got Tipik to discontinue, in its favour, providing certain services relating to two contracts for which a Group subsidiary and Tipik were both candidates.

The amount paid was divided in the books between an order book valued at K€4,918 for services to be provided over a period of four years starting in 2015 and the cancellation of the non-competition clause for the balance.

The other intangible assets comprise mainly services to be provided under contracts in the 'IT Services' segment, also known as the 'production backlog'.

Impairment testing for the non-competition clause
As at the reporting date, the Group compared the net carrying amount of CGU 3 – IT Services, to which the amount for buying out the non-competition clause worth K€1,113 was allocated, including the carrying amount of that clause, and its recoverable amount, which was determined on the basis of its value in use. Since the recoverable amount of CGU 3 exceeded its net carrying amount, no impairment loss was recognised. See Note 12 for key assumptions used to calculate value in use.

NOTE 12. GOODWILL

12.1 Changes in goodwill

(in thousands of €)	**31 December 2017**	**31 December 2016**
GROSS AMOUNT		
Balance at beginning of year	**111,253**	**117,470**
Additional amounts recognised following business combinations arising during the period	3,317	250
Disposals	-	(625)
Translation difference	(3,408)	(5,842)
Balance at year end	**111,162**	**111,253**
ACCUMULATED IMPAIRMENT LOSSES		
Balance at beginning of year	25,000	25,000
Recognised during the year	-	-
Translation difference	-	-
Balance at year end	**25,000**	**25,000**
GOODWILL, NET CARRYING AMOUNT	**86,162**	**86,253**

12.2 Allocation of goodwill by cash-generating units (CGUs)

(in thousands of €)	**31 December 2017**	**31 December 2016**
CGU 1 – Software	29,920	30,911
CGU 3 – IT Services (Solutions)	56,242	55,342
TOTAL	**86,162**	**86,253**

12.3 Goodwill impairment testing

In 2017, without modifying the measurement methods used in the previous year, the Group re-examined the value of the goodwill associated with its cash-generating units (CGUs) by comparing the recoverable amount of the CGUs with their net carrying amount, including goodwill. In accordance with IAS 36, only the value in use in respect of the recoverable amount was selected.

The recoverable amounts of CGU 1 and CGU 3 were respectively K€157,899 (compared with K€193,205 in 2016) and K€142,724 (compared with K€187,701 in 2016).

Key assumptions

The forecast cash flows used by the Group to estimate value in use came from the 2018 budget and from an extrapolation for 2019 and subsequent years. Based on the 2018 budget, the Group's revenue rise approximately 12.5% (12% on a like-for-like basis).

The key assumptions adopted in the valuation model used by the Group are (i) medium-term growth in revenue, (ii) an operating margin corresponding to the EBIT/revenue ratio, (iii) the infinite growth rate used to calculate the final value, and (iv) the discount rate.

	CGU 1 – Software		CGU 3 – Solutions	
	2017	2016	2017	2016
Medium-term revenue growth	10%	10%	10%	10%
Operating margin	21%	24%	8%	8%
Infinite growth rate	2%	2%	2%	2%
Discount rate after tax (*)	7.67%	6.79%	8.25%	6.12%

(*) The pre-tax discount rates for 2017 were 9.46% (compared with 8.4% in 2016) and 10.25% (compared with 7.75% in 2016) for CGU 1 and CGU 3 respectively.

The values attributed to medium-term revenue growth and to the operating margin were determined with due diligence and are consistent with the Group's historical and budgetary data. The forecasts were made taking account of the order book, development costs related to the improvement of software solutions, the product mix and the increased proportion of software sales in SaaS mode and assuming continuing depreciation of sterling in light of the prospect of Brexit. The discount rates used for annual impairment tests were the weighted average cost of capital (WACC) rates specific to each CGU.

Sensitivity of recoverable amounts

The Group's management is of the opinion that no reasonably possible change in key assumptions on which the recoverable amount of each CGU is based would cause the carrying amount allocated to them to exceed their recoverable amount.

NOTE 13. PRESENTATION OF FINANCIAL INSTRUMENTS BY CLASS

The table below shows the breakdown by accounting class of financial assets and liabilities in accordance with IAS 39 as at 31 December 2017:

(in thousands of €)	Loans and receivables	Financial assets held for sale	TOTAL
ASSETS			
Financial assets held for sale	-	518	518
Other assets	9,868	-	9,868
Long-term investments	**9,868**	**518**	**10,386**
Trade and other receivables	54,105	-	54,105
Other assets	3,741	-	3,741
Cash and cash equivalents	38,479	-	38,479
Current financial assets	**96,325**	**-**	**96,325**
TOTAL FINANCIAL ASSETS	**106,193**	**518**	**106,711**

(in thousands of €)	Financial liabilities at depreciated cost	TOTAL
LIABILITIES		
Financial debt	17,000	17,000
Other liabilities	85	85
Non-current financial liabilities	**17,085**	**17,085**
Financial debt	876	876
Trade and other payables	17,367	17,367
Other liabilities	1,600	1,600
Current financial liabilities	**19,843**	**19,843**
TOTAL FINANCIAL LIABILITIES	**36,928**	**36,928**

The table below shows the breakdown by accounting class of financial assets and liabilities in accordance with IAS 39 as at 31 December 2016:

(in thousands of €)	Loans and receivables	Financial assets held for sale	TOTAL
ASSETS			
Financial assets held for sale	-	518	518
Other assets	12,899	-	12,899
Long-term investments	**12,899**	**518**	**13,417**
Trade and other receivables	46,255	-	46,255
Other assets	5,409	-	5,409
Cash and cash equivalents	46,196	-	46,196
Current financial assets	**97,860**	**-**	**97,860**
TOTAL FINANCIAL ASSETS	**110,759**	**518**	**111,277**

(in thousands of €)	Financial liabilities at depreciated cost	TOTAL
LIABILITIES		
Financial debt	13,500	13,500
Other liabilities	93	93
Non-current financial liabilities	**13,593**	**13,593**
Financial debt	738	738
Trade and other payables	17,837	17,837
Other liabilities	3,628	3,628
Current financial liabilities	**22,203**	**22,203**
TOTAL FINANCIAL LIABILITIES	**35,796**	**35,796**

NOTE 14. FINANCIAL ASSETS HELD FOR SALE

Balance as at the reporting date

(in thousands of €)	31 December 2017	31 December 2016
Interest in SBT	251	219
Interests in various unlisted companies	267	299
TOTAL	**518**	**518**

Changes during the year

(in thousands of €)	31 December 2017	31 December 2016
Balance at beginning of year	**518**	**379**
Acquisitions	26	253
Disposals	-	(199)
Scope changes	-	-
Changes in fair value	22	91
Translation differences	(48)	(6)
BALANCE AT YEAR END	**518**	**518**

NOTE 15. TRADE AND OTHER RECEIVABLES

(in thousands of €)	31 December 2017	31 December 2016
Trade receivables	33,437	26,717
Provisions for doubtful debts	(1,400)	(1,329)
Trade receivables, net	**32,037**	**25,388**
Unbilled revenue	22,068	20,867
TOTAL	**54,105**	**46,255**

Due to their short-term maturity, the carrying amount of trade and other receivables is close to the fair value.

Aged balance

(in thousands of €)	0-3 months	3-6 months	6-12 months	>1 year	Total
As at 31 December 2017	19,814	781	243	-	20,838
As at 31 December 2016	23,023	2,100	467	-	25,590

The trade receivables presented above comprise amounts due as at the reporting date and for which the Group has not created a doubtful debt provision, since the Group has no information on the solvency status of these receivables and since these amounts are still considered recoverable.

Change in the provision for doubtful debts

(in thousands of €)	31 December 2017	31 December 2016
Balance at beginning of year	**(1,329)**	**(1,553)**
Impairment losses recognised during the period	(1,001)	(466)
Impairment losses subject to a reversal	899	674
Change in consolidation scope	-	(60)
Translation difference	31	76
BALANCE AT YEAR END	**(1,400)**	**(1,329)**

Aged balance of impaired receivables

(in thousands of €)	0-3 months	3-6 months	6-12 months	>1 year	Total
As at 31 December 2017	145	226	750	279	1,400
As at 31 December 2016	129	277	571	352	1,329

NOTE 16. OTHER ASSETS

(in thousands of €)	31 December 2017	31 December 2016
Deposits and guarantees	856	723
Consideration receivable on the disposal of Kenzan (see Note 9.2)	-	1,422
Consideration receivable on the capital increase in Apak	7,410	8,360
Other non-current receivables	1,990	2,394
Total other non-current assets, gross amount	**10,256**	**12,899**
Provisions for doubtful debts	(3)	(4)
TOTAL OTHER NON-CURRENT ASSETS, NET AMOUNT	**10,253**	**12,895**
Tax and social security receivables	1,886	1,807
Consideration receivable on the capital increase in Apak	1,616	3,404
Consideration receivable on the disposal of Tipik	446	446
Consideration receivable on the disposal of financial assets held for sale	272	272
Other current receivables	1,023	1,287
Pre-paid expenses	3,971	7,280
Total other current assets, gross amount	**9,214**	**14,496**
Provisions for doubtful debts	(5)	-
TOTAL OTHER CURRENT ASSETS, NET AMOUNT	**9,209**	**14,496**

The fair value of 'other non-current assets' was determined on the basis of cash flows discounted at the Group's borrowing cost. The fair value of all financial assets making up this section is K€8,505 (compared with K€9,337 in 2016) and is classified as level 2 in the fair-value hierarchy. The net carrying amount of the financial assets included in 'other current assets' is a reasonable approximation of their fair value due to their short-term maturity.

NOTE 17. CASH AND CASH EQUIVALENTS

(in thousands of €)	31 December 2017	31 December 2016
Cash and cash equivalents	38,479	46,196
TOTAL	**38,479**	**46,196**

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise the following:

(in thousands of €)	31 December 2017	31 December 2016
Cash and cash equivalents	38,479	46,196
Bank overdrafts (*)	(876)	(738)
TOTAL	**37,603**	**45,458**

(*) *Included in current financial debt*

NOTE 18. RETIREMENT PLANS

At the year end, the provisions for employee benefits consisted solely of provisions for post-employment benefits totalling K€1,015 (compared with K€852 in 2016). Post-employment benefits fall under defined-contribution retirement plans and defined-benefit retirement plans.

18.1 Defined-benefit retirement plans

This type of plan aims to award certain Group employees, under certain conditions, retirement benefits when they exercise their right to retire.

Employees who benefit from this type of plan are mainly employed by the Group's French subsidiaries. There were 380 of them in total on 31 December 2017 (compared with 337 on 31 December 2016).

In France, the amount of and conditions for granting such benefits are governed by a national collective agreement in the industry in which the Group is operating (SYNTEC agreement).

The retirement obligations were not subject to external coverage.

Retirement obligations and similar benefits are valued internally under the supervision of the Group's Finance Department.
Items relating to post-employment benefits in comprehensive income can be analysed as follows:

(in thousands of €)	**31 December 2017**	**31 December 2016**
Cost of services rendered during the year	(120)	(132)
Financial cost	(30)	(33)
Other	(13)	(79)
Items recognised in profit or loss for the year	**(163)**	**(244)**
TOTAL	**(163)**	**(244)**

The cost of services rendered during the year are recognised in staff expenses in the income statement. The financial costs are recognised in the financial result.

18.2 Actuarial assumptions

The obligations were measured internally on the basis of assumptions updated regularly and reviewed annually.

The following assumptions were adopted:

	31 December 2017	**31 December 2016**
Discount rate (*)	1.36%	1.36%
Adjustment rate for annual salaries	1.50%	1.50%
Social security contribution rate	45%	45%
Retirement age	65-67 years old	65 years old
Staff rotation	(**)	(**)
Mortality table	INSEE 2017	INSEE 2016

(*) The discount rate is based on iBox AA 10+.
(**) Variable depending on geographical area

The average duration of the obligation in respect of services as at 31 December 2017 is less than one year (the same as in 2016).

18.3 Change in the present value of obligations

(in thousands of €)	**31 December 2017**	**31 December 2016**
Balance at beginning of period	**852**	**620**
Cost of services rendered during the year	120	132
Financial cost	30	33
Scope changes	-	(12)
Other changes	13	79
BALANCE AT YEAR END	**1,015**	**852**

Since the amounts provided are not significant at Group level, other disclosures under IAS 19 were omitted, specifically a sensitivity analysis showing the impact of changes made to certain actuarial assumptions on the value of retirement benefit commitments.

NOTE 19. OTHER PROVISIONS

(in thousands of €)	Litigation risks	Other	TOTAL
Balance as at 1 January 2017	**1,126**	**82**	**1,208**
Charges	90	48	138
Write-backs on used provisions	(319)	(66)	(385)
Translation differences	(40)	(1)	(41)
BALANCE AS AT 31 DECEMBER 2017	**857**	**63**	**920**
Current	169	63	**232**
Non-current	688	-	**688**

Provision charges/write-backs on provisions for litigation risks are included in 'Other non-recurring items' in the consolidated income statement.

NOTE 20. FINANCIAL DEBT

20.1 Breakdown of financial debts by type

(in thousands of €)	31 December 2017	31 December 2016
Bank borrowings	17,000	13,500
Non-current financial debt	**17,000**	**13,500**
Bank overdrafts	876	738
Current financial debt	**876**	**738**
TOTAL FINANCIAL DEBT	**17,876**	**14,238**

Bank borrowings are floating-rate borrowings. Their net carrying amount is a reasonable approximation of their fair value due to the fact that the fair value of the borrowings is determined on the basis of cash flows discounted at the Group's borrowing rate as at the reporting date. The fair value of bank borrowings is classified as falling within level 2 of the fair-value hierarchy.

20.2 Maturities

(in thousands of €)	31 December 2017	31 December 2016
Less than one year	876	738
Between one and five years (*)	17,000	13,500
More than five years	-	-
TOTAL	**17,876**	**14,238**

(*) Classification at more than one year takes account of existing credit refinancing options negotiated for the Group.

20.3 Available lines of credit

(in thousands of €)	31 December 2017	31 December 2016
Permitted amount	**125,000**	**118,333**
Less than one year	-	33,333
Between one and five years	125,000	85,000
More than five years	-	-
Amount drawn down	**17,000**	**13,500**
Less than one year	-	-
Between one and five years	17,000	13,500
More than five years	-	-
Available amount	**108,000**	**104,833**
Less than one year	-	33,333
Between one and five years	108,000	71,500
More than five years	-	-

The Group's banking arrangements require compliance with financial ratios: a 'net consolidated financial debt/consolidated EBITDA' ratio of less than 3 or 3.5 depending on the contracts, and a 'net consolidated financial debt/consolidated equity' ratio of less than 1.
Should the Company fail to comply with the financial ratios, the lending banks will be entitled to demand the early reimbursement of K€17,000 in outstanding lines of credit as at 31 December 2017 (compared with K€13,500as at 31 December 2016).
As at 31 December 2017, the Company complied with the financial ratios.

20.4 Change in financial debt

(in thousands of €)	Bank overdrafts	Bank borrowings	Total
Balance as at 31 December 2015	668	19,000	19,668
Cash flows from financing activities	70	(5,497)	(5,427)
Business combination	-	-	-
Disposals of subsidiaries	-	-	-
Translation differences	-	-	-
Other movements	-	(3)	(3)
Balance as at 31 December 2016	**738**	**13,500**	**14,238**
Cash flows from financing activities	138	7,070	7,208
Business combination	-	-	-
Disposals of subsidiaries	-	(3,567)	(3,567)
Translation differences	-	-	-
Other movements	-	(4)	(4)
Balance as at 31 December 2017	**876**	**17,000**	**3,638**

NOTE 21. DERIVATIVE FINANCIAL INSTRUMENTS

As part of the acquisition of AAA Group Ltd in 2015, buyback options for 791 shares issued by Sword Charteris Ltd (hereinafter referred to as "Sword IT Solutions"), representing 31% of its capital and held by individuals holding executive management positions in AAA Ltd, were granted to Sword Soft Ltd. These buyback options can be exercised at any time in a period commencing on 31 December 2019 and ending on 1 December 2025, provided that certain return targets (expressed in percentage of revenue and EBIDTA growth) are not met. The exercise price (GBP 2,077 per share) is the price paid by the holder of these shares. As at 31 December 2017, given the prospects of Sword Charteris Ltd and the conditions for exercising the options, these options had no value (as in 2016).

NOTE 22. TRADE AND OTHER PAYABLES

(in thousands of €)	31 December 2017	31 December 2016
Suppliers	3,144	3,842
Accrued invoices	13,660	13,105
Other	563	890
TOTAL	**17,367**	**17,837**

NOTE 23. OTHER LIABILITIES

(in thousands of €)	31 December 2017	31 December 2016
Other	85	93
TOTAL OTHER NON-CURRENT LIABILITIES	**85**	**93**
Value-added tax and other taxes	7,394	4,617
Social security and other social bodies	6,974	7,482
Deferred income	23,968	22,524
Contingent consideration on the acquisition of Venture Information Management Ltd (Note 8.1.)	549	-
Deferred payment related to the additional acquisition of shares in Simalaya Holding S.A.	-	35
Other	1,051	3,593
TOTAL OTHER CURRENT LIABILITIES	**39,936**	**38,251**

NOTE 24. FAIR-VALUE MEASUREMENT

24.1 Fair-value hierarchy

To reflect the importance of the data used in fair-value measurements, the Group classifies these measurements according to a two-tier hierarchy:

- level 1: (non-adjusted) prices quoted on asset markets for identical assets or liabilities;
- level 2: data other than the quoted prices targeted at level 1 that are observable for the asset or liability in question, either directly (i.e. prices) or indirectly (i.e. data derived from prices); and
- level 3: data relating to the asset or liability which are not based on observable market data (unobservable data).
-

The tables below provide an analysis of assets and liabilities measured at fair value by hierarchical level.

(in thousands of €)	Level 1	Level 2	Level 3	Total as at 31 December 2017
Assets at fair value				
Financial assets held for sale				
Interest in SBT	251	-	-	251
Interests in various unlisted companies	-	-	267	267
TOTAL ASSETS AT FAIR VALUE	**251**	**-**	**267**	**518**

(in thousands of €)	Level 1	Level 2	Level 3	Total as at 31 December 2016
Assets at fair value				
Financial assets held for sale				
Interest in SBT	219	-	-	219
Interests in various unlisted companies	-	-	299	299
TOTAL ASSETS AT FAIR VALUE	**219**	**-**	**299**	**518**

There was no transfer between Level 1 and Level 2 during the period.

In the assumption where a transfer of fair value level is necessary, the Group would change classification (and consequences in terms of measurement) on the date of the triggering event or on the date of the change of circumstance at the origin of the transfer.

24.2 Measurement techniques

In connection with business combinations

Intangible assets

The fair value of software for third parties, SaaS contracts, software maintenance contracts and order books acquired in a business combination is calculated using the most appropriate method under the circumstances, including the multi-period excess earnings method, which consists of measuring the asset in question after deducting a reasonable return for the other cash-flow-generating assets. The valuation is a function of variables such as the rate of technological obsolescence, the customer erosion rate (or even the contract renewal rate) and the discount rate.

Derivative financial instruments

Options purchase or sale contracts are valued on the basis of the Black & Scholes model, based on observable data such as the volatility of the underlying security or on flow-based models based on discounted forecast cash flows, weighted where appropriate depending on possible scenarios.

Contingent consideration

The fair value of the contingent consideration relating to the purchase of securities in Venture Information Management Ltd is established using an estimate of the EBITDA, on the basis of the 2017 accounts and the three-month forecasts and budgets for 2018, adjusted – if applicable – to take account of the discount effect.

The contingent consideration is classified as level 3 of the fair value hierarchy taking account of the use of data relating to the acquired company.

In the ordinary course of business

Financial assets held for sale

Financial assets held for sale at level 1 are measured at the stock exchange rate as at the reporting date. Financial assets held for sale at level 3 are measured on the basis of their net asset, as communicated by the management of the company in question. The Group makes adjustments if it notes, on the basis of the available information, that the net asset departs significantly from the fair value.

24.3 Reconciliation of level 3 fair-value measurements

Financial assets held for sale

(in thousands of €)	31 December 2017	31 December 2016
Balance at beginning of year	**299**	**251**
Acquisitions	16	253
Disposals	-	(199)
Total gains and losses	(48)	(6)
BALANCE AT YEAR END	**267**	**299**
Total gains and losses for the period relating to assets held at year end	(48)	6

Total gains and losses for the year relating to assets held at year end are included in other comprehensive income under 'gain/(loss) related to remeasurement at fair value'.

NOTE 25. TAXES

25.1 Breakdown of tax expense

(in thousands of €)	31 December 2017	31 December 2016
Tax on profit recognised in the profit for the year		
Current tax	5,298	4,289
Deferred tax	(279)	557
TOTAL	**5,019**	**4,846**

25.2 Reconciliation between theoretical and actual tax

(in thousands of €)	31 December 2017	31 December 2016
Profit before tax	16,257	15,662
Average tax rate in force in Luxembourg	31.47%	31.47%
Effective tax burden	**5,116**	**4,929**
Impact:		
- Expenses not deductible in determining taxable profit	604	917
- Revenue exempt from taxation	(501)	(372)
- Permanent differences	(195)	57
- Differences in tax rate on profit of foreign subsidiaries	(1,244)	(1,738)
- Use of previously non-capitalised tax losses	(661)	(496)
- Non-capitalised tax on losses	1,029	812
- Tax credit	11	(37)
- Miscellaneous	860	774
Effective tax burden	**5,019**	**4,846**
EFFECTIVE TAX RATE	**30.87%**	**30.94%**

25.3 Breakdown of deferred tax assets and liabilities by type

(in thousands of €)	Balance as at beginning of period	Recognised in profit or loss	Recognised in other comprehensive income	Change in consolidation scope	Balance as at the reporting date
Deferred tax assets/(liabilities)					
Intangible assets	(1,604)	121	12	-	(1,471)
Deferred income	11	302	30	-	343
Provisions	260	62	-	-	322
	(1,333)	**485**	**42**	**-**	**(806)**
Tax losses	905	(198)	(25)	113	795
DEFERRED TAX ASSETS/(LIABILITIES)	**(428)**	**287**	**17**	**113**	**(11)**

25.4 Balance of deferred tax assets and liabilities

(in thousands of €)	31 December 2017	31 December 2016
Deferred tax assets	1,438	1,165
Deferred tax liabilities	(1,449)	(1,593)
NET DEFERRED TAXES	**(11)**	**(428)**

Unrecognised deferred tax assets
As at the reporting date, the Group had, in various tax jurisdictions, tax losses of around K€23,819 (compared with K€23,827 in 2016) that are available to offset the future taxable profits of companies in which the tax losses arose, and for which no deferred tax asset was recognised due to the uncertainty of it being recovered.

NOTE 26. PERSONNEL EXPENSES

(in thousands of €)	31 December 2017	31 December 2016
Gross compensation	66,166	62,744
Social security charges	12,101	10,688
Expenses relating to share-based payments (Note 36)	-	92
Other	1,037	830
TOTAL	**79,304**	**74,354**

The Group's average head count is:

Average head count	31 December 2017	31 December 2016
Billable workforce	1,111	924
Non-billable workforce	180	161
TOTAL	**1,291**	**1,085**

Employee benefits for which provisions have been made as at the reporting date are presented in Note 18.

NOTE 27. CHARGES FOR PROVISIONS

(in thousands of €)	31 December 2017	31 December 2016
Provision charges for retirement benefits	162	165
Charges for other provisions	126	21
Write-backs on other provisions	(67)	(128)
Allocations to provisions for doubtful debts	1,001	511
Write-backs on provisions for doubtful debts	(899)	(674)
TOTAL	**323**	**(105)**

NOTE 28. INCOME FROM DISPOSALS OF ASSETS

(in thousands of €)	31 December 2017	31 December 2016
Disposal costs	(349)	(347)
Income from the disposal of non-consolidated securities	-	21
Income from the disposal of consolidated securities	136	-
Income from the disposal of Amor shares	-	88
Income from the disposal of property, plant and equipment	(232)	8
TOTAL	**(445)**	**(230)**

NOTE 29. IMPAIRMENT LOSSES ON ASSETS

(in thousands of €)	31 December 2017	31 December 2016
Impairment losses on trade receivables	1,534	-
Impairment loss on the disposal of shares in Kenzan	1,375	-
TOTAL	**2,909**	**-**

NOTE 30. OTHER NON-RECURRING ITEMS

(in thousands of €)	31 December 2017	31 December 2016
Litigation costs	(367)	(145)
Restructuring costs	(349)	(1,411)
Acquisition costs	(669)	(1,340)
Other expenses [1]	(770)	(1,195)
Other income	389	9
TOTAL	**(1,766)**	**(4,082)**

[1] *Other expenses are principally made up of K€344for rent for vacant offices and K€248 for redundancy costs.*

NOTE 31. FINANCIAL RESULT

(in thousands of €)	31 December 2017	31 December 2016
Interest on term deposits	421	441
Other	-	1
Income from cash and cash equivalents	**421**	**442**
Interest expense on borrowings and financial debt	(416)	(427)
NET FINANCIAL DEBT COST	**5**	**15**
Foreign-exchange gain	735	2,655
Foreign-exchange loss	(1,398)	(1,628)
Financial charges on non-consolidated securities and receivables	(62)	(4)
Other financial income	-	24
Other finance costs	(162)	(255)
NET FINANCIAL RESULT	**(882)**	**807**

NOTE 32. EARNINGS PER SHARE

(in thousands of € and units of account)	31 December 2017	31 December 2016
Profit for the year attributable to the Company's owners	10,419	10,498
Weighted average number of ordinary shares in circulation	9,538,080	9,407,713
Impact of dilutive instruments	-	37,418
Diluted weighted average number of shares	9,538,080	9,445,131
Earnings per share		
Base net earnings per share	1.09	1.12
Diluted net earnings per share	1.09	1.11

NOTE 33. SHARE CAPITAL

As at 31 December 2017, the share capital was €9,544,965 (compared with €9,544,965 in 2016), represented by 9,544,965 shares (compared with 9,544,965 shares in 2016) with a par value of €1 each, fully paid up.

As at 31 December 2016, the authorised share capital stood at €4,745,000 and at €100,000,000, as part of new shares to be issued under debt securities giving access to capital. This authorisation expired on 2 May 2017.

NOTE 34. TREASURY SHARES

As at 31 December 2017, the Group held 10,671 treasury shares (compared with 105,809 treasury shares on 31 December 2016).

NOTE 35. DIVIDENDS

At its meeting on 28 April 2017, the Ordinary General Meeting voted to pay a dividend of €1.20 per share in 2017 for the allocation of the 2016 results, giving rise to a total payout of K€11,445 during the year ended 31 December 2017.

NOTE 36. SHARE-BASED PAYMENTS

On 30 January 2009, the General Meeting of Shareholders authorised the Board of Directors to set up multiple stock-option plans for employees and managers. Options could generally be exercised over a period beginning at the end of a period of between 36 months and 48 months as of the allocation date and ending 12 months later.

As at 31 December 2017, there were no longer any stock-option plans in place.

Changes in stock options during the year 2016 are summarised below:

	31 December 2016	
	Number of options	**Average exercise price**
Balance at beginning of year	**130,000**	**16.21**
Options exercised during the year	(130,000)	16.21
BALANCE AT YEAR END	-	-

In 2016, the Group's total expense for stock-option plans was K€92.

NOTE 37. RELATED PARTY TRANSACTIONS

37.1 Compensation for members of the Board of Directors and management

(in thousands of €)	**31 December 2017**	**31 December 2016**
Short-term benefits:		
- Gross (excluding benefits in kind)	1,142	1,249
- Employer contributions	259	246
- Benefits in kind	64	57
Directors' fees	108	174
Share-based payments	-	92
TOTAL	**1,573**	**1,818**

Such remuneration pertained to 14 members of the Board of Directors and management (down from 15 in 2016).

37.2 Associates

a) Tipik

(in thousands of €)	**31 December 2017**	**31 December 2016**
Revenue realised with Tipik	3,656	3,480
Purchases from Tipik	(154)	(372)
TOTAL	**3,502**	**3,108**

The bridge loan granted to Tipik by CIC Lyonnaise de Banque, maturing on 31 March 2017, was renewed for one year to the tune of €6,000,000. See Note 38.

In March 2015, the Group agreed to write off Tipik's loan for €4.5 million subject to a clawback provision. In December 2016, the Group agreed to partially write off Tipik's loan for K€250 subject to a clawback provision. Following the aforementioned write-offs, the Group had a trade receivable in respect of Tipik of K€302 as at 31 December 2017 (the same as on 31 December 2016).

Under a shareholders' agreement with Alamos S.A., Tipik is under the exclusive control of the former as per IFRS 10. Therefore, Tipik is still recognised using the equity accounting method. As at 31 December 2017, the receivable payable by Alamos S.A. was K€446 (the same as on 31 December 2016).

b) Plefsys IT PC

On 1 May 2017, the Group signed a three-year renewable service contract with Plefsys IT PC for the purposes of commercial prospecting and managing calls for tenders (see Notes 1.2 and 7). The value of services came to K€100in 2017.

37.3 Other

Financière Sémaphore, which holds a 17.9% interest in the Group, provides the following services:

(in thousands of €)	**31 December 2017**	**31 December 2016**
Management fees	370	350
Fees related to disposals	150	240
TOTAL	**520**	**590**

During the year ended 31 December 2017, a company controlled by a Company director supplied the Group companies with accounting and administrative services totalling K€375 (up from K€163 in 2016).
Loans of K€1,426 (compared with K€2,106 on 31 December 2016) were granted to members of the Group's management to finance the acquisition of minority shareholdings in certain Group subsidiaries. They are reimbursed at a rate of between 2% and 3% per year and will mature during the period running from 2018 to 2020.

On 18 December 2017, the Group disposed of its subsidiary SCI Decan to a company controlled by Financière Sémaphore for €1,000. See Note 9.1. As from 1 January 2018, the Group has occupied the offices at 6 rue Claude Chappe, 69370 Saint Didier au Mont d'Or made available to the Group by SCI Decan at a rent of K€266 p.a. The rent was set on the basis of market prices. The lease will expire on 31 December 2028.

NOTE 38. OFF-BALANCE SHEET COMMITMENTS

(In €'000)	**31 December 2017**	**31 December 2016**
Operating leases	**20,730**	**21,054**
Less than one year	4,362	4,094
Between one and five years	12,017	12,360
More than five years	4,351	4,600
Sureties for third parties (1)	**6,036**	**6,536**
Less than one year	€6,000	6,500
Between one and five years	36	36
More than five years	-	-
Other guarantees given (2)	**373**	**67**
Less than one year	72	67
Between one and five years	229	-
More than five years	72	-
TOTAL	**27,139**	**27,657**

(1) *Including a surety provided as collateral for a €6 million bank loan granted to Tipik, maturing in March 2018 See Note 37.2.*
(2) *Including performance guarantees*

NOTE 39. CONTINGENT LIABILITIES

As at 31 December 2017, there was no significant risk of contingent liabilities.

NOTE 40. AUDITORS' FEES

The table below details the amount of auditors' fees for 2017 and 2016:

(in thousands of €)	31 December 2017	31 December 2016
Auditors & certification (separate & consolidated)	796	703
Legal, tax and management consulting	25	25
Other	-	5
TOTAL	**821**	**733**

NOTE 41. SUBSEQUENT EVENTS

On 16 February 2018, the Group acquired the Swiss company IDO for a total amount of CHF 2.9 million, while on 15 January 2018, Mr Perrotey acquired 3.5% of Sword Services' share capital for a price based on the company's 2016 and 2017 financial statements and on market terms.

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