

# Sword Group

## 2016 Financial Report

(FREE TRANSLATION FROM THE ORIGINAL  
REPORT IN FRENCH)



1,600+ employees on 31/12/2016



20 countries



2016 revenue: €160.2m



EBITDA: 15.5%

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 AGREED UPON  
PROCEDURES PERFORMED ON THE TRANSLATED CONSOLIDATED  
ACCOUNTS AND STATUTORY ACCOUNTS**

We have performed the procedures agreed with you and enumerated below with respect to the translated consolidated accounts prepared under IFRS as adopted by the European Union and statutory annual accounts prepared in accordance with Luxembourg legal and regulatory requirements of Sword Group S.E. as at 31 December 2016, 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 accounts prepared under IFRS as adopted by the European Union and statutory annual accounts prepared in accordance with Luxembourg legal and regulatory requirements for the year ended 31 December 2016 and are summarized as follows:

1. We obtained and read the free translation from French to English of the consolidated accounts prepared under IFRS as adopted by European Union and the statutory annual accounts 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 2016 financial report to be consistent with the original French version.

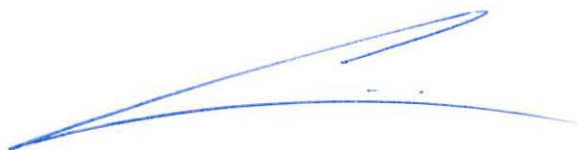
We remind you, in accordance with our engagement terms, that in case of any discrepancy which may be noted between the English translation and the French original version, only the French original version shall be considered the legal binding document on which our audit opinions have been signed.

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 accounts prepared under IFRS as adopted by the European Union and statutory annual accounts prepared in accordance with Luxembourg legal and regulatory requirements for the year ended 31 December 2016. 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, 25 July 2017

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 2016 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, we declare that these financial statements have been prepared in accordance with applicable accounting standards and that the financial statements present fairly, to our knowledge, a true and fair view of the company's assets and financial position as at 31 December 2016, as well as the results of its operations for the financial year ending on that date, and a description of the principal risks and uncertainties the Company faces. The management report, to our knowledge, describes the true development, results and financial position of the Company.

Windhof, 22 March 2017

Jacques Mottard  
Executive Chairman

## 2 STATUTORY AUDITORS

Mazars Luxembourg SA, with head office at 10a, rue Henri M. Schnadt, L-2530 Luxembourg.

Appointed by the Annual General Meeting on 3 May 2013 for a term expiring at the Annual General Meeting on 28 April 2016 for a duration expiring at the Annual General Meeting called to approve the financial statements at 31 December 2016 (renewal will be proposed at the AGM on 28 April 2017).

## 3 DIRECTORS

Board of Directors

Jacques Mottard, Executive Chairman, Director

François Barbier, Independent Director

Frédéric Goosse, Director, 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 limited company with head office located at Luxembourg, Route d'Arlon 2-4, L-8399 Windhof.

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

The Company was incorporated on 22 June 2001. Article 5 of the articles of incorporation provides that the Company has an unlimited duration.

The Company's shares are listed on Euronext Paris under ISIN reference: FR0004180578.

## 5 SELECTED FINANCIAL INFORMATION

### Consolidated financial statements:

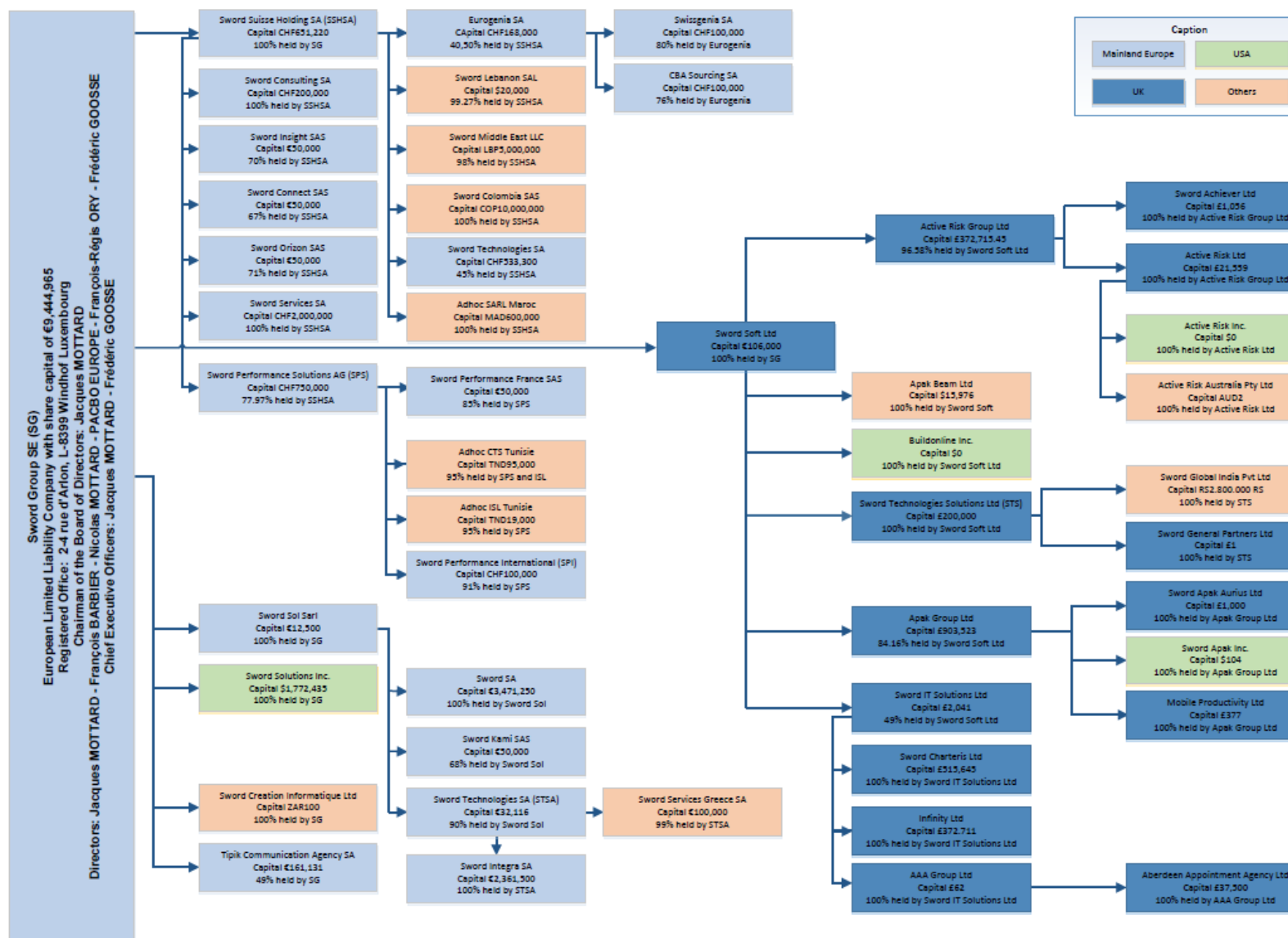
In €000	At 31/12/2016	At 31/12/2015	At 31/12/2014
Revenue	160,157	137,564	117,069
EBITDA	24,904	21,552	18,852
Profit for the period	10,816	10,792	13,317
Non-current assets	121,842	128,747	111,164
Cash and cash equivalents	46,196	62,112	104,301
Consolidated equity	152,168	161,293	161,778
Balance sheet total	229,948	246,782	264,820

### Annual accounts:

In €000	At 31/12/2016	At 31/12/2015	At 31/12/2014
Revenue and other operating income	2,808	3,165	2,691
Operating result	-1,858	498	236
Profit or loss	4,543	42,405	101,337
Non-current assets	208,477	206,890	195,161
Cash and marketable securities	19,804	21,907	65,754
Equity	235,691	242,087	210,251
Balance sheet total	255,008	263,387	302,434

## 6 GROUP ORGANISATION CHART

AT 31/12/2016:





## 7 OVERVIEW OF ACTIVITIES

### OUR GROUP

Sword (established in June 2001) is a computer engineering services company with more than 1,600 employees. It provides its customers with high-added-value consulting and integration services.

Sword takes an information systems approach and leverages powerful project management methodologies to deliver innovative solutions that address its customers' strategic challenges and their needs 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:** a centre of excellence that accounts for 71% of the Group's revenue;
- **Software:** accounts for 29% of the Group's revenue.

### OUR MARKETS

Sword's range of services is designed for all large accounts and public institutions, both local and international. With its technological and methodological expertise, Sword occupies a leading position in some countries.

Sword has developed unique expertise in targeted markets:

- ✓ Institutions and Government Authorities
- ✓ Healthcare
- ✓ Banking and Insurance
- ✓ Intellectual Property
- ✓ Sports Federations

In these markets, Sword is a day-to-day partner to these organisations across its entire range of services, supporting their IT strategy and their key operational issues.

Generally, 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 technology niches:

- Enterprise Content Management (ECM) – electronic 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 System (SIG) – integrating the cartographic dimension in 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 & testing, digital marketing & CRM, as well as information systems performance engineering,
- Specific and business intranet development – healthcare, nuclear energy, pharmaceuticals and industry.
- Development of web and mobile applications.
- Infrastructure and the cloud,
- Cyber-security,

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



## OUR SOFTWARE

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

Sword offers three Software ranges:

Sword Achiever/Sword Active Risk Specialising in Governance, Risk and Compliance
Sword Apak/Sword Mobile Specialising the management of Asset Financing
Sword Intellect Solution for managing intellectual property rights

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

Sword Connect Enterprise information search solution
Sword Insight Deployment of visual investigation solutions
Sword Kami Desktop publishing document template design solutions
Sword Orizon Turnkey telemedicine solution
Sword Seek & Share Market intelligence and information sharing solution

## 8 CORPORATE SOCIAL RESPONSIBILITY

In 2011 Sword Group signed the United Nations Global Compact, thereby pledging to abide by the 10 principles related to human rights and labour, the environment and corruption.

By joining the Global Compact, the company wants to show that it is a good corporate citizen in the global economy.

Sword chose the Global Compact as it ensures a globally recognised framework as well as sustainability.

The Group ensures compliance with the 10 principles set out by the UN Global Compact.

### Human rights

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

### Labour law

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

### Environment

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

### Anti-corruption

- 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:
  - o to adhere voluntarily to the Ten Principles of Corporate Governance of the Luxembourg stock exchange;
  - o to reappoint the previous Audit Committee, namely:
    - o Mr François-Régis Ory, independent director and chairman of the Audit Committee
    - o Mr François Barbier, independent director.

- The Board of Directors of 28 August 2012 adopted the Governance Charter and the Internal Rules of the Board of Directors and the Audit Committee.

Following the transfer of the Company's headquarters to Luxembourg (General Meeting of 26 March 2012), the Board of Directors of Sword Group adopted, on 28 August 2012, the Charter of Governance that provides the framework for governance of Sword Group's activities, as per the ten principles of corporate governance of the Luxembourg Stock Exchange with which the Company voluntarily complies, with the exception of certain principles set out in this Charter. It aims to clarify the powers and responsibilities of the various entities that make up the governance of Sword Group.

The Governance Charter supplements the existing following documents:

- o a management manual that sets out all of the Group's internal control procedures, a welcome manual for each employee, detailing his/her rights, obligations and position in the operations of Sword Group;
  - o an IFRS accounting principles manual (currently being updated), drafted by an independent firm;
  - o one technical manual per country, that includes all applicable quality standards (CMM, ISO or ISOPRO method);
  - o a code of ethics that was adopted by the Board of Directors of Sword Group 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.

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

### **The Governance Charter is as follows as at 31 December 2016:**

#### **I - Structure and organisation of the Company and the Group**

Sword Group is organised in such a way as to foster high responsiveness while maintaining a full management structure allowing for consistent management and controls. A description of the roles of the major Group entities is given below:

#### **The management entities**

##### The Board of Directors

##### **Composition**

The articles of incorporation of Sword Group provide for a Board of Directors composed of at least three but no more than eighteen members, except for temporary exceptions in the event of a merger, appointed for no more than four years. The Board of Directors is composed of competent and informed individuals selected on the basis of the specific features of the Company and its business activities. As at 31 December 2016, it consists of six members: Jacques Mottard, François Barbier, Frédéric Goosse, Nicolas Mottard, François-Régis Ory and PACBO EUROPE Conseil et administration S.à r.l. (represented by Patrice Crochet).

In accordance with the recommendations of the Luxembourg Stock Exchange, 50% of the Board of Directors are "independent directors", i.e. François Barbier, François-Régis Ory and PACBO EUROPE (represented by Patrice Crochet). In addition, none of the above directors have any significant shareholding in clients or suppliers of Sword Group, or in its subsidiaries.

None of the directors are elected by employees.

Should a member of the Board of the Company have or possess any personal interest in any of the Company's transactions, such member shall inform the Board of Directors regarding such interest and shall not deliberate nor vote with regard to any such transaction.

The transaction as well as that director's personal interest in the transaction will be covered in a special report to the next general meeting of shareholders before any vote can be cast by the said director for any other resolution.

With respect to the Company's size and in order to enhance the effectiveness of Board decisions, the functions of Chairman and CEO are not separated. For the same reasons, the designation of a compliance officer was not deemed necessary.

### **Meetings of the Board - Operation of the Board**

The Board meets, carries out its work and adopts resolutions in compliance with applicable legal and regulatory provisions, supplemented by the articles of incorporation of Sword Group: there are internal rules of procedure.

As there is no works council, no representative of the Company's or Group's employees attends the Board meetings on a regular basis.

Budgets are submitted annually to the Board, which also receives monthly management accounts and quarterly financial statements.

The Board is informed in advance of each projected acquisition, start of an activity, and more generally of all significant financial transactions.

Prior to each Board of Directors meeting, the relevant documents regarding the agenda are sent to its members. The Directors may request, at any time of the year, the information they consider useful regarding the business conducted by the Company.

All directors, executive or not, have equal access to the information and resources necessary to carry out their directorships.

The articles of incorporation of Sword Group provide for the holding of Board meetings as often as the company's interests require.

The Board generally meets at the Company's head office. Board meetings are convened via a law firm, which also assists the Chairman in preparing the minutes.

With a view to bolstering governance rules, Sword Group has established internal rules governing the operation of the Board of Directors and the directors' obligations in the context of their directorships, particularly their ethical obligations.

### **Compensation for members of management and administration bodies**

Corporate officers are remunerated on the basis of their experience and skills, at European and worldwide level.

Various components can factor into the compensation for members of management and administration bodies, such as shares, stock options or any other right to acquire shares, attendance fees, retirement and departure conditions and specific benefits, which may be awarded by Sword Group or its subsidiaries or member companies of the same Group.

The fixed and variable components of compensation are assessed while taking balance into account.

If and when share options are granted, the Board of Directors determines the performance criteria and the number of shares resulting from the options that should be kept by the corporate officer until the end of his/her directorship.

### **Board of Directors' self-assessment**

The Board conducts an annual self-assessment. The Directors have so far been of the opinion that the current operation of the Board enables them to fulfil their task under appropriate conditions.

## The EMC (Executive Management Committee)

The EMC determines annual guidelines, controls activities and defines long-term strategy.

As at 31 December 2016, it consisted of:

Jacques Mottard, Chairman and CEO

Frédéric Goosse, General Manager

Tony Allen, Chief Executive Officer (CEO)

## The Operating Committee

The Operating Committee sets policy for the year, manages the annual budget and controls the profit centres, known as Business Units. It consists of the EMC plus eight Directors of Operations:

Each Director of Operations is also the Director of a Business Unit. There are currently 26 Business Unit Directors.

## The Management Committee

The Management Committee comprises the Operating Committee plus all of the Business Unit Directors.

The Group's organisational philosophy is based on the avoidance of hierarchies and has only two levels: the Business Unit Director and the General Management.

## The General Managers

Mr Jacques Mottard and Mr Frédéric Goosse were appointed general managers, responsible for the daily management for a term expiring at the Annual General Meeting in 2020 convened to approve the financial statements for the financial year ending 31 December 2019. They also hold the title of "Executive Vice President".

The Business Unit is a profit centre run according to principles set out in an internal management manual. The main management principles applied to Business Units are the following:

### *Analysis, based on:*

- a budget submitted before the start of the year, an analytical report prepared at each end-of-month and sent to General Management that includes a breakdown of activities, a summary of projects, the distribution of activities, an analysis of "work in progress" and "prepayment invoices", as well as an analysis of progress per project;
- feedback to the Business Unit by General Management on the cost accounts.

### *General accounting:*

- Each entity has its own accounts department, which reports directly to the Administrative and Finance Department,
- The Administrative and Finance Department handles the centralised management of the cash requirements of the Group's various companies: if cash from one of the subsidiaries serves the financial requirements of another, the holding company handles the reimbursement of the lent capital so that the company that generates a surplus receives interest on its loan.

### *Commercial:*

Every month, all the members of any committee whatsoever complete the same report as Sales Engineers, together with a report of contacts made during the week, and forward them to their respective superiors.

These reports, consolidated at Group level, facilitate:

- managing activities carried out by various players at the same clients,
- quantifying the number of new projects being submitted, quantifying the number of new contracts signed,
- monitoring the number and value of deals lost.

The Operating Committee is responsible for coordinating all the commercial players, which includes the Business Unit Directors.

## *Technical:*

The Technical Manager has multiple roles at Sword. Strategically, he helps to develop the Company's technological orientation in direct consultation with management. As such, he handles a certain part technology intelligence via a network of technical points of contact within the Group. Operationally, his task is split between pre-sales (preparing responses, early-stage value propositions, etc.), development (providing an external eye on the solutions implemented), after-sales (site and future upgrade follow-up).

Each proposal is prepared by Project Leaders and monitored by the Technical Department in terms of days, and by the Business Unit Director in financial terms. The Business Unit Director is authorised to enter into commitments of up to €400,000 (compared to €1,000,000 for the Director of Operations). Above that amount General Management's approval is required.

Each project is run by a Project Leader who produces a summary of fixed-price projects that gives progress reports and details any deviations from initial estimates.

All project follow-up files are monitored by the Technical Department. A summary of progress reports and deviations is prepared at Group level, on an operation by operation basis.

All delays (on-site concessions) must be immediately attributed. All gains (ahead of schedule compared to initial estimates) are attributed at the end of the project.

Any project which is more than 5% late is audited by the Technical Department of another operation.

All days not invoiced by billable parties can only be allocated to one of the following three areas: training, management, concessions.

Any increase in the number of non-invoiced days per month in a Business Unit will be analysed in detail in order to ensure the proper allocation of concessions.

## **Reports, meetings, authorisations**

### Reporting

A Business Unit prepares:

- its projected payments on the 10th of each month,
- its analysis reports the last working day of each month, before 12 noon,
- the sales situation the evening of the fifth working day of each month,
- a report on travel expenses by the 5th of each month.

Every six months, each Business Unit Director prepares - with the assistance of the Technical Department - an overview of the career development and salary of each member of staff, including proposals for salary increases and training or career development for each member of staff, in preparation for the twice-yearly meeting of the Compensation Committee.

Each case is reviewed together with the Directors of Operations and the Management Committee.

Every year by 15 November, each Business Unit Director prepares a proposed budget for the coming year that will be examined by the Annual Budget Committee.

### Meetings

Every week the Business Unit Director holds a meeting with his sales and technical managers to review the commercial, technical and executive management of his profit centre in light of the weekly reports.

Each Director of Operations holds a meeting once a month with his Business Unit Directors, his Sales Directors and his Technical Directors to check the actions taken by each unit and to coordinate the Business Units.

Every month, the General Management Committee meets for a day to review all the summaries received, to propose corrective action to the Operations Committee, and to define acquisitions strategy.

Every two months, the Operations Committee and the General Management Committee meet in order:

- to summarise matters discussed between the General Management Committee and the Operations Committee over the previous two months,
- to check on the progress of the Business Units,
- to define strategy for the year and any relevant corrective action.

Once a year, all Group employees must meet their manager for an in-depth discussion of their career and salary, in addition to daily exchanges between the Director and staff. Twice a year the General Management Committee, the Operations Committee and the Executive Committee meet as a "Careers Committee".

Once a year a "Budget Committee" is added to the "Careers Committee".

## Authorisations

- The Sales Engineer is authorised to represent the Company to customers.
- A Project Leader is authorised to manage his staff from the technical point of view and supervise the timeline progress of each project, without interfering in the cost accounts.
- A Technical director manages the Project Leaders and personally manages major projects (over €400,000).
- A Business Unit Manager has the authority to recruit, within the limits of his budget and in accordance with the Group procedure, to incur the expenses provided for in his budget, and to sign contracts with clients for up to €400,000. If these expenses do not fall within his allocated budget, these authorisations are taken away from him until the situation returns to normal. He must ask General Management for permission before incurring expenses or recruiting staff.
- A Business Unit Director may not incur any investment expenses for which a purchase requisition must be submitted to General Management, nor incur any expenses that may have a long-term impact, such as rent, for which there is an equivalent procedure with General Management.
- The Director of Operations may validly commit the Company to contracts up to a limit of €1,000,000 and has the authorities previously held by Business Unit Directors after they lose their authorisations.

In general, no one may decide to commit to expenses and at the same time arrange for their payment: the profit centre manager signs his approval on supplier manufacturers, while it is the Finance Department that deals with payments.

## Staff Committees

An employee is recruited in accordance with a specific procedure (profile definition, interviews with two separate persons, tests). New employees are inducted on their first day, during which the unit assistant gives them the welcome booklet.

That is followed by the Project Leader and/or Technical Director, who in due course must provide an opinion on their development potential.

Each quarter, employees attend a unit meeting, to provide them with information on the Company. Every six months his/her case is reviewed by the Careers Committee. He/she has a formal meeting at least once a year.



## **II - Shareholding structure and control of Sword Group**

### **Share capital and shares**

The share capital was increased following the exercise of stock options on three occasions in 2016, per tranche of capital, to €9,544,965 (nine million five hundred and forty-four thousand nine hundred and sixty-five euros). It is divided into 9,544,965 shares with a par value of €1 each, fully paid up and all of the same category.

The Company's authorised capital consequently decreased to €4,745,000 (four million seven hundred and forty-five thousand euros), represented by 4,745,000 shares with a par value of €1 each.

However, in connection with new shares issued in respect of debt securities giving access to capital, the amount of authorised capital is set at €100,000,000 (one hundred million euros) represented by 100,000,000 shares with a par value of €1 each.

Within the limits of the amounts of the above authorised capital, the Board is authorised, for a period expiring five years from the date of publication in the Memorial C, Report of Companies and Associations, of the Company's registration in the Trade Register of Luxembourg, i.e. until 2 May 2017, to increase on one or more occasions the share capital by any means, including by issuing ordinary shares or securities giving access to capital, and by increasing the par value of the shares issued. Under the conditions set by the Extraordinary General Meeting, the Board may cancel or limit the preferential subscription rights.

These capital increases can be subscribed to by cash payment or contribution in kind, in accordance with the legal provisions then applicable or by capitalisation of available reserves, deferred profits, distribution of dividends or additional paid-in capital, in each case at an issue price determined by the Board.

The Board may delegate to any authorised director or proxyholder of the Company or any other duly authorised person, the right to accept subscriptions and receive payment for shares representing part or all of the amount of such capital increase.

With each capital increase by the Board of Directors within the limits of the authorised capital, the articles of incorporation will be amended accordingly and the Board shall take or authorise any person to take all steps necessary for the performance and publication of such amendment.

Shares can be either registered shares or bearer shares depending on the choice made by the holder. If Luxembourg law allows it, the shares can be dematerialised.

If Luxembourg law authorises the issuance of dematerialised shares, registered shares and bearer shares are mandatorily converted into dematerialised shares within a period of two years from the date when the issuance of dematerialised shares is authorised, under the conditions set by law and implemented by the Board.

Any shareholder, whether acting individually or with another shareholder, who increases their ownership to more than 5%, 10%, 15%, 20%, 25%, a third, half, two-thirds, of shares or voting rights must inform the Company of the total number of shares and voting rights they own, and must do so via registered mail with acknowledgement of receipt within four trading days of becoming aware of their exceeding these thresholds. The same will apply in the event that said shareholding is reduced to below each of these thresholds.

This information will also be issued to the Financial Sector Supervisory Commission (Commission de surveillance du secteur financier - CSSF) within (i) six trading days and (ii) four trading days as of the crossing of these interest thresholds due to an event changing the distribution of voting rights.

Unless they have been promptly declared, shares in excess of the threshold that should have been notified do not have voting rights until two years after the regularisation of notification.

Shares are freely tradable in the absence of any legal or regulatory provisions to the contrary.

In connection with any transfer of registered shares, a statement of transfer must be recorded in the register of shareholders, dated and signed by the transferor and the transferee or their representative(s), as well as in accordance with the rules governing the transfer of debt, set out in Article 1690 of the Luxembourg Civil Code. The Company may also accept and record in the register of shareholders any transfer referred to in any correspondence or other document mentioning the agreement between the transferor and the transferee.



## Changes in capital

1 – The share capital may be increased by any means and in any manner provided by law.

The new shares are paid up in cash, or by offsetting liquid to the Company, or by capitalising reserves, profits or additional paid-in capital, or by contribution in kind, or by conversion of bonds.

Only the Extraordinary General Meeting is authorised to decide a capital increase. It may also delegate such authority to the Board of Directors as part of the capital authorised by the articles of incorporation.

The Board of Directors may decide to limit the capital increase against cash to the amount subscribed.

In the event of an increase through the issue of shares to be subscribed against cash, a preferential right to subscribe these shares is reserved for owners of existing shares, as permitted by law. However, shareholders may individually waive their preferential rights during the General Meeting that decides or authorises a capital increase. In addition, the shareholders at the General Meeting may cancel such preferential right in accordance with legal requirements.

2 - The capital increase may also result from the request by any shareholder to receive payment in shares of all or part of the dividend distribution where such power was granted to shareholders by a decision taken by the General Meeting or by the Board of Directors as part of a capital increase within the limits of the authorised capital as defined in Article 8 of these articles of incorporation and Article 2.1 of the charter.

In that case, the Board of Directors, within the statutory period, records the number of shares issued under the preceding paragraph and has the changes to the articles of incorporation implemented via a notarised deed.

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

The Board of Directors may repurchase shares in the Company within the limits set by law and by the authorisation granted by the Extraordinary General Meeting.

## Listing

The Company is listed on Euronext Paris (Compartment B). There are 9,544,965 outstanding shares.

Information about the Company's share price can be found on its website ([www.sword-group.com](http://www.sword-group.com)).

Sword Group SE shares are on the following indices: ICB: 9530 Logiciels et Services Informatiques, Indices CAC® Small, CAC® Mid & Small, CAC® All-Tradable, CAC® All-Share.

The General Meeting of 26 March 2012 gave the Board a general authorisation to increase the share capital by any means, including through the issue of shares or securities giving access to share capital with or without preferential subscription rights.

This authorisation was granted for a period of five years from the date of publication in the Mémorial C, Recueil des Sociétés et Associations of the Company's registration in the Register of Commerce and Companies of Luxembourg. In the context of this delegation of authority, the Board may limit or cancel any existing pre-emptive subscription rights. The Board may set all the terms and conditions of issue, including the place and date of issue or successive issues, the issue price, with or without additional paid-in capital, and the terms and conditions of subscription and release of new securities. The Board may in particular accept such stock subscription against payment in cash or in kind, under the conditions laid down by law, and the issue of new shares by capitalisation of reserves and/or the share premium and the free award of shares. The Board may also delegate the authority to accept the subscription of new shares.

The amount of capital increases likely to be carried out immediately and/or eventually under the authority granted by the General Meeting may not exceed €4,745,000 (nominal).

The face value of debt securities giving access to capital likely to be issued under the delegation granted under the authority granted by the General Meeting cannot exceed €100,000,000 or its equivalent in foreign currency on the date of issue.

The Board may use such delegation for any purpose involved in the achievement of the corporate purpose, including to issue shares or other instruments giving access to shares, to employees and/or corporate officers of the Company and/or companies that are included in the consolidation scope of the Company, within the limit of a total of 200,000 shares issued under the authority granted. Other conditions governing the issue of these shares, including the determination of the beneficiaries of these shares, and the individual and/or collective performance requirements, will be set by the Board of Directors.

## **Acquisitions and disposals of treasury shares**

Sword Group may hold treasury shares and conduct transactions on treasury shares within the limits of the law and the authorisation granted by the Annual General Meeting.

Detailed information about these operations is regularly communicated to the CSSF and appears on the website of Sword Group.

## **Shareholders**

### Principal shareholders

Jacques Mottard and Nicolas Mottard - including the holdings of Financière Sémaphore - hold a total of 17.9% of the share capital.

The free float represents 77.6% of the capital.

### Proxies and general meetings

The shareholders are invited to attend the general meetings by law and under the articles of incorporation. Article 19 of the articles of incorporation sets out the rules governing shareholder meetings.

## **Calling meetings**

The shareholders convene at the Annual General Meeting on 28 April of each year at 11 am in the municipality of the Company's head office or any other venue, as specified in the notice.

If the meeting date falls on a holiday, it shall take place on the next business day.

Ordinary shareholder meetings may be called extraordinarily at any time of the year by the Board of Directors.

One or more shareholders who together hold at least 10% of the subscribed capital may request that a general meeting be called. Their request must set out the items to be covered by the agenda.

The form of the meeting and the required notice period are set by the law. The meeting notice must indicate the location of the meeting, which may be held at head office or at any other location, and its agenda.

## **Agenda**

The agenda is set by the person calling the meeting. It contains, if applicable, proposals from one or more shareholders who together hold at least 5% of the paid capital, who may request the registration of one or several new agenda issues for any general meeting, within the timeframe and in the forms set out by law.

If it has not been possible for the meeting to deliberate regularly, through failure to attain the quorum, a second meeting is called in the same form as the first and the meeting notice will recall the date of the first meeting.

## Admission to the meetings - Powers

Any shareholder may, regardless of the number of shares held, attend - in person or via a proxy - the meetings upon justifying his/her identity and the ownership of his/her shares, in the form of:

- either a registration in his/her name,
- or a registration of the shares in the name of the shareholder or the intermediary registered on his/her behalf on the third business day preceding the meeting at 00:00, Paris time, either in the registered share books held by the Company, or in the bearer share books held by the authorised intermediary.

However, the Board of Directors can either shorten or cancel that period of time, subject to such initiative being to the benefit of all shareholders.

Shareholders may vote by mail and must, to that effect, ask the Company for a postal voting form. That form will include references to the relevant meeting and will be written so that the shareholder may cast his/her vote on each proposed resolution, according to their order of submission at the meeting. The request must be issued to the Company by any means and must be filed or received by the head office at least six days before the meeting.

To be admissible, the voting form must include the following:

- the last name, first name and domicile of the shareholder;
- the form of the shares (bearer or registered) and of the number of shares, as well as a statement confirming that the shares are registered, either to registered securities accounts held by the Company, or to bearer securities accounts through the authorised financial intermediary;
- the signature of the shareholder or his/her legal representative.

To be taken into account, postal votes must reach the Company at least three days before the date of the meeting.

A shareholder may be represented under the conditions set by the applicable regulations.

### Meeting - Board - Minutes

The General Meeting is chaired by the Chairman of the Board or by a director appointed for that purpose by the Board, if the meeting was called by the Board or, failing that, by an individual designated by the Meeting; it is chaired by the statutory auditor where appropriate, by the attorney or the liquidator in other cases. Teller duties are handled by those two members of the meeting who hold the largest number of votes and who accept such duties. The officers shall appoint a secretary who need not be a shareholder.

The deliberations are recorded in minutes signed by the officers, as well as by those shareholders who so request.

Copies or extracts of such minutes, to be produced in court or elsewhere, shall be validly certified, with respect to ordinary general meetings, by the chairman of the board or a director or the secretary of the Meeting and, with respect to extraordinary general meetings, by the notary who holds the minutes in question.

### Terms and conditions that apply to the right to vote – Majority quorum

1 – The quorum is calculated from the total number of shares comprising the share capital, not including any shares for which the right to vote has been withdrawn by law.

In the case of proxy voting, only forms which have been duly completed and which carry an attestation confirming that the shares have been deposited in trust, and which are received by the company at least three days prior to the date of the meeting, will be taken into account in calculating the quorum.

2 – An ordinary general meeting shall deliberate validly only if the shareholders attending, represented or voting by mail, own at least, on first call, one quarter of the share capital. Failing that, a second general meeting not requiring a quorum will be convened in the form prescribed by Article 67-1 of the law of 10 August 1915 (as amended) on commercial companies.

An extraordinary general meeting shall deliberate validly only if the shareholders attending, represented or voting by mail, own at least, on first call, half of the share capital. Failing that, a second general meeting not requiring a quorum will be convened in the form prescribed by Article 67-1 of the law of 10 August 1915 (as amended) on commercial companies.

3 - At shareholders' meetings, each member at the meeting has as many votes as they possess or represent shares, without restriction other than those provided by law.

4 - Votes at general meetings are cast by a show of hands, a roll call, a secret ballot, or the use of telecommunication facilities, i.e. videoconferencing or any means of telecommunication where it is possible to identify the shareholder taking part in the Meeting, as determined by the officers or the shareholders.

The Ordinary Meeting shall rule by the majority of votes validly cast. The votes validly cast shall not include those relating to shares for which the shareholder has not taken part in the vote, has abstained or has cast a blank or invalid ballot.

The Extraordinary General Meeting shall rule by a majority of two thirds of valid votes.

#### Dividend policy

In accordance with Article 24 of the articles of incorporation, out of the profit for the period, deducted from any previous losses if applicable, the following amounts are levied in priority:

- at least five percent to build up the legal reserve, a deduction that will cease to be mandatory when said reserves have reached a sum equal to one tenth of the total share capital, but which will resume if for any reason this amount is no longer attained;
- and any sums to be allocated to the reserves by law.

The remaining balance, to which posted profits are added, constitutes the distributable profit that is at the disposal of the Annual General Meeting. This may be distributed in full or in part to shareholders in the form of dividends, allocated to all reserve or capital depreciation accounts, or carried forward once again, depending on the proposal of the Board of Directors.

The Extraordinary General Meeting may, as permitted by law, determine the full or partial depreciation of the shares that will lose, in due proportion, their right to a dividend or the repayment of par value.

That meeting may also, as provided by law, determine the conversion into capital shares of fully or partially amortised shares.

As a general rule, Sword Group pursues a dividend distribution policy linked both to profits for the year in question and to the expected development of the Group and its profitability.

### **III Control structures**

#### **Audit committee - Other committees**

The Company has an audit committee, comprising Mr François Barbier and Mr François-Régis Ory, independent directors, appointed members of the Audit Committee for the duration of their directorships.

Mr Francis Régis Ory, is chairman of the Audit Committee.

Regarding the establishment of an appointments and compensation committee or the creation of other specialised committees, it has been decided not to establish such committees within Sword Group, given the size the Company.

## **Internal controls**

We would remind you that the purposes of the internal control procedures in force in our company are:

- to ensure that the management and implementation of operations and the behaviour of staff are in accordance with the guidelines for businesses as laid down by the company's managing bodies, by the applicable laws and regulations, and by the values, standards and internal rules of the company;
- and to verify that the accounting, financial and managerial information provided to the company's managing bodies truly reflects the activities and the position of the company.

One of the purposes of the internal control system is to prevent and control risks that arise from the business's activities, and risks from errors or fraud, particularly in the accounting and financial domains.

As with all control systems, it cannot provide a 100% guarantee that such risks are totally eliminated.

The internal control procedures are set by the Board of Directors of Sword Group and an internal control officer was appointed to monitor the risks identified by the Board of Directors, in accordance with the 10 Corporate Governance Principles recommended by the Luxembourg Stock Exchange.

## **Statutory audit**

The statutory audit is conducted by Mazars Luxembourg SA, a certified audit firm (cabinet de révision agréé).

## **IV Conduct of business and trading of Sword Group shares**

### **Conduct of business and ethics**

As a world leader in business process improvement solutions for regulated industries, Sword Group harnesses its skills, infrastructure and experience to serve our clients and to help them improve their performance, increase their efficiency and maximise their return on investment.

Sword Group operates worldwide in compliance with laws and regulations in the various countries where Sword Group and/or the Sword Group subsidiaries are located.

On 20 December 2010, the Board of Directors of Sword Group adopted a Code of Ethics. 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.

### **Trading of Sword Group shares**

Sword Group managers meet all legislative and regulatory provisions relating to transactions in securities of listed companies.

Sword Group managers regularly report transactions involving Sword Group shares and refrain from any transactions involving Sword Group shares when they possess insider information.

In order to prevent the commission of any offenses relating to the possession of insider information, Sword Group has established, as required by law, a list of insiders that identifies those individuals holding privileged information who work in the Sword Group, as well as third parties having access to such information in the course of their professional relationships with Sword Group.

## 10 MANAGEMENT REPORT

Ladies and Gentlemen,

In accordance with the applicable provisions of the law and articles of incorporation, 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 period ended 31 December 2016.

You will also be asked to cast your votes on the following:

***The authority of the General Meeting ruling under the conditions governing quorums and majority voting required for Ordinary General Meetings.***

- Reading of the report of the Board of Directors, including the Group management report and the finding that no agreement under Article 57 of the law of 10 August 1915 (as amended) has been concluded during the period ended 31 December 2016;
- Reading of the report of the statutory auditor on the 2016 annual accounts, the Group's consolidated financial statements and the performance of its duties;
- Approval of the corporate annual accounts at 31 December 2016;
- Approval of the consolidated financial statements at 31 December 2016;
- Allocation of profit or loss for the period ended 31 December 2016;
- Discharge granted to the directors for their management duties for financial year 2016;
- Compensation for directors;
- Discharge granted to the statutory auditor for its duties for financial year 2016;
- Reappointment of the statutory auditor;
- Authority 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 have been duly sent to you and all documentation required by the regulations in force were made available at the head office of the Company, as well as on the website of the Company within the legally required timeframe.

You will then hear the reading of the statutory auditor's report.

### **Important events in the Sword Group during the period ended 31 December 2016**

No major event was reported for financial year 2016.

### **Thresholds crossed**

In 2016, the following instances of thresholds being crossed were noted:

- In a letter received on 5 May 2016, FMR LLC declared it had dropped below the 10% threshold on 4 May 2016. This was the result of a sale of Sword Group shares on the market. Previously, FMR LLC held 1,048,949 Sword Group shares, i.e. 11.14% of the capital and as many voting rights <sup>(1)</sup>. Following the sale, FMR LLC holds 938,574 shares, i.e. 9.97% of the capital and as many voting rights <sup>(1)</sup>.  
<sup>(1)</sup> On the basis of a capital comprising 9,414,965 shares representing as many voting rights, in application of para. 2 of Article 223-11 of the general regulation.
- In a letter received on 30 June 2016, EXIMIUM declared it had exceeded the 20% threshold on 27 June 2016. This was the result of an acquisition of Sword Group shares on and off the market. Previously, EXIMIUM held 1,394,009 Sword Group shares, i.e. 14.80% of the capital. Following the acquisition, EXIMIUM holds 1,929,918 shares, i.e. 20.47% of the capital.  
<sup>(1)</sup> On the basis of a capital comprising 9,426,965 shares.
- In a letter received on 23 November 2016, FMR LLC declared it had dropped below the 5% threshold on 21 November 2016. This was the result of a sale of Sword Group shares on the market. Following the sale, FMR LLC holds 450,000 shares, i.e. 4.76% of the capital and as many voting rights <sup>(1)</sup>.  
<sup>(1)</sup> On the basis of a capital comprising 9,444,965 shares representing as many voting rights, in application of para. 2 of Article 223-11 of the general regulation.



## Governance

The Annual General Meeting of 28 April 2016 renewed six directorships, i.e. Mr Jacques Mottard, Mr Nicolas Mottard, Mr François Barbier, Mr François-Régis Ory, Frédéric Goosse and PACBO Europe, and Administration et Conseil S.à r.l., represented by Mr Patrice Crochet for a period of four years.

## Brexit

The vote on 23 June 2016 in favour of the United Kingdom leaving the European Union prompted a drop in the EUR/GBP exchange rate and greater uncertainty regarding the growth potential of the UK market.

Following sterling's drop, the annual revenue for 2016 saw a €8m drop compared to the budgets established on the basis of the 30/11/2015 rates.

Excluding exchange-rate effects, the profitability seen in 2016 from business in the UK was not impacted by Brexit. However, it is maintained - across all businesses - at a level comparable to the Group average.

We do not currently see any impact on our business at consolidated level, bearing in mind our group's internationalisation and the types and diversity of our customers and the industries in which they operate.

## Basis for preparation and accounting principles

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

## Group activities - Presentation of the consolidated income statement for the period ended 31 December 2016

### Non-IFRS financial indicators

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

Management uses non-IFRS financial indicators, in addition to IFRS financial information, to assess its operating performance, measure its ability to generate cash flow, take strategic and operational decisions, 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 for development needs.

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

Organic growth is defined as revenue growth on a comparable basis. Organic growth at constant exchange rates corresponds to revenue growth on a comparable basis and at constant exchange rates.

To measure revenue growth on a comparable basis, the Group takes as its basis the consolidation scope at the end of the benchmark year (in this case 31 December 2016). Consequently, the consolidated revenue for years N and N-1 has been restated as followed:

- 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 exchange rate impact 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 basis or constant exchange rate basis.

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

Current EBITDA corresponds to revenue less purchases, personnel expenses, other external charges, allocations to provisions and other current operating expenses, to which are added 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:

- Assessing the Group's development in the medium term (excluding non-recurring costs),
- Evaluating the Group's capacity to generate cash flow arising from day-to-day operation (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 connection with these tests. It aims to ensure fluctuation, within a reasonable range, the scenarios used as a basis for estimated financial projections, 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 gives a measurement 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 at 31 December 2016

The table below presents the simplified income statement of Sword Group for the period ended 31 December 2016 compared with that for the 2015 financial year.

In €000	2016	2015
Revenue	160,157	137,564
EBITDA	24,904	21,552
EBIT	19,537	16,394
Profit for the period	10,816	10,792
Profit, Group share	10,498	10,162

## Activity and revenue

Consolidated revenue stood at €160.2 million in 2016 with profitability of 15.5% (EBITDA).

The backlog at 31/12/2016 was 25.6 months of revenue compared to the revenue budgeted for 2017.

## 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 via its subsidiaries and offices in 20 countries, covering Asia Pacific, 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 2016 was €24,904,000, i.e. 15.5% of the 2016 revenue.

## Earnings before interest and taxes, excluding non-recurring elements (EBIT)

Consolidated EBIT in 2016 was €19,537,000, i.e. 12.2% of the 2016 revenue.

## Income tax and profit for the period

Corporate income tax on consolidated profit was €4,846,000, which represents an effective tax rate of 31%.

After income tax, the profit for the period yielded a net profit of €10,816,000, i.e. 6.8% of 2016 revenue. The Group share of net profit stood at €10,498,000, i.e. 6.6% of the 2016 revenue, and the profit allocated to minority shareholders was €318,000.

## Debt, cash flow and investments

The Group's net cash (active cash – debt) dropped from €42.4 million at 31/12/2015 to €32 million at 31/12/2016.

The cash flow generated by operating activities (see cash flow table) was €21,800,000.

Gross investments for the financial year, both intangible (excluding goodwill and market shares) and tangible, stood at €5,577,000.

## Acquisitions

Growth operations are detailed in note 8.1 of the notes to the consolidated financial statements.

## Disposals

Disposals are detailed in note 9.1 of the notes to the consolidated financial statements.

## Breakdown of 2016 consolidated revenue

The 2016 consolidated revenue breaks down as follows:

Software:	29%
IT Services:	71%

## BY DIVISION

€m	Revenue	EBITDA	%
<b>Software</b>	<b>46.9</b>	<b>14.0</b>	<b>29.8%</b>
Asset Finance Solutions	26.5	8.8	33.3%
Governance Risk & Compliance	15.3	3.9	25.6%
Other	5.0	1.2	24.5%
<b>IT Services</b>	<b>113.3</b>	<b>10.9</b>	<b>9.6%</b>
Benelux	22.3	1.7	7.6%
France	31.5	4.1	12.9%
Switzerland	24.2	2.6	10.7%
UK	20.9	1.1	5.4%
Other (including offshore)	14.4	1.4	10.0%
<b>Total</b>	<b>160.2</b>	<b>24.9</b>	<b>15.5%</b>

Percentages are given with figures in €000.

## Changes in the Group's main subsidiaries

### SOFTWARE

#### A / Governance Risk Compliance + Other

€m	Consolidated	
	2016	2015
Revenue	20.3	19.9
EBITDA	5.2	5.0
%	25.4%	25.1%

This transaction combines the Intellectual Property (IP) (20%) and GRC (80%) products. Profitability as of 2015 is now totally stabilised at the cost of lower growth than initially forecast.

#### B / Asset Finance Solutions

€m	Consolidated	
	2016	2015
Revenue	26.5	24.1
EBITDA	8.8	7.5
%	33.3%	31.1%

This operation continued to outperform in terms of profitability (33.3%) and is now in line with a growth strategy of around 10%. An effort will be made to improve existing products leading to a return to an appropriate level of profitability (28%).

### SERVICES

#### A / France

€m	Consolidated	
	2016	2015
Revenue	31.5	26.2
EBITDA	4.1	2.9
%	12.9%	11.1%

France continues to outperform compared to its profitability targets and generates significant embedded growth (10%).

#### B / Benelux

€m	Consolidated	
	2016	2015
Revenue	22.3	17.4
EBITDA	1.7	1.0
%	7.6%	5.7%

Benelux is in line with its ambitious 2020 plan targeting revenue of €40m. The profit margin will continue to be around 7%, bearing in mind the investments needed for that growth.

## C / Switzerland

€m	Consolidated	
	2016	2015
Revenue	24.2	28.0
EBITDA	2.6	3.2
%	10.7%	11.4%

Switzerland has reduced its scope following the 2016 restructurings. It is now prepared to target double-digit growth.

## D / UK

€m	Consolidated	
	2016	2015
Revenue	20.9	12.7
EBITDA	1.1	1.3
%	5.4%	10.2%

In 2015, we sold a highly profitable unit that was outside our scope of activity (revenue of €2.2m) and acquired an unprofitable company intended to bring us critical size in the UK (revenue of €10m).

## E / Other (offshore + other)

€m	Consolidated	
	2016	2015
Revenue	14.4	9.3
EBITDA	1.4	0.7
%	10.0%	7.5%

This transaction includes the revenue realised offshore as well as Services revenue realised in the United States.

## GRAND TOTAL

€m	Consolidated	
	2016	2015
Revenue	160.2	137.6
EBITDA	24.9	21.6
%	15.5%	15.7%

## Group head count on 31/12/2016

2016	Billable workforce			Non-billable workforce	Total
	Staff	Sub-contractors	Total		
Software	283	28	311	46	357
IT Services	610	366	976	88	1,064
Offshore	147	97	244	12	256
Holding company	-	-	-	19	19
Total	1,040	491 <sup>(1)</sup>	1,531	165	1,696 <sup>(2)</sup>

<sup>(1)</sup> 339 full-time equivalents

<sup>(2)</sup> 1,544 full-time equivalents

## Important events occurring after year-end

None

## Outlook for 2017

The Group forecasts organic growth of 10% (assuming a constant exchange rate) and a EBITDA margin of 15%.

## Assessment of the value of goodwill and other intangible assets

The Group was assisted by an accountancy firm for the goodwill impairment testing. The results of these tests are described in note 12.3 of the notes to the consolidated financial statements.

## Research & Development

### SOFTWARE

- R&D on existing products (development of WFS, GRC and mobile applications) accounts for 12.3% of Software revenue.
- Capitalised R&D pertains to programme updates and the development of modules complementing existing modules. It represents 5.8% of Software revenue.

### SERVICES

R&D on existing software components is too closely linked to projects to be examined in isolation.

Capitalised R&D accounts for 0.1% of Services revenue.

This pertains to:

- Desktop publishing document template design solutions
- Visual investigation solutions
- Cloud-based and on-site server environment management solutions

## Approval of consolidated financial statements

We request that you approve the consolidated financial statements for the period ended 31 December 2016 (balance sheet, income statement, and notes) as they are submitted to you and which show a total consolidated profit of €10,816,000 (of which the Group share is €10,498,000).

**Activities of Sword Group – presentation of the corporate annual accounts****Company activities in financial year 2016 - Balance sheet and income statement**

In financial year 2016, the number of Sword Group employees stood at an average of one person.

In 2016, Sword Group played its operational, strategic and financial leadership role for the Group.

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

In €	Financial year N	Financial year N-1
Revenue	2,721,595	3,156,101
Other operating income	86,504	21,604
Other external charges	-3,156,404	-3,320,985
Personnel expenses	-143,248	-159,195
Depreciation on operating assets	-76,474	-11,748
Operating profit	-568,027	-314,223
Allowances on financial assets	5,199,457	-8,178,089
Financial income	6,359,009	52,310,627
Finance costs	-6,265,089	-1,333,288
Financial result	5,293,377	42,799,250
Current profit before tax	4,725,350	42,485,027
Tax	-181,928	-80.21
Profit / Loss	4,543,422	42,404,817

**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 2016, if we consider the "Services" and the "Software" (Products) divisions' 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 on budget and on schedule. This approach is based on the ISOPRO quality assurance system and is characterised by the following:

- compliance with ISO 9001;
- a strong commitment by Sword's senior management;
- the daily involvement of all engineers during project execution.

For Sword Group, a project's quality assurance is not limited to simply drafting a Quality Assurance Plan. What makes the QA Plan effective is that it is perfectly assimilated by the various project stakeholders and is subject to quality follow-up. During the project, various people are involved and take action in a manner that contributes to the end product's quality.

Applying a Quality Assurance approach to a project enables:

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

However, obtaining a quality product is the result of a team effort. Quality Assurance channels the actions performed by all project stakeholders in order to secure it and obtain the level of quality desired.

Nevertheless, it doesn't replace the competence and the motivation of each one which are the basic elements of the development of a product of quality.

The backlog at 31 December 2016 was 25.6 months of revenue compared to the revenue budgeted for 2017. Part of this revenue relates to years subsequent to 2017.

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 remain two companies on the short list; and by "30% weighted", we mean that we are in a short list, without specifying the number of remaining applicants.

Each project is monitored monthly. In 2016, the total of days gained and days lost compared with initial estimates for the cost of projects was positive thanks to the systematic application of the ISOPRO method.

However, if there is a potential delay in a project, all overruns estimated with respect to the project's initial budget are immediately recognised in profit or loss via concessions (= excess time assigned to the project not recognised in revenue).

Generally, billing for components is a major element of safety 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.

On the recommendation of the Audit Committee, internal controls were carried out:

- control of reports, contracts and investments made in Switzerland;
- audit of major contracts;
- audit 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 thanks to:

- Sword Group's technological edge;
- its functional knowledge of its customers' areas of work;
- the dispersion of its competitors, all of whom display marked differences;
- the nature of its customers (for example, the European institutions), which require a considerable initial investment.

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

Sword Group's ten largest clients accounted for 16.4% of consolidated revenue in 2016.

The leading client accounted for 2.7% of consolidated revenue in 2016.



## Risks related to IT security and technological progress

As far as hardware and local networks are concerned, a six-person team is dedicated to maintaining our infrastructure and, in particular, the daily backup of data, which is placed 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.

Lastly, capitalising on our know-how via 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	€13,500,000	€104,833,000	Net consolidated financial debt/consolidated EBITDA less than 3.5  Net consolidated financial debt/consolidated equity less than 1

See also Note 20 to the consolidated financial statements that complement the previous table.

Promissory note drawing rights: earnout, 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

### Exchange rate risk

See Note 4.3 (a) of the notes to the consolidated financial statements.

### Interest rate risk

See Note 4.3 (b) of the notes to the consolidated financial statements.

## Equity risk

### Treasury shares

The company can be prompted to hold treasury shares under the share repurchase programme authorised by the Extraordinary General Meeting on 19 May 2014, redeemable at 10% of its share capital for a period of five (5) years. The objectives of share ownership under this program are as follows:

- leading the market or liquidity within the framework of a liquidity contract entered into with a certified provider;
- purchase for exchange or payment within the framework of external growth operations;
- the cancellation of shares within the limit of a maximum number that cannot exceed 10% of the Company's share capital, over a period of twenty-four months, subject to the Company's Extraordinary General Meeting of Shareholders authorising the capital reduction.

The same Extraordinary General Meeting of 19 May 2014 authorised the Board of Directors to reduce the share capital by cancelling shares acquired through the Company's purchase of treasury shares, limited to 10% of its share capital and for a period of five (5) years.

As at 31 December 2016, Sword Group held 105,809 treasury shares.

## Number of shares

Investments are selected from those that present 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) at 31 December 2016 Sword Group held interests in the following companies:

- SBT: As at 31 December 2016, Sword Group held 37,296 shares in this company. As at 31 December 2016 the fair value was €219,000. The change in fair value was recognised in equity.
- Interests held in other companies, the main ones being: Instant System and Tok Tok Tok for a fair value of €299,000.

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 aims at:

- the acquisition of additional skills;
- the expansion of the geographical scope;
- the strengthening of existing lines of business;

The means implemented by the Group to limit the risks arising from that policy are as follows:

- strong involvement of senior management in the implementation of acquisitions;
- systematic performance of external audits.

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

### **Legal risks**

There are no current general legal risks due to business activities, aside 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 they are considered to be likely.

As at 31 December 2016, there is no general legal risk associated with the Group's business likely to be subject to a provision, other than those that are already provisioned.

### **Dependence on top managers and key individuals**

Unlike other companies that rely on individuals to gain results from their know-how, Sword Group is built firmly upon software components which are improved from one project to the next and which enable this know-how to not be lost should a particular employee leave.

As at 31 December 2016, the management teams comprises the following bodies/people:

- an Executive Management Committee (EMC) comprising:
  - Executive Chairman
  - a person in charge of day-to-day management
  - a Chief Executive Officer (CEO)
- an Operations Committee, comprising the EMC and eight COOs (Chief Operating Officers).
- Each COO is also a BU Director; in addition, there are 26 BU 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 executives and corporate officers of Sword Group,
- All Travel Risks liability

Its general policy aims to cover risks presenting 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
<b>BODILY INJURIES</b> 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	<b>NONE</b>
<b>CONSEQUENTIAL OR NON- CONSEQUENTIAL MATERIAL AND IMMATERIAL DAMAGE</b> including <b>DAMAGE USA CANADA</b>	€10,000,000 per claim and €15,000,000 per year of insurance	€75,000 except for Operations civil liability €3,000
<b>ACCIDENTAL HARM TO THE ENVIRONMENT</b> (ALL TYPES OF DAMAGE)	€1,000,000 per year of insurance	€3,000 for all damage other than bodily
<b>DEFENCE</b>	included in the guarantee	<b>NONE</b> Except where provided in Article 2.2.2. of the Special Agreements (USA/Canada)
<b>LITIGATION</b>	€50,000 per dispute	<b>NONE</b>
<b>ADDITIONAL GUARANTEES</b> 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 executives and corporate officers covers all Sword Group subsidiaries. It covers, on behalf of the insured parties, the defence costs and financial consequences of legal action against them implicating 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 been no events or litigation that could lead to such a situation, which 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 the Business Unit 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 €800,000 in the consolidated financial statements as at 31 December 2016.

## Shareholder structure

### Breakdown of capital at the end of the period (31 December 2016):

Shareholders	Number of shares	% of capital
Financière Sémaphore	1,706,280	17.9%
Treasury shares	105,809	1.1%
Employees and miscellaneous registered shareholders	324,817	3.4%
Floating stock	7,408,059	77.6%
Total	9,544,965	100.0%

### Variations in the share price:

2016	As at 31 January 2017
Highest closing price €29.04 (on 30/12/2016)	Highest closing price €31.80 (on 27/01/2017)
Lowest closing price €22.00 (on 12/02/2016)	Lowest closing price €27.75 (on 19/01/2017)
Number of shares traded on stock market: 8,911 <sup>(1)</sup>	Number of shares traded on stock market: 8,953 <sup>(2)</sup>

<sup>(1)</sup> (1) This is the average number of shares traded in 2016, a year during which 2,290,155 shares were traded.

<sup>(2)</sup> This is the average number of shares traded in January 2017, a month during which 196,973 shares were traded.

### Information on the acquisition and sale by the company of treasury shares as at 31 December 2016:

Number of shares held by the Company as at 31 December 2015	9,240
Number of shares purchased in 2016	173,063
Number of shares sold in 2016	76,494
Number of shares held by the Company as at 31 December 2016	105,809

The Company's acquisition of treasury shares was conducted in accordance with the authorisation granted by the General Meeting of 19 May 2014 in its second resolution in connection with the agreed objectives of the said meeting.

## Issuer's statement regarding transactions involving treasury shares as at 31 December 2016:

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	105,809
Portfolio carrying amount as at 31 December 2016	€3,005,169.28
Portfolio market value as at 31 December 2016	€3,072,693.36

	Accumulated gross flows 2016		Outstanding positions as at	
	Purchases	Sales	For purchase	For sale
Number of shares				
Maximum average	-	-	-	-
Average price	€26.7320	€24.7437	-	-
Average exercise price	-	-	-	-
Amounts	€4,626,317.02	€1,892,747.08	-	-

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

### Proposed allocation of profit or loss

We suggest that you approve the corporate annual accounts for the period ended 31 December 2016 (Balance Sheet, Income Statement and Notes) such as they are presented to you, which show a profit of **€4,543,422.25**.

We remind you that the sum of €3,005,169.28 appears under "Reserve for treasury shares" as the Company held 105,809 treasury shares as at 31 December 2016.

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

<b>Profit for the financial year</b>	<b>€4,543,422.25</b>
<i>To which is added:</i>	
From distributable profit or loss carried forward:	€148,722,992.86
Plus the share premium:	€70,676,064.46
Resulting in a distributable profit of:	€223,942,479.57
<i>Is appropriated to the following items:</i>	
Dividends*	€11,453,958.00
Legal reserve	€13,000.00
Profit or loss carried forward	€141,799,457.11
Share premiums	€70,676,064.46

**\* 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 international tax treaties signed by Luxembourg and European law, depending on the tax residence of the recipient and under his or her own responsibility. A refund request will then be sent to the Luxembourg tax authorities no later than 31 December of the year following the payment of the withholding tax, using Form 901bis

([http://www.impotsdirects.public.lu/formulaires/retenue\\_a\\_la\\_source/pluriannuel/901bis\\_FR\\_GB.pdf](http://www.impotsdirects.public.lu/formulaires/retenue_a_la_source/pluriannuel/901bis_FR_GB.pdf)).

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

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

## Cross-shareholdings

We inform you that the Company has not had to carry out transfers of shares in order to put an end to cross-shareholdings prohibited by Article 49bis 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

The Combined Shareholders' General Meeting held on 26 March 2012 awarded the Board of Directors the necessary authority to issue, with or without removal of preferential subscription rights, on one or more occasions, whether in France or abroad, shares and all securities that provide immediate or subsequent access to the company's shares, for a maximum face value of €4,745,000, as the maximum value of representative securities drawn on the company cannot exceed €100,000,000.

This authorisation is valid for period of five years as of publication in Mémorial C, i.e. until 2 May 2017.

Nature of the authorisation	Nature of the transaction	Shares to issue	Authorised capital increase amount
Full delegation	Capital increase, PSR maintained or waived	Capital shares or debt securities giving access to capital	€4,745,000 (*) capital increase or €100,000,000 of value of debt securities giving access to the share capital

(\*) These amounts are not cumulative

In 2016, this authorisation was used by the board of directors to increase the share capital in tranches on 6 June 2016 (notarised report on 16 June 2016), 10 October 2016 (notarised report on 8 November 2016) and 29 December 2016 (notarised report on 19 January 2017) for a total amount of €130,000 following the successive exercising of stock options for stock subscriptions.

## Financial instruments

In connection with the acquisition of AAA Group Ltd, buyback options for 791 shares issued by Sword IT Solutions (Sword ITS), i.e. 31% of its capital, and held by individuals holding executive positions in AAA Ltd were granted to Sword Soft Ltd. These buyback options can be exercised at any time during the period beginning 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 2016 and 2015, taking account of the prospects of Sword ITS and the conditions for exercising the options, the options had no value. See Note 8.2 and Note 21.3 of the notes to the consolidated financial statements.

## 12. Conventions covered by Article 57 of the Law of 10 August 1915 on commercial companies

We ask you to take note that the Company has neither entered into, in respect of the period ended 31 December 2016, nor pursued for previous financial years, any agreement within the scope of Article 57 of the Law of 10 August 1915 on commercial companies.

## Offices and positions held by the Company's corporate officers

In accordance with the recommendations of the principles of corporate governance of the Luxembourg Stock Exchange, please find below the list of all offices and positions held in all French or foreign companies by the Company's corporate officers during the period ended 31 December 2016.

Function	Duration	Company	Maturity date
<b>Jacques Mottard: Chairman of the Board of Directors</b>			
Executive Chairman Director General Manager	4 years	Sword Group SE	31/12/19 (*)
Director	Unlimited	Active Risk Group Ltd	Unlimited duration
Director	Unlimited	Active Risk Ltd	Unlimited duration
Director	Unlimited	Active Risk Inc	Unlimited duration
Director	Unlimited	Active Risk Australia	Unlimited duration
Chairman and Director	Unlimited	Apak Group Ltd	Unlimited duration
Chairman and Director	Unlimited	Apak Beam Ltd	Unlimited duration
Chairman and Director	1 year	Eurogenia	31/12/16 (*)
Director	Unlimited	Mobile Productivity Ltd	Unlimited duration
Chairman and Director	1 year	Swissgenia	31/12/16 (*)
Director	Unlimited	Sword Achiever Ltd	Unlimited duration
Chairman and Director	Unlimited	Sword Apak Auris Ltd	Unlimited duration
Chairman and Director	Unlimited	Sword Apak Inc	Unlimited duration
Director	Unlimited	Sword Charteris	Unlimited duration
Chairman	Unlimited	Sword Connect	Unlimited duration
Chairman of the Board of Directors	1 year	Sword Consulting SA	31/12/16 (*)
Director	Unlimited	Sword General Partner Ltd	Unlimited duration
Director	Unlimited	Sword Global India	Unlimited duration
Chairman and Director	6 years	Sword Integra	31/12/18 (*)
Director	Unlimited	Sword IT Solutions Ltd.	Unlimited duration
Chairman of the Board of Directors	Unlimited	Sword Lebanon	Unlimited duration
Partner	Unlimited	Sword Middle East	Unlimited duration
Chairman of the Board of Directors	1 year	Sword Performance International AG	31/12/16 (*)
Chairman of the Board of Directors	1 year	Sword Performance Solutions AG	31/12/16 (*)
Chairman of the Board and Director	6 years	Sword SA	31/12/20 (*)
Chairman	1 year	Sword Services SA	31/12/16 (*)
Chairman and Director	Unlimited	Sword Soft Ltd	Unlimited duration
Manager	Unlimited	Sword Sol	Unlimited duration
Chairman	Unlimited	Sword Solutions Inc	Unlimited duration
Chairman	6 years	Sword Technologies SA (Belgium)	31/12/21 (*)
Chairman and Director	1 year	Sword Technologies SA (Switzerland)	31/12/16 (*)
Director	Unlimited	Sword Technology Solutions Ltd	Unlimited
Chairman and Director	1 year	Sword Suisse Holding	31/12/16 (*)

(\*) General Meeting ruling on the accounts for the period



Positions held outside the Group			
Function	Duration	Company	Maturity date
Director and Chairman	1 year	Ardéva SA	31/12/16 (*)
Director	1 year	Bella Tola SA	31/12/16 (*)
Manager	Unlimited	Financière Sémaphore Sarl	Unlimited duration
Director	1 year	INEA IT Group SA	31/12/16 (*)
Manager	Unlimited	Maya	Unlimited duration
Chairman of the Board and director	1 year	Orny Holding SA	31/12/16 (*)
Manager	Unlimited	Rutor	Unlimited duration
Manager	Unlimited	SCI Banga	Unlimited duration
Manager	Unlimited	SCI Combin	Unlimited duration
Director	1 year	Veisivi Holding SA	31/12/16 (*)

(\*) General Meeting ruling on the accounts for the period

Nicolas Mottard: Director			
Function	Duration	Company	Maturity date
Director	4 years	Sword Group SE	31/12/16 (*)

(\*) General Meeting ruling on the accounts for the period

François-Régis Ory: Chairman / Chairman of the Audit Committee			
Function	Duration	Company	Maturity date
Chairman, Audit Committee	4 years	Sword Group	31/12/19
Director	4 years	Sword Group	31/12/19
Positions held outside the Group			
Chairman	Unlimited	L'Améliane SAS	Unlimited duration
Chairman	Unlimited	Florentiane SAS	Unlimited duration
Chairman	Unlimited	Lypolyane SAS	Unlimited duration
Director	6 years	Medicrea International SA	31/12/20
Director	6 years	Olympique Lyonnais Groupe SA	30/06/18
Chairman	Unlimited	ABM Medical SAS	Unlimited duration
Chairman	Unlimited	ABM Ile de France SAS	Unlimited duration
Chairman	Unlimited	ABM Nord SAS	Unlimited duration
Manager	Unlimited	ABM Rhône Alpes SARL	Unlimited duration
Manager	Unlimited	ABM Sud SARL	Unlimited duration
Manager	Unlimited	SCI de Chanas	Unlimited duration
Manager	Unlimited	SCI L'Amaury	Unlimited duration
Manager	Unlimited	SCI L'Amelaïs	Unlimited duration
Manager	Unlimited	SCI Florine	Unlimited duration

(\*) General Meeting ruling on the accounts for the period

Frédéric Goosse: Director / General Manager			
Function	Duration	Company	Maturity date
Director	4 years	Sword Group	31/12/19
General Manager	4 years	Sword Group	31/12/19
Co-manager	Unlimited	Financière Sémaphore	Unlimited duration
Manager	Unlimited	PME Xpertise	Unlimited duration

(\*) General Meeting ruling on the accounts for the period

François Barbier: Director / Member of the Audit Committee			
Function	Duration	Company	Maturity date
Director	4 years	Sword Group	31/12/19
Member of the Audit Committee	4 years	Sword Group	31/12/19
Positions held outside the Group			
Member of the Management Board	5 years	21 CENTRALE PARTNERS	25/03/19
Chairman and Director	1 year	ADVANCED COFFEE INVESTMENT (Swiss company)	31/12/16
Chairman of the Supervisory Board	Undetermined	DALTYS II SAS	Undetermined duration

(\*) General Meeting ruling on the accounts for the period

PACBO Europe: Director / Appointed temporarily by the Board of Directors meeting on 20 November 2013			
Function	Duration	Company	Maturity date
Director	4 years	Sword Group	31/12/19
Positions held outside the Group			
Director	N/C	ALPHABET S.A.	30/06/2017
Director	N/C	ARGOS S.A.	30/06/2017
Director	N/C	CAFRA S.A.	30/06/2017
Director	N/C	CIPPUS S.A.	30/06/2017
Director	N/C	DELTA INVEST S.A.	30/06/2017
Director	N/C	DIORASIS INTERNATIONAL	30/06/2017
Director	N/C	DOMANIAL S.A., SPF	30/06/2017
Director	N/C	EMANIMMO S.A.	30/06/2017
Director	N/C	FDD, Financière de développement S.A.	30/06/2017
Manager	N/C	FELIX Sàrl	NC
Director	N/C	FIVER SA SPF	30/06/2017
Director	N/C	GLADINVEST SA	30/06/2017
Director	N/C	GRAVEY SA	30/06/2017
Director	N/C	GREVLIN SA	30/06/2017
Director	N/C	HAUT HORLOGERIE BENELUX S.A.	30/06/2017
Director	N/C	HELEN HOLDINGS SA	30/06/2017
Director	N/C	HIORTS FINANCE SA	NC
Director	N/C	JEZARA HOLDINGS SA	30/06/2017
Director	N/C	JUFINE S.A.	30/06/2017
Director	N/C	LAGOMAR SA	30/06/2017
Director	N/C	LUX FOOD SA	30/06/2017
Director	N/C	LUXAD SA	30/06/2017
Director	N/C	MHDS INVESTMENTS SA	30/06/2017

Director	N/C	NICOBA SA	30/06/2017
Director	N/C	ORMYLUX SARL	30/06/2017
Director	N/C	PARMERIA SA SPF	30/06/2017
Director	N/C	PHILUBIS SA	30/06/2017
Director	N/C	SARAN SA	30/06/2017
Manager	N/C	SOPHIALUX SARL	30/06/2017
Director	N/C	SOVIMO SA	30/06/2017
Director	N/C	TIBERGEST SA	30/06/2017
Director	N/C	TMPARIF SA	30/06/2017
Director	N/C	TREETOP Asset Management Luxembourg	30/06/2017
Director	N/C	TREETOP Belgium S.A.	30/06/2017
Director	N/C	WERTEX SA	30/06/2017
Director	N/C	WEST INDIES INVEST SA	NC

## Compensation for corporate officers

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

**Table 1: summary table of compensation and options and shares allocated to each corporate officer**

<b>Jacques Mottard</b>	<b>31/12/2016</b>	<b>31/12/2015</b>
Compensation due for the period (detailed in Table 2)	€30,703 <sup>(1)</sup>	€40,491 <sup>(1)</sup>
Valuation of the options allocated during the period (detailed in Table 3)	N/A	N/A
Valuation of the performance shares allocated during the period (detailed in Table 5)	N/A	N/A
<b>TOTAL</b>	<b>€30,703</b>	<b>€40,491</b>

<sup>(1)</sup> Financière Sémaphore Sàrl, a company owned by Mr Jacques Mottard, billed Sword Group SE for services and recharged miscellaneous fees for a total amount of:

- for the period ended 31 December 2016, €590,000 (excl. tax),
- for the period ended 31 December 2015, €623,913 (excl. tax).

At its meeting on 18 April 2011 the Board of Directors decided to give Mr Jacques Mottard a gross monthly amount of €500 for his chairmanship duties. This compensation amounted to a total of €6,000 in respect of the period ended 31 December 2016.

<b>Nicolas Mottard</b>	<b>31/12/2016</b>	<b>31/12/2015</b>
Compensation due for the period (detailed in Table 2)	€20,000	€20,000
Valuation of the options allocated during the period (detailed in Table 3)	N/A	N/A
Valuation of the performance shares allocated during the period (detailed in Table 5)	N/A	N/A
<b>TOTAL</b>	<b>€20,000</b>	<b>€20,000</b>

<b>Frédéric Goosse</b>	<b>31/12/2016</b>	<b>31/12/2015</b>
Compensation due for the period (detailed in Table 2)	€35,000	€40,000
Valuation of the options allocated during the period (detailed in Table 3)	N/A	N/A
Valuation of the performance shares allocated during the period (detailed in Table 5)	N/A	N/A
<b>TOTAL</b>	<b>€35,000</b>	<b>€40,000</b>

<b>François Barbier</b>	<b>31/12/2016</b>	<b>31/12/2015</b>
Compensation due for the period (detailed in Table 2)	€35,000	€40,000
Valuation of the options allocated during the period (detailed in Table 3)	N/A	N/A
Valuation of the performance shares allocated during the period (detailed in Table 5)	N/A	N/A
<b>TOTAL</b>	<b>€35,000</b>	<b>€40,000</b>

<b>François-Régis Ory</b>	<b>31/12/2016</b>	<b>31/12/2015</b>
Compensation due for the period (detailed in Table 2)	€35,000	€40,000
Valuation of the options allocated during the period (detailed in Table 3)	N/A	N/A
Valuation of the performance shares allocated during the period (detailed in Table 5)	N/A	N/A
<b>TOTAL</b>	<b>€35,000</b>	<b>€40,000</b>

<b>Patrice Crochet</b>	<b>31/12/2016</b>	<b>31/12/2015</b>
Compensation due for the period (detailed in Table 2)	€35,000	€40,000
Valuation of the options allocated during the period (detailed in Table 3)	N/A	N/A
Valuation of the performance shares allocated during the period (detailed in Table 5)	N/A	N/A
<b>TOTAL</b>	<b>€35,000</b>	<b>€40,000</b>

**Table 2: summary table of compensation for each corporate officer**

<b>Jacques Mottard</b>	<b>Amount at 31/12/2016</b>		<b>Amount at 31/12/2015</b>	
	<b>Due</b>	<b>Paid</b>	<b>Due</b>	<b>Paid</b>
Fixed compensation	€6,000	€6,000	€6,000	€6,000
Variable compensation	€0	€0	€0	€0
Exceptional compensation	€0	€0	€0	€0
Directors' fees	€13,885	€13,885	€26,490	€26,490
Benefits in kind	€10,818	€10,818	€8,000	€8,000
<b>TOTAL</b>	<b>€30,703</b>	<b>€30,703</b>	<b>€40,491</b>	<b>€40,491</b>

Nicolas Mottard	Amount at 31/12/2016		Amount at 31/12/2015	
	Due	paid	Due	Paid
Fixed compensation	€0	€0	€0	€0
Variable compensation	€0	€0	€0	€0
Exceptional compensation	€0	€0	€0	€0
Directors' fees	€20,000	€20,000	€20,000	€20,000
Benefits in kind	None	None	None	None
TOTAL	€20,000	€20,000	€20,000	€20,000

Frédéric Goosse	Amount at 31/12/2016		Amount at 31/12/2015	
	Due	Paid	Due	Paid
Fixed compensation	N/A	N/A	N/A	N/A
Variable compensation	N/A	N/A	N/A	N/A
Exceptional compensation	N/A	N/A	N/A	N/A
Directors' fees	€35,000	€35,000	€40,000	€40,000
Benefits in kind	N/A	N/A	N/A	N/A
TOTAL	€35,000	€35,000	€40,000	€40,000

François Barbier	Amount at 31/12/2016		Amount at 31/12/2015	
	Due	Paid	Due	Paid
Fixed compensation	N/A	N/A	N/A	N/A
Variable compensation	N/A	N/A	N/A	N/A
Exceptional compensation	N/A	N/A	N/A	N/A
Directors' fees	€35,000	€35,000	€40,000	€40,000
Benefits in kind	N/A	N/A	N/A	N/A
TOTAL	€35,000	€35,000	€40,000	€40,000

François-Régis Ory	Amount at 31/12/2016		Amount at 31/12/2015	
	Due	Paid	Due	Paid
Fixed compensation	N/A	N/A	N/A	N/A
Variable compensation	N/A	N/A	N/A	N/A
Exceptional compensation	N/A	N/A	N/A	N/A
Directors' fees	€35,000	€35,000	€40,000	€40,000
Benefits in kind	N/A	N/A	N/A	N/A
TOTAL	€35,000	€35,000	€40,000	€40,000

Patrice Crochet	Amount at 31/12/2016		Amount at 31/12/2015	
	Due	Paid	Due	Paid
Fixed compensation	N/A	N/A	N/A	N/A
Variable compensation	N/A	N/A	N/A	N/A
Exceptional compensation	N/A	N/A	N/A	N/A
Directors' fees	€35,000	€35,000	€40,000	€40,000
Benefits in kind	N/A	N/A	N/A	N/A
TOTAL	€35,000	€35,000	€40,000	€40,000

**Table 3: Share subscription or purchase options granted during the period to each corporate officer by the Company or by any Group company**  
Not applicable.

**Table 4: Share subscription or purchase options exercised during the period 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 period for each corporate officer

Not applicable.

## Table 7: History of allocations of share subscription or purchase options

The exercise periods for Plan 2 granted by a decision of the shareholders during the General Meeting held on 17 May 2011, approved by the Board of Directors on 6 October 2011, expired on 6 October 2016.

The 30,000 subscription options remaining on 31 December 2015 were all exercised by 6 October 2016.

Consequently, on 31 December 2016, there remained no more subscription options not yet matured under Plan 2.

Pursuant to the shareholder authorisation given during the General Meeting on 26 March 2012, the Board of Directors also issued 100,000 subscription options in connection with a stock options plan for Tony Allen dated 11 September 2014.

Pursuant to the modification of the stock options plan decided by the Board of Directors on 10 October 2016, both start dates for exercising options were brought forward as of 1 December 2016. All subscription options were exercised by the beneficiary on 19 December 2016.

Consequently, on 31 December 2016, there remained no more subscription options not yet matured under Plan 2014.

## Table 8: Share subscription or purchase option granted to the top ten 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 in function		Allowances related to a restraint of trade agreement	
	Yes	No	Yes	No	Yes	No	Yes	No
Corporate officers								
J. Mottard - Executive Chairman		X		X		X		X

## Directors' fees

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

## Reappointment of the statutory auditor

The term of Mazars Luxembourg SA, the statutory auditor, 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 period ended 31 December 2017.

## Authorisation and powers granted to the Board of Directors in order for the Company to purchase treasury shares

The Extraordinary General Meeting held on 19 May 2014 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, European Regulation No. 2273/2003 of 22 December 2003 and the Company's articles of incorporation.

The goals of the repurchase programme are the following:

- providing stability for the market or share liquidity within the framework of a liquidity contract entered into with a certified provider;
- purchase for exchange or payment within the framework of external growth operations;
- allocation to employees;
- the cancellation of shares within the limit of a maximum number that cannot exceed 10% of the Company's share capital, over a period of twenty-four months, subject to the Company's Extraordinary General Meeting of Shareholders authorising the capital reduction.

Such authorisation is granted under the following conditions:

- the number of shares purchased by the Company pursuant to such authorisation may not exceed 10% 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 (as amended) on commercial companies, the maximum number of shares that may be acquired by the end of this programme may not have as its effect that the Company's net assets become less than the amount of the Company's subscribed capital, increased by reserves which are not allowed to be distributed by law or under the articles of incorporation;
- The acquisition price of each share in the Company may not be less than €8 or more than €30;
- The shares may be acquired either 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 19 May 2019.

## **Authority and powers granted to the Board of Directors in order for the company to repurchase treasury shares**

In connection with the authorisation for the Company to purchase treasury shares, the same Extraordinary General Meeting of 19 May 2014 authorised:

- the Board of Directors to cancel, on one or more occasions, all or part of the shares of the Company that it holds under the authorisation to purchase shares of the Company granted to the Board of Directors and previous authorisations, within the limit of 10% of capital per 24-month period (provided that this limit will be assessed on the date of the decision of the Board) and to reduce the share capital accordingly;
- the Board of Directors to allocate the difference between the repurchase price of the cancelled shares and their par value to the available premiums and reserves;
- to give it all powers to set the conditions and forms, to carry out and recognise the capital reduction(s) following cancellation operations authorised by this resolution, settled any oppositions, make the corresponding accounting entries, make the corresponding change to the company articles, and generally to complete all the necessary formalities.

This authorisation is also valid for a maximum period of five (5) years, i.e. until 19 May 2019.

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

Jacques Mottard  
Executive Chairman, Sword Group



**11** STATUTORY AUDITOR'S REPORT ON THE ANNUAL ACCOUNTS AS AT 31 DECEMBER 2016**REPORT OF THE REVISEUR D'ENTREPRISE AGREE****Report on the annual accounts**

Following our appointment by the General Meeting of Sword Group SE on 28 May 2016, we have audited the accompanying annual accounts of Sword Group SE, which comprise the balance sheet as at 31 December 2016 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Responsibility of the Board of directors' for the annual accounts*

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

*Responsibility of the réviseur d'entreprise agréé*

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the réviseur d'entreprise agréé judgement, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the réviseur d'entreprise agréé considers internal control relevant to the entity's preparation and fair presentation of the annual accounts 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the annual accounts give a true and fair view of the financial position of Sword Group SE as of 31 December 2016, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

### **Other information**

The Board of Directors is responsible for the other information. The other information comprises the information included in the management report but does not include the annual account and our report of réviseur d'entreprise agréé thereon.

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

In connection with our audit of the annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual accounts 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.

## Other matter

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

## Report on other legal and regulatory requirements

The management report is consistent with the annual accounts and has been prepared in accordance with the applicable legal requirements..

The information required by Article 68bis paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended and included in the Corporate Governance Statement on pages 8 to 18 is consistent with the annual accounts and has been prepared in accordance with applicable legal requirements.

Luxembourg, 22 March 2017

For MAZARS LUXEMBOURG SA, cabinet de revision agréé  
10A, rue Henri M. Schnadt  
L-2530 Luxembourg

Olivier Biren  
Réviseur d'entreprise agréé

## 12 ANNUAL ACCOUNTS AS AT 31 DECEMBER 2016

### ASSETS

	Reference(s)	Current year	Previous year
<b>A. Subscribed capital unpaid</b>			
I. Subscribed capital not called	1101	0,00	0,00
II. Subscribed capital called but unpaid	1103	0,00	0,00
	1105	0,00	0,00
<b>B. Formation expenses</b>	1107	0,00	0,00
<b>C. Fixed assets</b>			
I. Intangible assets	1109	208.477.406,08	206.889.640,31
1. Costs of development	1111 4.1	183.114,07	80.453,75
2. Concessions, patents, licences, trade marks and similar rights and assets, if they were	1113	0,00	0,00
a) acquired for valuable consideration and need not be shown under C.I.3	1115	172.463,57	8.453,75
b) created by the undertaking itself	1117	172.463,57	8.453,75
3. Goodwill, to the extent that it was acquired for valuable consideration	1119	0,00	0,00
4. Payments on account and intangible assets under development	1121	0,00	0,00
II. Tangible assets	1123	10.650,50	72.000,00
1. Land and buildings	1125 4.2	5.144,41	13.262,82
2. Plant and machinery	1127	0,00	0,00
3. Other fixtures and fittings, tools and equipment	1129	0,00	0,00
4. Payments on account and tangible assets in the course of construction	1131	5.144,41	13.262,82
III. Financial assets	1133	0,00	0,00
1. Shares in affiliated undertakings	1135 5	208.289.147,60	206.795.923,74
2. Loans to affiliated undertakings	1137 5.1	205.633.807,42	204.809.960,35
3. Participating interests	1139	0,00	0,00
4. Loans to undertakings with which the undertaking is linked by virtue of participating interests	1141 5.2	2.436.412,66	1.854.082,66
5. Investments held as fixed assets	1143	0,00	0,00
6. Other loans	1145 5.3	218.927,52	131.880,73
	1147	0,00	0,00

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

<b>D. Current assets</b>			
I. Stocks			
1. Raw materials and consumables			
2. Work in progress			
3. Finished goods and goods for resale			
4. Payments on account			
II. Debtors			
1. Trade debtors			
a) becoming due and payable within one year			
b) becoming due and payable after more than one year			
2. Amounts owed by affiliated undertakings			
a) becoming due and payable within one year			
b) becoming due and payable after more than one year			
3. Amounts owed by undertakings with which the undertaking is linked by virtue of participating interests			
a) becoming due and payable within one year			
b) becoming due and payable after more than one year			
4. Other debtors			
a) becoming due and payable within one year			
b) becoming due and payable after more than one year			
III. Investments			
1. Shares in affiliated undertakings			
2. Own shares			
3. Other investments			
IV. Cash at bank and in hand			
<b>E. Prepayments</b>			
<b>TOTAL (ASSETS)</b>			

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

## LIABILITIES

<b>A. Capital and reserves</b>	1301	<b>7</b>	301	<b>237.434.110,35</b>	302	<b>242.086.526,10</b>
I. Subscribed capital	1301	<b>7.1</b>	301	<b>9.544.965,00</b>	301	<b>9.414.965,00</b>
II. Share premium account	1302	<b>7.1</b>	305	<b>70.676.064,46</b>	305	<b>68.699.114,46</b>
III. Revaluation reserve	1307		307	<b>0,00</b>	308	<b>0,00</b>
IV. Reserves	1309		309	<b>3.946.665,78</b>	310	<b>1.147.131,36</b>
1. Legal reserve	1311	<b>7.2</b>	311	<b>941.496,50</b>	312	<b>936.096,50</b>
2. Reserve for own shares	1313	<b>7.4</b>	313	<b>3.005.169,28</b>	314	<b>211.034,86</b>
3. Reserves provided for by the articles of association	1315		315	<b>0,00</b>	316	<b>0,00</b>
4. Other reserves, including the fair value reserve	1429		429	<b>0,00</b>	430	<b>0,00</b>
a) other available reserves	1431		431	<b>0,00</b>	432	<b>0,00</b>
b) other non available reserves	1433		433	<b>0,00</b>	434	<b>0,00</b>
V. Profit or loss brought forward	1319		319	<b>148.722.992,86</b>	320	<b>120.420.498,37</b>
VI. Profit or loss for the financial year	1321		321	<b>4.543.422,25</b>	322	<b>42.404.816,91</b>
VII. Interim dividends	1323		323	<b>0,00</b>	324	<b>0,00</b>
VIII. Capital investment subsidies	1325		325	<b>0,00</b>	326	<b>0,00</b>
<b>B. Provisions</b>	1331		331	<b>408.820,00</b>	332	<b>233.285,00</b>
1. Provisions for pensions and similar obligations	1333		333	<b>0,00</b>	334	<b>0,00</b>
2. Provisions for taxation	1335	<b>17</b>	335	<b>408.820,00</b>	336	<b>233.285,00</b>
3. Other provisions	1337		337	<b>0,00</b>	338	<b>0,00</b>
<b>C. Creditors</b>	1405		405	<b>17.165.090,02</b>	406	<b>21.066.863,43</b>
1. Debenture loans	1407		407	<b>0,00</b>	408	<b>0,00</b>
a) Convertible loans	1409		409	<b>0,00</b>	410	<b>0,00</b>
i) becoming due and payable within one year	1441		441	<b>0,00</b>	442	<b>0,00</b>
ii) becoming due and payable after more than one year	1443		443	<b>0,00</b>	444	<b>0,00</b>
b) Non convertible loans	1445		445	<b>0,00</b>	446	<b>0,00</b>
i) becoming due and payable within one year	1447		447	<b>0,00</b>	448	<b>0,00</b>
ii) becoming due and payable after more than one year	1449		449	<b>0,00</b>	450	<b>0,00</b>
2. Amounts owed to credit institutions	1355	<b>8</b>	355	<b>13.527.238,08</b>	356	<b>19.074.515,48</b>
a) becoming due and payable within one year	1357		357	<b>27.238,08</b>	358	<b>74.515,48</b>
b) becoming due and payable after more than one year	1359		359	<b>13.500.000,00</b>	360	<b>19.000.000,00</b>

The notes that appear 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	1341	0,00	0,00
a) becoming due and payable within one year	1343	0,00	0,00
b) becoming due and payable after more than one year	1345	0,00	0,00
4. Trade creditors	1347	777.643,86	449.920,45
a) becoming due and payable within one year	1349	777.643,86	449.920,45
b) becoming due and payable after more than one year	1351	0,00	0,00
5. Bills of exchange payable	1373	0,00	0,00
a) becoming due and payable within one year	1375	0,00	0,00
b) becoming due and payable after more than one year	1377	0,00	0,00
6. Amounts owed to affiliated undertakings	1379 10.1	9.614,71	1.539.954,41
a) becoming due and payable within one year	1381	9.614,71	1.539.954,41
b) becoming due and payable after more than one year	1383	0,00	0,00
7. Amounts owed to undertakings with which the undertaking is linked by virtue of participating interests	1385	0,00	0,00
a) becoming due and payable within one year	1387	0,00	0,00
b) becoming due and payable after more than one year	1389	0,00	0,00
8. Other creditors	1401	2.850.593,37	2.473,09
a) Tax authorities	1393	0,00	0,00
b) Social security authorities	1395	2.593,37	2.473,09
c) Other creditors	1397 9	2.848.000,00	0,00
i) becoming due and payable within one year	1399	2.848.000,00	0,00
ii) becoming due and payable after more than one year	1401	0,00	0,00
D. Deferred income	1403	0,00	0,00
<b>TOTAL (CAPITAL, RESERVES AND LIABILITIES)</b>	405	<b>255.008.020,37</b>	<b>263.386.674,53</b>

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



## PROFIT AND LOSS ACCOUNT AT 31 DECEMBER 2016

	Reference(s)	Current year	Previous year
<b>1. Net turnover</b>	1701 <b>11</b>	701 <b>2.721.594,80</b>	702 <b>3.156.101,21</b>
<b>2. Variation in stocks of finished goods and in work in progress</b>	1703	703 <b>0,00</b>	704 <b>0,00</b>
<b>3. Work performed by the undertaking for its own purposes and capitalised</b>	1705	705 <b>0,00</b>	706 <b>0,00</b>
<b>4. Other operating income</b>	1713	713 <b>86.504,41</b>	714 <b>21.604,20</b>
<b>5. Raw materials and consumables and other external expenses</b>	1671	671 <b>-2.982.150,23</b>	672 <b>-3.043.508,22</b>
a) Raw materials and consumables	1601	601 <b>-17.136,38</b>	602 <b>-1.345,85</b>
b) Other external expenses	1603	603 <b>-2.965.013,85</b>	604 <b>-3.042.162,37</b>
<b>6. Staff costs</b>	1605 <b>12</b>	605 <b>-143.247,81</b>	606 <b>-159.195,34</b>
a) Wages and salaries	1607	607 <b>-126.923,30</b>	608 <b>-141.459,60</b>
b) Social security costs	1609	609 <b>-15.913,58</b>	610 <b>-17.735,74</b>
i) relating to pensions	1653	653 <b>-9.230,28</b>	654 <b>-10.719,30</b>
ii) other social security costs	1655	655 <b>-6.683,30</b>	656 <b>-7.016,44</b>
c) Other staff costs	1613	613 <b>-410,93</b>	614 <b>0,00</b>
<b>7. Value adjustments</b>	1657	657 <b>-1.366.032,93</b>	658 <b>-6.297.523,20</b>
a) in respect of formation expenses and of tangible and intangible fixed assets	1659 <b>4</b>	659 <b>-76.473,86</b>	660 <b>-11.748,41</b>
b) in respect of current assets	1661 <b>13.1</b>	661 <b>-1.289.559,07</b>	662 <b>-6.285.774,79</b>
<b>8. Other operating expenses</b>	1621 <b>19</b>	621 <b>-174.254,45</b>	622 <b>-277.476,87</b>

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

	Reference(s)	Current year	Previous year
<b>9. Income from participating interests</b>	1715	5.000.000,00	43.138.130,45
a) derived from affiliated undertakings	1717 <b>14</b>	5.000.000,00	43.138.130,45
b) other income from participating interests	1719	0,00	0,00
<b>10. Income from other investments and loans forming part of the fixed assets</b>	1721	0,00	0,00
a) derived from affiliated undertakings	1723	0,00	0,00
b) other income not included under a)	1725	0,00	0,00
<b>11. Other interest receivable and similar income</b>	1727	1.359.008,67	9.172.496,08
a) derived from affiliated undertakings	1729 <b>10.1</b>	1.020.732,63	861.741,27
b) other interest and similar income	1731	338.276,04	8.310.754,81
<b>12. Share of profit or loss of undertakings accounted for under the equity method</b>	1663	0,00	0,00
<b>13. Value adjustments in respect of financial assets and of investments held as current assets</b>	1665 <b>13.2</b>	6.489.016,23	-1.892.314,32
<b>14. Interest payable and similar expenses</b>	1627	-6.265.088,90	-1.333.287,63
a) concerning affiliated undertakings	1629 <b>15</b>	-5.605.871,37	-312.546,99
b) other interest and similar expenses	1631	-659.217,53	-1.020.740,64
<b>15. Tax on profit or loss</b>	1635 <b>17</b>	0,00	-3.210,00
<b>16. Profit or loss after taxation</b>	1667	4.725.349,79	42.481.816,36
<b>17. Other taxes not shown under items 1 to 16</b>	1637 <b>17</b>	-181.927,54	-76.999,45
<b>18. Profit or loss for the financial year</b>	1669	4.543.422,25	42.404.816,91

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

## 13 NOTES TO THE ANNUAL ACCOUNTS 2016

### Note 1: General

Sword Group SE, hereinafter "the Company", is a European limited company 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 or option, negotiation or in any other manner any securities, rights, securities, patents and licenses and other rights in rem, personal rights and interests, such as the Society 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 latter two cases, including to third parties lenders to the Associate);
- to borrow or raise money in any manner whatsoever and to guarantee the repayment of any money borrowed;
- The Company may provide administrative services of a consultative nature or carry out any other research, development and supervisory activities; all consultative and production activities in the field of information systems.
- generally to conduct any sort of activity that might seem incidental or facilitate the attainment of the above purposes or any of them.
- The Company may conduct all commercial, technical and financial tasks, directly or indirectly connected to the areas described above, in order to facilitate the accomplishment of its purpose.
- It may 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 it may do so in any form. It may also acquire interests and shareholdings in any companies or business deals of any nature whatsoever. - 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 latter two cases, including to third parties lenders to the Associate);
- to borrow or raise money in any manner whatsoever and to guarantee the repayment of any money borrowed;
- The Company may provide administrative services of a consultative nature or carry out any other research, development and supervisory activities; all consultative and production activities in the field of information systems.
- generally to conduct any sort of activity that might seem incidental or facilitate the attainment of the above purposes or any of them.
- The Company may conduct all commercial, technical and financial tasks, directly or indirectly connected to the areas described above, in order to facilitate the accomplishment of its purpose.

## **Note 1: General (continued)**

It may 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 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 was incorporated on 22 June 2001 for an indefinite duration and its head office is established in Windhof.

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 (hereinafter "the amended Act of 19 December 2002"). 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: Accounting principles**

The Company keeps its books in euros. The annual accounts have been prepared using the historical cost method in accordance with the accounting principles generally accepted in Luxembourg. The financial year coincides with the calendar year.

The accounting rules and measurement rules are - apart from those imposed by the amended Act of 19 December 2002 - defined by the Board of Directors. The preparation of annual accounts involves the use of certain accounting estimates by the Board of Directors to exercise its judgement in the application of accounting principles. A change in accounting estimate can give rise to a significant impact on the annual accounts. The Board of Directors is of the opinion that the assumptions associated with these estimates are adequate and that the annual accounts present fairly the Company's financial position and results.

The company produces estimates and assumptions that have an impact on the amounts of the assets and liabilities for the next period. The estimates and judgements are continually assessed and are based on past experience and other factors, including anticipation of future events deemed to be reasonable under these circumstances.

## **Note 3: Measurement 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 which justified them have ceased to exist. This item is depreciated at a straight-line rate of 33% and is represented by a software license.

### **3.2. Property, Plant and Equipment**

Property, plant and equipment 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 which justified them have ceased to exist. 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 which justified them have ceased to exist.

### **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 which justified them have ceased to exist.

### **3.5. Securities**

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

The securities represented by treasury shares in the Company are measured 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 49-5 b) of the Law of 10 August 1915 on commercial companies (as amended) an unavailable reserve in the amount 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 measurement 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 period but which are attributable to a subsequent year.

### 3.7. Provisions

At the end of each period, 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. On 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 on 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 on 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 on the reporting date.
- All fixed assets denominated in a currency other than the euro are translated to euro at the historical exchange rate prevailing on the transaction date. On the reporting date, these fixed assets remain translated at the historical exchange rate.

Income and expenses in currencies other than the euro are translated to euro at the exchange rate prevailing at the transaction dates. Thus, only realised foreign exchange gains and losses and unrealised foreign exchange losses are recognised in profit or loss.

### 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 profit or loss, 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.

### 3.12. Comparison of financial years

Under the Luxembourg law of 18 December 2015 amending multiple provisions on accounting and the annual accounts of companies, certain items of the profit and loss accounts of the previous financial year were reclassified for accounting purposes.

## Note 4: Intangible and tangible assets

### 4.1. Intangible assets

For the period ended 31 December 2016, intangible assets changed as follows:

	Dealerships Patents, licenses	Advances Paid	TOTAL
Purchase price at opening	19,000.00	72,000.00	91,000.00
Newly consolidated companies	232,365.27	10,650.50	243,015.77
Deconsolidations	-	(72,000.00)	(72,000.00)
Purchase price at end of period	251,365.27	10,650.50	262,015.77
Allowances at opening	(10,546.25)	-	(10,546.25)
Charges for the period	(68,355.45)	-	(68,355.45)
Reversals for the period	-	-	-
Allowances at end of period	(78,901.70)	-	(78,901.70)
<b>Net amount at end of period</b>	<b>172,463.57</b>	<b>10,650.50</b>	<b>183,114.07</b>
<b>Net amount at start of period</b>	<b>8,453.75</b>	<b>72,000.00</b>	<b>80,453.75</b>

## Note 4: Intangible and tangible assets (cont.)

### 4.2. Property, Plant and Equipment

For the period ended 31 December 2016, property, plant and equipment changed as follows:

	Investments held as fixed assets	Other fixtures, tools and furniture	TOTAL
Purchase price at opening	19,294.00	40,592.04	59,886.04
Newly consolidated companies	-	-	-
Deconsolidations	-	-	-
Purchase price at end of period	19,294.00	40,592.04	59,886.04
Allowances at opening	(19,294.00)	(27,329.22)	(46,623.22)
Charges for the period	-	(8,118.41)	(8,118.41)
Reversals for the period	-	-	-
Allowances at end of period	(19,294.00)	(35,447.63)	(54,741.63)
<b>Net amount at end of period</b>	<b>-</b>	<b>5,144.41</b>	<b>5,144.41</b>
<b>Net amount at start of period</b>	<b>-</b>	<b>13,262.82</b>	<b>13,262.82</b>



## Note 5: Financial assets

For the period ended 31 December 2016, financial assets changed 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 opening	211,241,929.79	2,899,861,39	511,873.86	214,653,665.04
Newly consolidated companies	12,463,017.07	582,330.00		13,045,347.07
Deconsolidations	(18,041,139.44)	-		(18,041,139.44)
Purchase price at end of period	205,663,807.42	3,482,191.39	511,873.86	209,657,872.67
Value adjustments at opening	(6,431,969.44)	(1,045,778.73)	(379,993.13)	(7,857,741.30)
Charges for the period	-	-	-	-
Reversals for the period	6,401,969.44	-	87,046.79	6,489,016.23
Value adjustment at end of period	(30,000.00)	(1,045,778.73)	(292,946.34)	(1,368,725.07)
<b>Net amount at end of period</b>	<b>205,633,807.42</b>	<b>2,436,412.66</b>	<b>218,927.52</b>	<b>208,289,147.60</b>
<b>Net amount at start of period</b>	<b>204,809,960.35</b>	<b>1,854,082.66</b>	<b>131,880.73</b>	<b>206,795,923.74</b>

### 5.1. Investments in associates

In 2016, for the purposes of internal reorganisation, the Company sold Sword Services SA to Sword Suisse Holding SA for CHF 13,564,000.00 (€12,463,017.07). The amount receivable from Sword Suisse Holding of €12,463,017.07 resulting from the sale was contributed to the equity of Sword Suisse Holding SA as "reserves from capital contribution".

On 31 December 2015, there was a value adjustment on acquisition cost of Sword Services SA shares (acquired at the historical price of €18,041,139.44) for €6,401,969.44. Pursuant the share release in 2016, the value adjustment was reversed. See Note 13.2.

On 31 December 2016, no additional value adjustment was recognised in respect of shares in associates. The Board of Directors is of the opinion that

- for Sword Sol Sàrl, Sword Soft Ltd, 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 an amount of €30,000.00 since 2015.

## Note 5: Financial assets (continued)

### 5.1. Investments in associates (cont.)

On 31 December 2016, investments in associates were represented by:

Subsidiary name	% ownership	held Purchase price	Equity as at 31/12/2016	Profit or loss as at 31/12/2016
Sword Soft Ltd (UK)	100%	161,366,200.00	52,079,296.00	-1,098,506.00
Sword Sol Sàrl (Luxembourg)	100%	19,719,000.00	13,604,543.00	1,431,309.00
Sword Création Informatique Ltd (South Africa)	100%	30,000.00	791.00	1,176.00
Sword Solutions Inc (USA)	100%	1,302,000.00	1,987,654.00	57,019.00
Sword Suisse Holding SA (Switzerland)	100%	23,246,607.42	10,177,613.00	2,970,533.00
		205,663,807.42		

### 5.2. Investments in companies with which there is a shareholding link

As at 31 December 2016, investments in companies with which there is a shareholding link were represented by:

Subsidiary name	% ownership	Purchase price	Equity Share as at 31/12/2016	Result Share as at 31/12/2016
Tipik Communication Agency SA	49%	2,436,412.66	421,036.66	1,648.70
Lyodssoft HK	20%	1,045,778.73	*	*

\* Not available

In 2016, the Company acquired 11% of Tipik Communication Agency SA for €582,330.00. See also Note 10.3. The company's value is estimated to exceed the historical acquisition price. Consequently, no value adjustment was recognised.

On 31 December 2016, the Board of Directors decided to maintain an allowance of €1,045,775.73 for Lyodssoft HK.

### 5.3. Investments held as fixed assets

On 31 December 2016, the Board of Directors decided

- to reverse the a value of €91,002.24 for the shares of Scientific Brain Training, pushing the net carrying amount of these shares to €218,927.52;
- to maintain the 2015 adjustment for Tooxme SA shares for €124,828.23, whose historical acquisition price was €124,828.23;
- to record an additional value adjustment on Cosseco SA shares for an amount of €3,955.45 and for which the historical acquisition price amounts to €64,459.59 and the value adjustment from 2015 to €60,504.14.

## Note 6: Other receivables

Following the voluntary dissolution of FI System Belgium SA, the Company assumed an amount receivable in respect of the main shareholder of Tipik Communication Agency SA for €1,128,730.81, repayable within less than one year. On 31 December 2016, the residual balance was €446,400.81. According to the Company's Board of Directors, this is not considered doubtful.

On 31 December 2016, 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 2016 was €2,742,362.79, of which €2,356,799.79 is repayable in more than one year.

## Note 7: Equity

### 7.1. Subscribed capital

In 2016, share subscription options were exercised (see Note 7.5) generating a capital increase of €30,000, represented by 30,000 shares worth €1 each, accompanied by a share premium of €333,450.

In December 2016, 100,000 share subscription options were exercised (see Note 7.5), generating a capital increase of €100,000, accompanied by a share premium of €1,643,500. (See also Note 21).

At 31 December 2016 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 share capital is accompanied by a share premium of €70,676,064.46.

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 expires on 2 May 2017.

### 7.2. Legal reserve

Each year, a fixed percentage of 5% of the net profit, after absorption of deferred losses, if applicable, should be allocated to the legal reserve. The deduction ceases to 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 2016, the changes are as follows:

	01/01/2016	Allocation of profit or loss	Profit for the period	Dividends paid	capital increase	Treasury shares	31/12/2016
Share capital	9,414,965.00				130,000.00		9,544,965.00
Share premium	68,699,114.46	-			1,976,950.00		70,676,064.46
Legal reserve	936,096.50	5,400.00					941,496.50
Reserve for treasury shares	211,034.86	-				2,794,134.42	3,005,169.28
Profit or loss carried forward	120,420,498.37	42,399,416.91		-11,302,788.00		-2,794,134.42	148,722,992.86
Profit or loss for the period	42,404,816.91	-42,404,816.91	4,543,422.25				4,543,422.25
TOTAL	242,086,526.10		4,543,422.25	-11,302,788.00	2,106,950.00		237,434,110.35

## Note 7: Equity (cont.)

### 7.4 Treasury shares

As at 31 December 2016, there were 105,809 treasury shares recognised for a total of €3,005,169.28, recognised under "Securities".

According to the provisions of Article 49-5 b) of the Law of 10 August 1915 on commercial companies (as amended), an unavailable reserve in the amount of treasury shares included in the balance sheet has been established on the liabilities side, i.e. a total amount of €3,005,169.28.

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

### 7.5 Company share options

On 17 May 2011, the Extraordinary General Meeting of the Company authorised the Board of Directors to grant options entitling their holders to subscribe to Company shares. The authorisation was granted for a period of 38 months.

- On 6 October 2011, the Board of Directors made use of the authorisation and granted 188,000 share subscription options for employees and/or corporate officers.
- The subscription price of new shares was set to the average of listed prices for the 20 trading days preceding the decision to assign the options and stood at €12.115. The option allocation plan was closed on 6 October 2011. The options allocation plan was closed on 6 October 2011. During the period ended 31 December 2016, 30,000 options were exercised. As at 31 December 2016, there remained no more exercisable options.

On 26 March 2012, the Extraordinary General Meeting of the Company authorised the Board of Directors to grant options entitling holders to subscribe to Company shares. The authorisation was granted for a period of five years.

- On 11 September 2014, the Board of Directors made use of the authorisation and granted 100,000 share subscription options for one employee.

The subscription price of new shares was set to the average of listed prices for the 20 trading days preceding the decision to assign the options and stood at €17.435. The option allocation plan was closed on 11 September 2014. The options allocation plan was closed on 11 September 2014. Initially, 50,000 options were exercisable as of 11 September 2017 and 50,000 options as of 11 September 2018.

The Company's authorised capital maturing on 2 May 2017, the Board of Directors decided in 2016 to change the options allocation plan so as to be able to be exercised early. During the period ended 31 December 2016, 100,000 options were exercised. As at 31 December 2016, there remained no more exercisable options.

## 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 2016, bank debt broke down as follows:

	Amount drawn down	Authorised amount
Bank debt due in more than one year	13,500,000.00	111,666,666.68
Bank debt due within one year	-	6,666,666.66
Interest and commissions payable	20,638.77	-
Creditor bank accounts	6,599.31	-
	<u>13,527,238.08</u>	

### *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 period as financial debt due in more than one year, the following aspects were taken into account:

- Ability for 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 2016 cannot be reduced by the banks within a period of 12 months).
- Company's desire to utilise that form of funding within the coming 12 months

## Swap contracts

The main loans were taken out at the 3-month Euribor + 1% rate.

During the period ended 31 December 2016, there was one fixed-rate paying swap cover:

- A payer swap at a fixed rate of 1.24% was set up on 30 March 2012 for a period of 54 months and for a decreasing notional amount of €2,500,000 on 31 December 2015.

This fixed-rate paying swap cover matured at the end of September 2016.

## Bank covenants

The Company promises 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 above covenants, the lending banks will be able to demand the reimbursement of the outstanding loan, amounting to €13,500,000 million as at 31 December 2016. At 31 December 2016, the Company was in compliance with said covenants.

## Note 9: Other receivables

As at 31 December 2016, other receivables are mainly represented by a receivable of €2,848,000.00 in respect of Financière Sémaphore Sàrl (see Note 10.2) and by a cash advance of €1,743,500.00 related to the capital increase realised in January 2017 (see Note 21).

## Note 10: Related-party transactions

### 10.1 In respect of associates

As at 31 December 2016, 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	476,495.82	9,614.71
Sword Technologies SA	13,497,822.74	-
Sword Suisse Holding	8,767,043.38	-
	<hr/> 22,741,361.94	<hr/> 9,614.71

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 between 1.99% and 3.49%, corresponding to market conditions applicable to each subsidiary.

During the period ended 31 December 2016, the following events occurred:

- the Company recognised a value adjustment of €39,559.07 on the amount receivable in respect of Build On Line USA. At 31 December 2016, there was a value adjustment of €1,173,056.86 on the receivable in respect of Build On Line USA, corresponding to 100% of the amount of the receivable.
- The Company waived an amount of €1,000,000 with a clawback provision to the current account of Sword Technologies SA. At 31 December 2016, there was a waiver of current account with a clawback provision to Sword Technologies SA for an amount of €4,850,000. The current account of Sword Technologies SA of €13,497,822.74 already takes account of this waiver of current account. See also Note 13.1.

For the period ended 31 December 2016, the main types of income and expenses in respect of associates were as follows:

	Expenses	Income
Management services	-	2,721,594.80
Dividends	-	5,000,000.00
Subcontracting	196,975.20	-
Management Committee Fees	144,000.00	-
Sponsorship	222,291.50	-
Other miscellaneous expenses	45,173.08	-
Interest on current account	27,749.00	1,008,448.16
Value adjustment on receivables	39,559.07	
Reversal of value adjustment on financial assets	-	6,401,969.44
Loss on financial assets	18,041,139.44	12,463,017.07
Waiver of current account with clawback provision clause	1,000,000.00	
Foreign exchange expense	3,928.23	-
	19,720,815.52	27,595,029.47

## 10.2 In respect of non-consolidated companies having shared management

For the period ended 31 December 2016 Financière Semaphore Sàrl, a Luxembourg company, invoiced the following services:

- Assistance to the Company's general management for €349,999.90;
- Success fees related to sales for an amount of €240,000.00;

As at 31 December 2016, the Company has an amount payable of €2,848,000.00 in respect of Financière Semaphore, to which it advanced funds for the acquisition of 100,000 treasury shares in the Company (see Note 7.5).

## 10.3 In respect of companies with which there is a shareholding link

For the period ended 31 December 2015, the Company disbursed advances totalling €4.5 million to TIPIK Communication Agency SA.

At 31 December 2016 and 2015, these advances totalling €4.5 million were waived with a clawback provision.

In connection with the voluntary dissolution of FI System Belgium SA in 2015, the Company assumed an amount receivable of €972,231.38 in respect of Tipik Communication Agency SA. During the period ended 31 December 2016, the Company waived an amount of €250,000 with a clawback provision. See Note 13.1. At 31 December 2016, this amount receivable was €302,150.58 (including the waiver with clawback provision) and is not considered doubtful by the Company's Board of Directors.

## Note 11: Net revenue

During the period ended 31 December 2016, revenue was €2,721,594.80 and comprised services for all of the Group's subsidiaries.

The breakdown by geographical area is as follows:

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

## Note 12: Staff

During the period ended 31 December 2016, the number of employees of the Company stood at an average of one person (1.5 in 2015).

## Note 13: Allowances

### 13.1. Allowances on current assets

For the period ended 31 December 2016, value adjustment on current assets are represented by the following items:

- allowances on receivables in respect of associates for an amount of €39,559.07 (35,774.79 in 2015). See Note 10.1.
- a waiver with clawback provision for current account in respect of associates for an amount of €1,000,000 (€1,750,000 in 2015). See Note 10.1.
- a waiver with clawback provision for current account in respect of associates for an amount of €250,000 (€4,500,000 in 2015). See Note 10.3.

### 13.2. Value adjustments on financial assets and on securities that are part of current assets

For the period ended 31 December 2016, allowances on financial assets and on securities that are part of current assets are represented by the following items:

- A reversal of allowance value adjustment on securities in respect of associates for an amount of €6,401,969.44 (allowances totalling €1,830,587.09 in 2015). See Note 5.1.
- A reversal of a value adjustment on securities in respect of associates for an amount of €87,046.79 (allowance totalling €157,733.33 in 2015). See Note 5.3.
- A value adjustment on securities that are part of current assets for an amount of €0. (€96,006.10 in 2015)

## Note 14: Income from financial assets

Income from financial assets was represented mainly by dividends from a Company subsidiary.

## Note 15: Loss on disposal of shares in respect of associates

For the period ended 31 December 2016, the loss made on the sale of Sword Services SA shares (see Note 5.1.) was €5,578,122.37 and is recognised under "Interest and other finance costs regarding associates".

## Note 16: Extraordinary result

Pursuant to the amendment of Luxembourg legislation on the presentation of the structure of profit and loss accounts (see Note 3.12), the items extraordinary incomes and expenses no longer exist. The items comprising the 2015 figures were reclassified as follows:

- the partial waiver of the current account of Tipik Communication Agency SA of €4,500,000.00 was reclassified under "Value adjustment on current assets". See Note 13.1;
- the partial waiver of the current account of Sword Technologies SA of €1,750,000.00 was reclassified under "Value adjustment on current assets". See Note 13.1;
- fees associated with the acquisition or disposal of interests totalling €742,027.85 were reclassified under "Other external charges";
- various disputes totalling €82,853.63 were reclassified under "Other operating expenses";
- the historical cost and proceeds from the sale of shares in respect of associates for a respective amount of €216,081.00 and €157,954.11, initially recognised under "extraordinary costs" and "extraordinary income" were reclassified on a net basis under "Interest and other finance costs regarding associates";
- the recharging of fees related to investment acquisition activities totalling €12,500.00 was reclassified as "Other operating income"

## Note 17: Taxation

The Company is subject to all taxes applicable to companies with share capital.



## **Note 18: Off-balance sheet commitments**

As at 31 December 2016, 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 SA and for which the Company has an 49% shareholding. The amount of the surety is €6.5 million; it expires on 31 March 2017. In this connection, the company pledged as collateral a bank account holding €6,500,000. The surety will be renewed for €6.5 million.
- The Company stood surety in respect of Sword IT Solutions in connection with a residual payable of GBP 267,000 generated by the acquisition of AAA Group Limited, a UK company.

## **Note 19: Board of Director's remuneration**

For the period ended 31 December 2016, the directors received fees amounting to €160,000 (2015: €180,000). This amount is found under "Other operating expenses".

For the period ended 31 December 2016, no advance or credit was given to members of the administrative bodies.

## **Note 20: Audit fees**

In accordance with Article 84 (1) of the Law of 18 December 2009, the information specified in Article 65 (1) §16 of the Law has been omitted. Information on the audit fees is given in the consolidated statements and includes audit fees for the annual accounts.

## **Note 21: Subsequent events**

Following the exercise of 100,000 Company share subscription options in December 2016, a capital increase of €100,000, accompanied by a share premium of €1,643,500, was recorded before a notary on 19 January 2017, (see also Note 7.1 and 7.5).

# 14

## STATUTORY AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

### REPORT OF THE REVISEUR D'ENTREPRISE AGREE

#### Report on consolidated financial statements

Following our appointment by the General Meeting of Sword Group SE on May 28, 2016, we have audited the accompanying consolidated financial statements of Sword Group SE, which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated income statement 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 a summary of significant accounting policies and other explanatory information.

#### *Responsibility of the Board of Directors for the consolidated financial statements*

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and 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.

#### *Responsibility of the réviseur d'entreprise agréé*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the réviseur d'entreprise agréé's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the réviseur d'entreprise agréé considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## *Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Sword Group SE on 31 December 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

## **Other information**

The Board of Directors is responsible for the other information. The other information comprises the information included in the management report, but does not include the consolidated financial statements and our report of réviseur 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.

## **Other matter**

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

## **Report on other legal and regulatory requirements**

The management report is consistent with the consolidated financial statements and has been prepared in accordance with the applicable legal requirements.

The information required by Article 68bis paragraph (1) letters c) and d) of the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended and included in the Corporate Governance Statement on pages 8 to 18 is consistent with the consolidated financial statements and has been prepared in accordance with applicable legal requirements.

Luxembourg, 22 March 2017

For MAZARS LUXEMBOURG SA, cabinet de revision agréé  
10A, rue Henri M. Schnadt  
L-2530 Luxembourg

Olivier Biren  
Réviseur d'entreprises agréé

# 15 CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2016

## CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2016 – ASSETS

(In €'000)	Notes	31 December 2016	31 December 2015
<b>ASSETS</b>			
NON-CURRENT ASSETS			
Goodwill	12	86,253	92,470
Other intangible assets	11	10,850	11,463
Property, Plant and Equipment	10	7,517	7,849
Investments in associates	7	2,644	2,432
Financial assets held for sale	14.24	518	379
Deferred tax assets	25	1,165	2,001
Other assets	16	12,895	12,153
<b>TOTAL NON-CURRENT ASSETS</b>		<b>121,842</b>	<b>128,747</b>
CURRENT ASSETS			
Trade and other receivables	15	46,255	41,223
Current tax assets		1,159	1,321
Other assets	16	14,496	13,379
Cash and cash equivalents	17	46,196	62,112
<b>TOTAL CURRENT ASSETS</b>		<b>108,106</b>	<b>118,035</b>
<b>TOTAL ASSETS</b>		<b>229,948</b>	<b>246,782</b>

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

## CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2016 – LIABILITIES

(In €'000)	Notes	31 December 2016	31 December 2015
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	33	9,545	9,415
Share premiums		70,676	68,699
Reserves		2,558	14,262
Retained earnings		64,372	61,829
<b>TOTAL EQUITY - GROUP SHARE</b>		<b>147,151</b>	<b>154,205</b>
Non-controlling interests (minority interests)	6	5,017	7,088
<b>TOTAL EQUITY</b>		<b>152,168</b>	<b>161,293</b>
<b>NON-CURRENT LIABILITIES</b>			
Financial debt	20	13,500	19,000
Provisions for retirement benefits	18	852	620
Other provisions	19	800	1,145
Deferred tax liabilities	25	1,593	1,740
Other liabilities	23	93	1,522
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>16,838</b>	<b>24,027</b>
<b>CURRENT LIABILITIES</b>			
Financial debt	20	738	668
Derivative financial instruments	21.24	-	10
Other provisions	19	408	518
Trade and other payables	22	17,837	17,607
Current tax liabilities		3,708	3,142
Other liabilities	23	38,251	39,517
<b>TOTAL CURRENT LIABILITIES</b>		<b>60,942</b>	<b>61,462</b>
<b>TOTAL LIABILITIES</b>		<b>77,780</b>	<b>85,489</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>229,948</b>	<b>246,782</b>

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

## CONSOLIDATED INCOME STATEMENT AS AT 31 DECEMBER 2016

(In €'000)	Notes	31 December 2016	31 December 2015
<b>REVENUE</b>	5	<b>160,157</b>	<b>137,564</b>
Purchases		(6,093)	(4,464)
Personnel expenses	26	(74,354)	(69,588)
Other external charges		(54,566)	(40,866)
Provision (charges)/reversals	27	105	(492)
Other current operating expenses		(1,086)	(1,576)
Other current operating income		741	974
<b>EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTISATION, EXCLUDING NON-RECURRING ELEMENTS (EBITDA)</b>		<b>24,904</b>	<b>21,552</b>
<b>EBITDA in %</b>		<b>15.55%</b>	<b>15.67%</b>
Charges for depreciation of property, plant and equipment	10	(1,948)	(1,649)
Charges for intangible assets arising from business combinations	11	(2,235)	(2,487)
Charges for depreciation of other intangible assets	11	(1,184)	(1,022)
<b>EARNINGS BEFORE INTEREST AND TAXES EXCLUDING NON-RECURRING ELEMENTS (EBIT)</b>		<b>19,537</b>	<b>16,394</b>
<b>EBIT in %</b>		<b>12.20%</b>	<b>11.92%</b>
Income from disposals of assets	28	(230)	(570)
Impairment losses on assets	29	-	(455)
Other non-recurring items	30	(4,082)	(4,046)
<b>OPERATING PROFIT (OP)</b>		<b>15,225</b>	<b>11,323</b>
<b>OP in %</b>		<b>9.51%</b>	<b>8.23%</b>
Financial income		3,114	12,009
Finance costs		(2,307)	(8,999)
<b>FINANCIAL RESULT</b>	31	<b>807</b>	<b>3,010</b>
Share of profit or loss of associates	7	(370)	(100)
<b>PROFIT BEFORE TAX</b>		<b>15,662</b>	<b>14,233</b>
Income tax	25	(4,846)	(3,441)
<b>PROFIT FOR THE PERIOD</b>		<b>10,816</b>	<b>10,792</b>
<i>Of which:</i>			
Group share		10,498	10,162
Non-controlling interests (minority interests)	6	318	630
Earnings per share (in euros)	32	1.12	1.09
Diluted earnings per share (in euros)	32	1.11	1.08

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



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AT 31 DECEMBER 2016

(In €'000)	Notes	31 December 2016	31 December 2015
<b>PROFIT FOR THE PERIOD</b>		<b>10,816</b>	<b>10,792</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Recyclable items in profit or loss</i>			
Translation differences			
- during the year		(10,441)	6,370
Financial assets held for sale			
- gain related to remeasurement at fair value	14	91	343
- reclassification as profit related to financial assets held for sale during the period		-	(60)
Total recyclable items in profit or loss		(10,350)	6,653
<i>Non-recyclable items in profit or loss</i>			
Defined benefit plans			
- Actuarial gains and losses on post-employment benefits		(76)	20
Total non-recyclable items in profit or loss		(76)	20
<b>TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX</b>		<b>(10,426)</b>	<b>6,673</b>
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>390</b>	<b>17,465</b>
<i>Of which:</i>			
Group share		1,528	16,283
Non-controlling interests (minority interests)		(1,138)	1,182

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AT 31 DECEMBER 2016

(In €'000)	Share capital	Share premium	Treasury shares	Reserves			Retained earnings	Total	Non-controlling interests (minority interests)	Total equity
				Reserve for remeasurement of financial assets	Defined benefit plans	Foreign currency translation reserve				
<b>BALANCE AT 31 DECEMBER 2014</b>	<b>9,361</b>	<b>68,096</b>	<b>313</b>	<b>164</b>	<b>-</b>	<b>6,383</b>	<b>66,468</b>	<b>150,785</b>	<b>10,993</b>	<b>161,778</b>
<i>Profit for the period</i>	-	-	-	-	-	-	10,162	10,162	630	10,792
<i>Other comprehensive income</i>	-	-	-	283	20	5 819	-	6 122	551	6,673
Comprehensive income for the period	-	-	-	283	20	5 819	10,162	16,284	1,181	17,465
Issue of ordinary shares	54	603	-	-	-	-	-	657	-	657
Repurchase/resale of ordinary shares	-	-	1,280	-	-	-	-	1,280	-	1,280
Share-based payments	-	-	-	-	-	-	132	132	-	132
Payment of dividends	-	-	-	-	-	-	(11,226)	(11,226)	(163)	(11,389)
Transactions between shareholders	-	-	-	-	-	-	(3,707)	(3,707)	(4,923)	(8,630)
<b>BALANCE AT 31 DECEMBER 2015</b>	<b>9,415</b>	<b>68,699</b>	<b>1,593</b>	<b>447</b>	<b>20</b>	<b>12,202</b>	<b>61,829</b>	<b>154,205</b>	<b>7,088</b>	<b>161,293</b>
<i>Profit for the period</i>	-	-	-	-	-	-	10,498	10,498	318	10,816
<i>Other comprehensive income</i>	-	-	-	91	(76)	(8,985)	-	(8,970)	(1,456)	(10,426)
Comprehensive income for the period	-	-	-	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
<b>BALANCE AT 31 DECEMBER 2016</b>	<b>9,545</b>	<b>70,676</b>	<b>(1,141)</b>	<b>538</b>	<b>(56)</b>	<b>3,217</b>	<b>64,372</b>	<b>147,151</b>	<b>5,017</b>	<b>152,168</b>

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

## CONSOLIDATED CASH FLOW TABLE AS AT 31 DECEMBER 2016

(In €'000)	Notes	31 December 2016	31 December 2015
<b>Cash flows from operating activities</b>			
Profit for the period		10,816	10,792
<i>Adjustments:</i>			
Depreciation charges	10, 11	5,367	5,158
Impairment losses on trade receivables		466	410
Other provision (charges)/reversals		125	(2,628)
Provision charges for employee benefits		165	131
Net capital losses/gains on disposals of non-current assets, net of transaction costs	28	230	570
Share-based payments	26	92	132
Interest income	31	(442)	(1,085)
Interest expenses	31	427	932
Income tax	25	4,846	3,441
Change in working capital		3,196	3,246
Cash flow generated by operating activities		25,288	21,098
Tax paid		(3,488)	(1,805)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>21,800</b>	<b>19,293</b>
<b>Cash flows from investing activities</b>			
<i>Acquisitions/new consolidations:</i>			
- Intangible assets generated internally		(2,870)	(2,651)
- Other intangible assets		(357)	(462)
- Property, Plant and Equipment		(2,350)	(5,292)
- Investments in associates	7	(582)	-
- Financial assets held for sale		(250)	(1,245)
<i>Disposals/deconsolidations:</i>			
- Intangible assets		-	-
- Property, Plant and Equipment		77	37
- Investments in associates		-	44
- Financial assets held for sale		600	-
Interest received		515	1,148
Control taken of subsidiaries and increase in ownership in existing subsidiaries, net of cash and cash equivalents acquired <sup>(*)</sup>		(14,044)	(7,382)
Loss of control of subsidiaries, net of cash and cash equivalents disposed of		363	287
<b>NET CASH FLOWS FROM/(ALLOCATED TO) INVESTMENT ACTIVITIES</b>		<b>(18,898)</b>	<b>(15,516)</b>

(\*) Including an amount of €13,750,000 associated with acquisitions made in 2014 and 2015.

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

## CONSOLIDATED CASH FLOW TABLE AS AT 31 DECEMBER 2016 (CONT.)

(In €'000)	Notes	31 December 2016	31 December 2015
<b>Cash flows from financing activities</b>			
Income from the issue of ordinary shares		2,106	657
Payment related to the repurchase and resale of ordinary shares		(2,734)	1,280
Consideration received from non-controlling interests (minority interests)		1,141	697
New loans and use of lines of credit		7	2
Repayment of loans		(5,504)	(36,265)
Interest paid		(435)	(1,152)
Dividends paid to shareholders in the parent company		(11,303)	(11,226)
Dividends paid to non-controlling interests		(19)	(163)
<b>NET CASH FLOWS ALLOCATED TO FINANCING ACTIVITIES</b>		<b>(16,741)</b>	<b>(46,170)</b>
<b>Net change in cash and cash equivalents</b>		<b>(13,839)</b>	<b>(42,393)</b>
Cash and cash equivalents at the start of the period		61,444	103,366
Change in foreign exchange rate effect		(2,147)	471
<b>CASH AND CASH EQUIVALENTS AT THE CLOSE OF THE PERIOD</b>	17	<b>45,458</b>	<b>61,444</b>

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

## 16 NOTES TO THE CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT AS AT 31 DECEMBER 2016 (AMOUNTS IN €000)

### NOTE 1. GENERAL INFORMATION

#### 1.1 Company presentation

Sword Group SE (the "Company") is a European company incorporated under Luxembourg law, whose head office is located at 2, rue d'Arlon at Windhof (Luxembourg). The Company is registered in the Register of Commerce and Companies of Luxembourg under number B 168.244.

Sword Group, comprising the Company and companies the Company 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")
- Software (also called "Software" or "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 2 February 2017. The consolidated financial statements will be finalised once approved by the Annual General Meeting on 28 April 2017.

#### 1.2 Major events in 2016

No major event was reported for financial year 2016.

### NOTE 2. BASIS FOR PREPARATION AND ACCOUNTING PRINCIPLES

#### 2.1 Basis for preparation

The consolidated financial statements are presented in €000 (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 2002 July 19, the consolidated financial statements at 31 December 2016 were prepared in compliance with International Financial Reporting Standards (IFRS), as published by the International Accounting Standards Board (IASB) and adopted by the European Union.

Assets and liabilities, expenses and income were not set off, unless permitted or required by IFRS.

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

As of 1 January 2016, the Group adopted the following amendments:

- 'Initiative concerning information to be provided' (amendments to IAS 1, 'Presentation of financial statements'). The changes made to IAS 1 pertain to (i) relative importance; (ii) the order of notes; (iii) subtotals; (iv) accounting policies; and (v) level of disaggregation. They aim to encourage the entities to further exercise their professional judgement in order to determine the information they must present in their financial statements. The application of these modifications has no major impact on the Group's consolidated financial statements.

During the year in question, the Group adopted no new or revised IFRS standard that had to be mandatorily applied for the period starting on 1 January 2016 and likely to have a significant impact on the Group's consolidated financial statements.

(b) 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: 'classification and measurement', 'impairment' and 'hedge accounting'. This standard will 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.

The act of the entity identifying an event that will generate a credit impairment has been replaced by 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 first 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.

Management does not foresee any major impact on the Group's consolidated financial statements arising from the application of this new standard, bearing in mind the nature of its activities and notwithstanding the obligation to recognise, earlier than anticipated and where appropriate, impairment losses on amounts receivable on the basis of the new model for provisioning for credit risk based on the concept of "expected" risk.

**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 provides 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 IASB in May 2014 was amended in April 2016 intended to make certain clarifications. 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 plans 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 recognised 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, as the case may be - and must therefore be recognised separately and inversely. 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 standard on its financial statements on the basis of a sample of contracts representative of the Group's activity. At this stage, management identified no divergences that could have a significant impact on the financial statements, with the exception of installation and configuration services for certain software. These services are essential to the use of said software by the end customer, the revenue from which must be recognised in a manner identical to the income from licences, leading to a postponement of said revenue. By the time of the publication of the half-yearly accounts in June 2017, the Group plans to conduct a detailed analysis covering all the contracts open on 31 December 2016, upon the completion of which quantitative data on the impact resulting from the adoption of the standard can be provided. The Group's other planned measures include raising awareness and training for accounting services, adapting information systems and implementing consolidation instructions within the Group, including accounting policies to be applied by the subsidiaries.

## **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 financial years open as of 1 January 2019, with the early adoption permitted provided IFRS 15 is also applied.

The Group conducted an initial measurement of the possible impact on its consolidated financial statements. To date, the most significant impact identified is linked 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 constitute the most contracts targeted by the new standard. The amount of commitments at 31 December 2016 as set out in Note 38 gives an indication of the impact, excluding effects pertaining to the discounting that the new standard could have 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 adoption of IFRS 16 by the Group, it is expected that the performance measures presented by the Group will be amended as follows:

- 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 and taxes excluding non-recurring elements (EBIT) should increase pursuant to the elimination of rents, albeit without including depreciation.

## **'Initiative concerning information to be provided'**

*(Amendments to IAS 7, 'Statement of cash flows')*

The amendments require the presentation of information enabling users of financial statements to value the modifications to liabilities included in financing activities, whether or not they come from cash flows. The amendments are applicable to financial years open as of 1 January 2017 with early adoption permitted. During the adoption of this new provision, the Group will present the combination of opening and closing balances of liabilities from financing activities.



## 2.2 Use of estimates

Establishing 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 degree 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 end of the period. 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 (which together comprise the "Group"), prepared on 31 December 2016.

### (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 presumed 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 consolidation. 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 attributed to shareholders in the parent company and to non-controlling interests (minority interests), even if that 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 said entities, without controlling them. A holding of 20% or more of the voting power (directly or indirectly) will indicate significant influence unless it can be clearly demonstrated that the Group does not have significant influence.

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 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 period.

After acquisition and until the date on which significant influence is lost, the Group share in the profit or loss of associates is accounted for in profit or loss 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 economic environment in which the entity operates. 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 period.

Translation differences on monetary items which comprise a receivable or a payable from/to a foreign subsidiary, settlement of which 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 currency are translated into functional currency at the exchange rate prevailing at the time of the transaction. At the end of the period, any accounts receivable and 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 profit and loss.

Exchange rate of the euro to the most significant foreign currencies as at 31 December 2016 and 2015:

(Currency)	Closing rate		Average rate	
	2016	2015	2016	2015
Pound sterling	0.8562	0.7339	0.8189	0.7260
US dollar	1.0541	1.0887	1.1067	1.1096
Australian dollar	1.4596	1.4897	1.4886	1.4765
Tunisian dinar	2.4256	2.2085	2.3848	2.1748
Moroccan dirham	10.6566	10.7771	10.0981	10.8088
Swiss Franc	1.0739	1.0835	1.0902	1.0676
Colombian peso	3,164.56	3,448.28	3,355.70	3,058.10
South African rand	14.4569	16.9529	16.27816	14.1529
Indian rupee	71.5922	72.0202	74.3550	71.1744

## 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 earnouts are included in the acquisition price at their fair value on the date on which control was taken. This is done via consideration in equity or debts depending on how the earnouts are settled. The subsequent recognition of changes in fair value of contingent consideration depends on its classification in the consolidated financial statements.

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

Taking control through successive purchases is analysed as a twofold operation: one, a disposal of the entire previously held interest, and two, 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). Goodwill is allocated to CGUs likely to benefit from the synergies expected of the business combination and represents, 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 cash-generating unit 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 then 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 per year by comparing its carrying amount with its recoverable amount on the reporting date determined on the basis of the cash flow projections covering a period of three years. 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 restraint of trade agreement (see Note 11) and development costs for improving existing software solutions.

### *(a) Intangible assets acquired separately*

Intangible assets acquired separately comprise mainly the restraint of trade agreement. 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, as follows:

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 either 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

### Assets at amortised cost

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 end of the period. Any rise in the rate beyond the net carrying amount cannot be reflected in profit or loss but in equity, in accordance with IFRS.

## (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 asset is derecognised if and only if the obligation stated in the contract is settled or 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.

### (b) 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 end of the reporting period.

Management relies on its 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 end of the reporting period 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 fixed-price services 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 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 on the reporting date are found 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 36). 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 IT Solution Ltd

Sword IT Solution Ltd (Sword ITS), the parent company of AAA Group Ltd, AAA Ltd and Sword Charteris Ltd, is a Group subsidiary, even though it has only a 49% interest in Sword ITS. Under the articles of incorporation, the Group has the power to appoint the majority of members of the Board of Directors of Sword ITS, 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 articles of incorporation in the light of the obligations imposed by IFRS 10 and concluded that the Group controls it.

##### Sword Technologies SA and Eurogenia SA (Switzerland)

Although the Group no longer holds a majority interest in Sword Technologies SA and Eurogenia SA, a shareholders' agreement concluded on the same date gives it the power to appoint and dismiss members of the Board of Directors of Sword Technologies SA. The majority shareholders undertake to implement proposals for strategic and operational guidelines formulated by the Group. The Group's management personnel examined the provisions of the agreement in the light of the obligations imposed by IFRS 10 and concluded that the Group controls Sword Technologies SA and Eurogenia SA.

#### *(b) Determining cash-generating units (CGUs) for impairment testing goodwill*

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 the other main sources of uncertainty about estimates on 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 incurred 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) Impairment testing goodwill

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 SA ("Tipik") to cancel a restraint of trade agreement (see Note 11) is comparable to a no-time-limit 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 restraint of trade agreement. 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 uses 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.

### (g) Valuation of retirement obligations for defined benefit plans

The Group takes part in defined benefit retirement plans. Commitments pertaining to these plans are calculated on the basis of actuarial calculations based on assumptions such as the discount rate, future salary increases, employee revenue rate, mortality tables and the growth rate of health care expenditures.

Most of these assumptions are updated annually. The assumptions selected and how they are determined are detailed in Note 18. The Group estimates that the actuarial assumptions selected are appropriate and justified under current conditions. However, these commitments are likely to change if the assumptions change.

## NOTE 4. FINANCIAL RISK MANAGEMENT POLICY

The Group is exposed to credit risk, liquidity risk and market risk (including interest rate 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 €'000)	31 December 2016	31 December 2015
Trade receivables	46,255	41,223
Other assets	18,303	14,626
Cash and cash equivalents	46,196	62,112
<b>TOTAL</b>	<b>110,754</b>	<b>117,961</b>

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 2016 was €20,867,000 (2015: €15,469,000). 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 €'000)	31 December 2016	31 December 2015
State-owned companies	19,276	6,360
Large companies and multinationals	22,575	24,019
SMEs	5,734	12,397
<b>TOTAL</b>	<b>47,585</b>	<b>42,776</b>

There is no significant concentration of credit risk at Group level on the basis of trade receivables as at 31 December 2016.

No customer accounts for more than 10% of the Group's revenue. The top 10 customers together account for 16.4% (2015: 17.5%) of the Group's revenue.

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 2016.

As at 31 December 2016 and 2015, the contractual maturities for the Group's non-derivative financial liabilities and derivative financial assets and liabilities (including interest payments) are as follows:

As at 31 December 2016

(In €'000)	<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)
<b>TOTAL</b>	<b>(28,765)</b>	<b>(190)</b>	<b>(13,569)</b>	<b>-</b>	<b>-</b>	<b>(42,524)</b>

As at 31 December 2015

(In €'000)	<1 year	>1 year, < 2 years	> 2 years, < 3 years	>3 years, <5 years	> 5 years	TOTAL
Bank borrowings						
Share capital	-	-	(19,000)	-	-	(19,000)
Interest	(163)	(163)	(75)	-	-	(401)
Bank overdrafts	(668)	-	-	-	-	(668)
Interest rate swaps						
Fixed, paid	(70)	-	-	-	-	(70)
Variable, received	(7)	-	-	-	-	(7)
Trade and other payables	(17,607)	-	-	-	-	(17,607)
Other liabilities	(410)	(3,812)	-	-	-	(4,222)
Financial guarantee given	(8,000)	-	-	-	-	(8,000)
<b>TOTAL</b>	<b>(26,925)</b>	<b>(3,975)</b>	<b>(19,075)</b>	<b>-</b>	<b>-</b>	<b>(49,975)</b>

The variable rate used to estimate the interest cash flows is the 3-month Euribor, i.e. a rate of 0.718% at 31 December 2016 (31 December 2015: -0.131%).

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 is of the opinion that, at the reporting date, the probability of such an amount being payable is low.

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 because of changes in foreign exchange 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.

In order to mitigate 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 projections, are monitored and spot or forward contracts are concluded in order 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 on the reporting date:

(In €'000)	Assets		Liabilities		Net position	
	2016	2015	2016	2015	2016	2015
Pound sterling	36,774	49,249	(16,231)	(26,341)	20,543	22,908
US dollar	10,609	8,540	(8,084)	(4,809)	2,525	3,731
Swiss Franc	17,739	25,123	(16,666)	(17,889)	1,073	7,234
Other	1,946	1,872	(1,245)	(1,257)	701	615

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 (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 on the reporting date have been grouped together.

(In €'000)	31 December 2016			31 December 2015		
	Exchange rate changes	Impact on earnings	Impact on equity	Exchange rate changes	Impact on earnings	Impact on equity
Pound sterling	9%	576	3,448	4%	999	940
US dollar	6%	91	29	8%	30	464
Swiss Franc	4%	162	660	10%	(568)	2,290

The above exchange rate changes represent management's best estimate, bearing in mind historical volatility within one year, with the exception of sterling, the validity of which 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 2016, bank borrowings contracted by the Group are reimbursed at a variable rate only. In addition, on that date, the Group had no open swap contracts. As at 31 December 2015, after taking account of interest rate swaps, around 13.2% of the Group's debt is reimbursed at a fixed interest rate.

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 on 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 remain constant, the profit or loss for the period ended 31 December 2016 would fall/rise by €71,000 (31 December 2015: €98,000).

## **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 2016, the financial structure ratio is as follows:

(In €'000)	31 December 2016	31 December 2015
Financial debt	14,238	19,668
Cash and cash equivalents	(46,196)	(62,112)
<b>Net debt</b>	<b>(31,958)</b>	<b>(42,444)</b>
Equity	152,168	161,293
<b>NET DEBT RATIO</b>	<b>(21.00%)</b>	<b>(26.31%)</b>

## **NOTE 5. SEGMENT INFORMATION**

In accordance with IFRS 8, the segment information presents operating segments comparable 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. the "IT Services" industry and the "Software" industry, 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:

(In €'000)	Revenue from external customers		Non-current assets <sup>(*)</sup>	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Benelux	22,604	17,392	20,609	23,528
France	31,617	26,344	11,833	13,168
Switzerland	25,224	27,915	30,221	30,880
United Kingdom	37,605	32,994	57,522	61,005
United States	15,801	9,185	-	145
Other	27,306	23,734	492	822
<b>TOTAL</b>	<b>160,157</b>	<b>137,564</b>	<b>120,677</b>	<b>129,548</b>

<sup>(\*)</sup> Non-current assets exclude financial instruments and deferred tax assets.

## 5.2 Information by industry

### (a) Income statement analysis

As at 31 December 2016

(In €'000)

	IT Services	Software	Non-allocated	Consolidated total
Revenue				
- outside the Group ( <i>external customers</i> )	113,296	46,861	-	160,157
- intra-industry	-	-	-	-
<b>TOTAL REVENUE</b>	<b>113,296</b>	<b>46,861</b>	<b>-</b>	<b>160,157</b>
<b>Earnings before interest, taxes, depreciation and amortisation, excluding non-recurring elements (EBITDA)</b>	<b>10,919</b>	<b>13,985</b>	<b>-</b>	<b>24,904</b>
Depreciation charges	(3,454)	(1,745)	(168)	(5,367)
<b>Earnings before interest and taxes excluding non-recurring elements (EBIT)</b>	<b>7,465</b>	<b>12,240</b>	<b>(168)</b>	<b>19,537</b>
Income from disposals of assets	10	(2)	(238)	(230)
Impairment losses on assets	-	-	-	-
Other non-recurring items	(1,590)	(539)	(1,953)	(4,082)
<b>Operating profit (OP)</b>	<b>5,885</b>	<b>11,699</b>	<b>(2,359)</b>	<b>15,225</b>
Financial result				807
Profit or loss of associates				(370)
Income tax				(4,846)
<b>Profit for the period</b>				<b>10,816</b>
Non-controlling interests				318
<b>Group share</b>				<b>10,498</b>

As at 31 December 2015

(In €'000)

	IT Services	Software	Non-allocated	Consolidated total
Revenue				
- outside the Group ( <i>external customers</i> )	93,538	44,026	-	137,564
- intra-industry	-	-	-	-
<b>TOTAL REVENUE</b>	<b>93,538</b>	<b>44,026</b>	<b>-</b>	<b>137,564</b>
<b>Earnings before interest, taxes, depreciation and amortisation, excluding non-recurring elements (EBITDA)</b>	<b>9,052</b>	<b>12,500</b>	<b>-</b>	<b>21,552</b>
Depreciation charges	(3,651)	(1,495)	(12)	(5,158)
<b>Earnings before interest and taxes excluding non-recurring elements (EBIT)</b>	<b>5,401</b>	<b>11,005</b>	<b>(12)</b>	<b>16,394</b>
Income from disposals of assets	107	(2)	(675)	(570)
Impairment losses on assets	(455)	-	-	(455)
Other non-recurring items	(1,179)	(371)	(2,496)	(4,046)
<b>Operating profit (OP)</b>	<b>3,874</b>	<b>10,632</b>	<b>(3,183)</b>	<b>11,323</b>
Financial result				3,010
Profit or loss of associates				(100)
Income tax				(3,441)
<b>Profit for the period</b>				<b>10,792</b>
Non-controlling interests				630
<b>Group share</b>				<b>10,162</b>

(b) Analysis of assets and liabilities

As at 31 December 2016

(In €'000)	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
<b>TOTAL ASSETS</b>	<b>113,587</b>	<b>74,110</b>	<b>42,250</b>	<b>-</b>	<b>229,947</b>
Segment liabilities	43,920	17,789		110,379	172,088
Non-allocated liabilities	-	-	16,071	(110,379)	(94,308)
<b>TOTAL LIABILITIES</b>	<b>43,920</b>	<b>17,789</b>	<b>16,071</b>	<b>-</b>	<b>77,780</b>
<i>Intangible and tangible investments made during the period</i>	<i>1,306</i>	<i>4,307</i>	<i>171</i>	<i>-</i>	<i>5,784</i>

As at 31 December 2015

(In €'000)	IT Services	Software	Non-allocated	Adjustments and eliminations	Consolidated total
Segment assets	117,558	77,385	-	-	194,943
Non-allocated assets	-	-	51,839	-	51,839
<b>TOTAL ASSETS</b>	<b>117,558</b>	<b>77,384</b>	<b>51,839</b>	<b>-</b>	<b>246,782</b>
Segment liabilities	41,250	15,064	-	111,225	167,539
Non-allocated liabilities	-	-	29,175	(111,225)	(82,050)
<b>TOTAL LIABILITIES</b>	<b>41,250</b>	<b>15,064</b>	<b>29,175</b>	<b>-</b>	<b>85,489</b>
<i>Intangible and tangible investments made during the period</i>	<i>2,912</i>	<i>5,418</i>	<i>75</i>	<i>-</i>	<i>8,405</i>

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		% interest	
			31 December 2016	31 December 2015	31 December 2016	31 December 2015
Luxembourg						
Sword Group SE	Parent					
Sword Technologies SA	IT Services	IG	90%	90%	90%	90%
Sword Sol S.à r.l.	Holding company	IG	100%	100%	100%	100%
South Africa						
Sword Création Informatique Ltd	IT Services	IG	100%	100%	100%	100%
Australia						
Active Risk Australia Pty Ltd	Software	IG	100%	100%	97%	100%
Belgium						
Sword Integra SA	IT Services	IG	100%	100%	90%	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%	97%	93%
Sword Apak Inc.	Software	IG	100%	100%	84%	90%
Buildonline Inc.	IT Services/S	IG	100%	100%	100%	100%
Sword Solutions Inc.	IT Services	IG	100%	100%	100%	100%
France						
Sword Connect SAS	IT Services	IG	67%	73%	67%	73%
Sword Consulting France SAS <sup>(1)</sup>	IT Services	IG	-	82%	-	82%
Sword Insight SAS	IT Services	IG	70%	70%	70%	70%
Sword Kami SAS	IT Services	IG	68%	100%	68%	100%
Sword Orizon SAS	Software	IG	71%	67%	71%	67%
Sword Performance France SAS	IT Services	IG	85%	100%	52%	100%
Sword SA	IT Services	IG	100%	100%	100%	100%
Greece						
Sword Services Greece SA	IT Services	IG	99%	-	99%	-
India						
Sword Global India Pvt Ltd	IT Services	IG	100%	100%	100%	100%

<b>Lebanon</b>						
Sword Lebanon SAL	IT Services	IG	99%	99%	99%	99%
Sword Middle East LLC	IT Services	IG	98%	98%	98%	98%
<b>Morocco</b>						
Adhoc Sàrl Maroc	IT Services	IG	100%	100%	100%	35%
<b>United Kingdom</b>						
AAA Group Ltd	Holding company	IG	100%	100%	49%	49%
AAA Ltd	IT Services	IG	100%	100%	49%	49%
Apak Group Ltd	Software	IG	84%	90%	84%	90%
Active Risk Group Ltd	Holding company	IG	97%	93%	97%	93%
Active Risk Ltd	Software	IG	100%	100%	97%	100%
Infinity Ltd <sup>(2)</sup>	IT Services	IG	100%	-	49%	-
Sword Charteris Ltd	IT Services	IG	100%	100%	49%	49%
Mobile Productivity Ltd	Software	IG	100%	100%	84%	90%
Sword Achiever Ltd	Software	IG	100%	100%	97%	100%
Sword Apak Auris Ltd	Software	IG	100%	100%	84%	90%
Sword General Partners Ltd	Holding company	IG	100%	100%	100%	100%
Sword IT Solutions Ltd <sup>(3)</sup>	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%
<b>Switzerland</b>						
CBA Sourcing SA <sup>(4)</sup>	IT Services	IG	76%	35%	31%	14%
Eurogenia SA <sup>(5)</sup>	Holding company	IG	41%	41%	41%	41%
Simalaya Holding SA <sup>(6)</sup>	Holding company	IG	-	100%	-	100%
Sword Technologies SA <sup>(7)</sup>	IT Services	IG	45%	45%	45%	45%
Swissgenia SA	IT Services	IG	80%	60%	32%	24%
Sword Consulting SA	IT Services	IG	100%	100%	100%	100%
Sword Performance Solutions AG	IT Services	IG	78%	62%	78%	62%
Sword Performance International AG	IT Services	IG	91%	91%	56%	56%
Sword Services SA	IT Services	IG	100%	100%	100%	100%
Sword Suisse Holding SA	Holding company	IG	100%	100%	100%	100%
<b>Tunisia</b>						
Adhoc CTS Tunisia	Software	IG	95%	95%	59%	59%
Adhoc ISL Tunisia	IT Services	IG	95%	95%	59%	59%

<sup>(1)</sup> Sold on 7 December 2016. See Note 9.1.

<sup>(2)</sup> Acquired in January 2016. See Note 8.1.

<sup>(3)</sup> Under the articles of incorporation, the Group has control over Sword IT Solution Ltd. See Note 3.1.

<sup>(4)</sup> In January 2016, the Group increased its interest in CBA Sourcing SA from 35% to 76%.

<sup>(5)</sup> At the end of the period, the Group, via a 41% interest in Eurogenia SA, held 76% of CBA Sourcing SA and 80% of Swissgenia SA. The shareholders of Eurogenia SA, Swissgenia and CBA Sourcing SA signed in 2015 a shareholders' agreement enabling the Group to have control over the three companies, which were subsequently fully consolidated.

<sup>(6)</sup> Absorbed by Sword Suisse Holding SA effective 1 January 2016

<sup>(7)</sup> Effective 1 July 2014, the Group signed a shareholders' agreement giving it control over Sword Technologies SA (Switzerland). Consequently, the company is fully consolidated. See Note 3.1.

## 6.2 Information on Group subsidiaries in which the non-controlling interests (minority interests) are significant au 31 December 2016

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 IT Solutions Ltd <sup>(1)</sup>	51%	(429)	1,013
Apak Group Ltd <sup>(1)</sup>	16%	(968)	2,071
Other	From 0.73% to 59.5%	259	1,933
<b>Total</b>		<b>(1,138)</b>	<b>5,017</b>

<sup>(1)</sup> The amounts presented for Sword IT Solutions 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:

(In €'000)	Sword IT Solutions Ltd	Apak Group Ltd
<b>STATEMENT OF FINANCIAL POSITION (SUMMARY)</b>		
Non-current assets	5,351	34,202
Current assets	5,094	19,330
Non-current liabilities	(945)	(80)
Current liabilities	(7,097)	(48,681)
<b>NET ASSETS</b>	<b>2,403</b>	<b>4,771</b>
Of which:		
Group share	1,390	2,699
Non-controlling interests (minority interests)	1,013	2,071
<b>STATEMENT OF COMPREHENSIVE INCOME</b>		
Revenue	17,696	27,473
<b>Profit for the period</b>	<b>14</b>	<b>6,656</b>
Of which:		
Group share	7	6,656
Non-controlling interests (minority interests)	7	-
<b>Other comprehensive income</b>	<b>(855)</b>	<b>(6,111)</b>
Of which:		
Group share	(419)	(5,143)
Non-controlling interests (minority interests)	(436)	(968)
<b>Comprehensive income for the period</b>	<b>(841)</b>	<b>545</b>
Of which:		
Group share	(412)	1,513
Non-controlling interests (minority interests)	(429)	(968)
<b>Dividends paid to non-controlling interests</b>	<b>-</b>	<b>-</b>



## CASH FLOW TABLE STATEMENT (SUMMARY)

Net cash outflows from operating activities	(115)	6,298
Net cash outflows from investment activities	(298)	(6,240)
Net cash inflows from financing activities	1	4,211
<b>Net change in cash and cash equivalents</b>	<b>(412)</b>	<b>4,269</b>

## NOTE 7. ASSOCIATES

### (a) Changes during the year

(In €'000)	31 December 2016	31 December 2015
<b>Balance at the start of the period</b>	<b>2,432</b>	<b>-</b>
Acquisition and securing a significant influence	582	3,913
Disposal and loss of significant influence	-	(1,381)
Share of profit or loss for the period	(370)	(100)
Dividends paid	-	-
<b>BALANCE AT THE END OF THE PERIOD</b>	<b>2,644</b>	<b>2,432</b>

On 3 June 2016, the Group increased its interest in Tipik Communication Agency SA from 38% to 49%.

### (b) Information on significant associates

Company	Place of incorporation and main establishment	Main business/ sector	% interest	
			2016	2015
Tipik Communication Agency SA	Belgium	IT Services	49%	38%

The table below shows summarised information about Tipik (after any adjustments by the Group to ensure compliance with the Group's accounting principles by virtue of applying the equity accounting method) :

(In €'000)	31 December 2016	31 December 2015
Non-current assets	4,033	4,110
Current assets	8,246	9,412
Non-current liabilities	-	-
Current liabilities	(11,420)	(12,666)
<b>Net assets</b>	<b>859</b>	<b>856</b>
Revenue	17,975	8,133
<b>Profit for the period</b>	<b>3</b>	<b>(346)</b>
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>
Dividends received from the associate during the period	-	-

## NOTE 8. BUSINESS COMBINATIONS AND ACQUISITIONS

### 8.1 Acquisitions in 2016

In January 2016, the Group acquired 100% of Infinity Ltd for a total amount of GBP 50,000. Since the amounts associated with that acquisition were not significant at Group level, the information to be provided under IFRS 3 was not presented.

## 8.2 Acquisitions in 2015

### (a) Description

#### AAA Group Ltd

Effective 1 December 2015, the Group acquired a 100% interest in AAA Group Ltd via Sword IT Solutions Ltd ("Sword ITS"), a Group subsidiary. AAA Group Ltd is a UK company holding a 100% interest in AAA Ltd, a UK company specialising in project outsourcing, sourcing and recruitment. The aim of the combination is to enable the Group to reach critical size on the IT services market in the UK and achieve growth by developing its business without new short-term fixed costs, thus boosting its profit margin. Following the transaction, the management of AAA Group Ltd held 51% of Sword ITS. Although the Group has a minority interest, it continues to have sole control over Sword IT Solutions Ltd (Note 3.1).

#### Swissgenia SA

On 1 April 2015, the Group acquired 60% of Swissgenia SA, a Swiss company specialising in SAP and OpenText. The combination enabled the Group to increase its customer base by having access to some of Switzerland's largest private and public groups.

### (b) Consideration transferred

(In €'000)	AAA Group Limited	Swissgenia SA	TOTAL
Consideration settled in cash	2	822	824
Less:			
Balance of cash and cash equivalents acquired	(717)	1,335	618
<b>NET CASH OUTFLOW</b>	<b>719</b>	<b>(513)</b>	<b>206</b>

### (c) Assets acquired and liabilities recognised on the acquisition date (for 100% of the acquired company)

(In €'000)	AAA Group Limited	Swissgenia SA	TOTAL
<b>Non-current assets</b>			
Property, Plant and Equipment	351	9	360
Financial assets	-	100	100
Deferred tax assets	-	131	131
<b>Current assets</b>			
Trade and other receivables	1,519	510	2,029
Other assets	8,695	90	8,785
Cash and cash equivalents	-	1,335	1,335
<b>Non-current liabilities</b>			
Other provisions	(1,338)	-	(1,338)
<b>Current liabilities</b>			
Financial debt	(717)	-	(717)
Trade and other payables	(1,678)	(683)	(2,361)
Other liabilities	(7,870)	(671)	(8,541)
<b>IDENTIFIABLE NET ASSETS ACQUIRED</b>	<b>(1,038)</b>	<b>731</b>	<b>(307)</b>

With the acquisitions, the Group recognised an amount of €530,000 and (€520,000) for non-controlling interests (minority interests) on the acquisition date off AAA and Swissgenia respectively, measured using the partial goodwill method.

(d) Goodwill arising from the acquisition

(In €'000)	AAA Group Limited	Swissgenia SA	TOTAL
Consideration transferred	2	822	824
Less:			
Fair value of identifiable net assets acquired	(1,038)	731	(307)
Plus:			
Non-controlling interests	530	(520)	10
<b>GOODWILL ARISING FROM THE ACQUISITION</b>	<b>510</b>	<b>611</b>	<b>1,121</b>

In accordance with IFRS 3, the Group undertook a provisional measurement of the fair value of identifiable assets and liabilities of AAA Group Ltd pending the finalisation of verification entrusted to third-party experts. This work was finalised in 2016 and led to valuing an order book, reducing the value of goodwill to €322,000.

The goodwill on the acquisition of Swissgenia, after accounting the acquisitions, is related mainly to forecast growth, expected future profitability and cost reductions arising from the acquisition and medium-term synergies arising from the support the Group provides for this company 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 were in place as at 1 January 2015, the revenue and profit or loss for the period of the acquired entities would be presented as follows:

(In €'000)	AAA Group Limited	Swissgenia SA	TOTAL
Revenue	12,428	3,540	15,968
Profit or loss	(1,679)	(276)	1,955

For the period running from their acquisition date to 31 December 2015, the acquired company contributed to the Group's revenue and profit or loss in the following proportions:

(In €'000)	AAA Group Limited	Swissgenia SA	TOTAL
Revenue	737	2,168	2,905
Profit or loss	11	202	213

## NOTE 9. DISPOSALS

### 9.1 Disposals in 2016

On 7 December 2016, the Group finalised the disposal of its subsidiary Sword Consulting France SAS for a price of €1,148,000.

(a) Consideration received

(In €'000)	TOTAL
Consideration received in cash and cash equivalents	1,148
Consideration receivable	-
<b>TOTAL CONSIDERATION</b>	<b>1,148</b>

(b) Analysis of assets and liabilities over which control was lost

(In €'000)	TOTAL
<b>Non-current assets</b>	
Goodwill	309
Property, Plant and Equipment	7
Deferred tax assets	4
<b>Current assets</b>	
Trade and other receivables	886
Other assets	35
Cash and cash equivalents	454
<b>Current liabilities</b>	
Trade and other payables	(133)
Current tax liability	(3)
Other liabilities	(334)
<b>NET ASSETS SOLD</b>	<b>1,225</b>

(c) Profit/(loss) generated on disposal

(In €'000)	TOTAL
<b>Consideration received</b>	<b>1,148</b>
Less:	
Net assets sold	1,225
<b>LOSS ON DISPOSAL</b>	<b>(77)</b>

(d) Net cash outflow on disposal

(In €'000)	TOTAL
Consideration received in cash and cash equivalents	1,148
Less:	
Balance of cash and cash equivalents disposed of	454
<b>NET CASH OUTFLOW</b>	<b>694</b>

## 9.2 Disposals in 2015

### The Agile Factory SA

On 3 August 2015, the Group decided to dispose of 35% of the shares of Swiss subsidiary The Agile Factory SA. (TAF). Payment of the price of was recognised as a receivable from the buyer and was paid by offsetting a receivable payable by Sword Suisse Holding SA on 6 January 2016. Following this transaction the Group retained 18.50% of the shares in TAF, which were classified as 'Financial assets held for sale'.

### Kenzan Film Factory Sarl

On 13 July 2015, the Group finalised the disposal of 15,000 shares representing 12% of its subsidiary Kenzan Film Factory SA for CHF 300,000 (equivalent to €288,000). Following this transaction the Group retained 48% of the shares, which were classified as shares under 'Equity-accounted shareholdings'. In October 2015, the Group disposed of the balance of the shares in return for a receivable estimated at €1,409,000 as at 31 December 2015, settlement of which will be staggered over a period of no more than six years between 2016 and 2021.

(a) Consideration received

(In €'000)	Kenzan Film Factory Sarl	The Agile Factory SA	TOTAL
Consideration received in cash and cash equivalents	288	-	288
Consideration receivable <sup>(*)</sup>	-	237	237
<b>TOTAL CONSIDERATION</b>	<b>288</b>	<b>237</b>	<b>525</b>

<sup>(\*)</sup> As at 31 December 2015, the consideration receivable on the disposal of TAF was offset by a receivable the buyer held in respect of Sword Suisse Holding SA.

(b) Analysis of assets and liabilities over which control was lost

(In €'000)	Kenzan Film Factory Sarl	The Agile Factory SA	TOTAL
<b>Non-current assets</b>			
Goodwill	842	77	919
Other intangible assets	1,260	-	1,260
Property, Plant and Equipment	137	255	392
Other assets	-	1	1
<b>Current assets</b>			
Trade and other receivables	263	245	508
Other assets	353	37	390
Cash and cash equivalents	369	229	598
<b>Current liabilities</b>			
Trade and other payables	(196)	(75)	(271)
Current tax liability	(10)	(19)	(29)
Other liabilities	(141)	(87)	(228)
<b>NET ASSETS SOLD</b>	<b>2,877</b>	<b>663</b>	<b>3,540</b>

(c) Profit/(loss) generated on disposal

(In €'000)	Kenzan Film Factory Sarl	The Agile Factory SA	TOTAL
<b>Consideration received/receivable</b>	<b>288</b>	<b>237</b>	<b>525</b>
Less:			
Net assets sold	(2,877)	(663)	(3,540)
Plus:			
Fair value of shares retained	1,381	80	1,461
Plus:			
Non-controlling interests (minority interests)	1,151	353	1,504
<b>PROFIT/(LOSS) ON DISPOSAL</b>	<b>(57)</b>	<b>7</b>	<b>(50)</b>

The profit and loss generated on disposal, including the proportion attributable to the fair value measurement of the interest retained in Tipik, is in the income statement under "income from disposals of assets".

(d) Net cash outflow on disposal

(In €'000)	Kenzan Film Factory Sarl	The Agile Factory SA	Total
Consideration received in cash and cash equivalents	288	-	288
Less:			
Balance of cash and cash equivalents disposed of	369	229	598
<b>NET CASH OUTFLOW</b>	<b>(81)</b>	<b>(229)</b>	<b>(310)</b>

## NOTE 10. PROPERTY, PLANT AND EQUIPMENT

(In €'000)	Land and buildings	Facilities and fixtures	Transport equipment	Office equipment and computer equipment	Office furniture	TOTAL
<b>GROSS AMOUNT</b>						
<b>As at 31 December 2014</b>	<b>244</b>	<b>2,443</b>	<b>306</b>	<b>10,035</b>	<b>3,017</b>	<b>16,045</b>
Acquisitions	-	394	-	1,204	3,673	<b>5,271</b>
Acquisitions via business combinations	310	-	134	170	104	<b>718</b>
Disposals	-	(207)	(160)	(198)	(55)	<b>(620)</b>
Deconsolidations	-	(46)	-	(549)	(75)	<b>(670)</b>
Translation difference	3	108	31	547	129	<b>818</b>
<b>As at 31 December 2015</b>	<b>557</b>	<b>2,692</b>	<b>311</b>	<b>11,209</b>	<b>6,793</b>	<b>21,562</b>
Acquisitions	-	227	58	1,781	284	<b>2,350</b>
Acquisitions via business combinations	-	-	-	-	78	<b>78</b>
Disposals	-	(18)	(105)	(383)	(60)	<b>(566)</b>
Deconsolidations	-	-	-	(49)	-	<b>(49)</b>
Translation difference	(79)	5	(15)	(524)	(718)	<b>(1,331)</b>
<b>As at 31 December 2016</b>	<b>478</b>	<b>2,906</b>	<b>249</b>	<b>12,034</b>	<b>6,377</b>	<b>22,044</b>
<b>ACCUMULATED DEPRECIATION AND</b>						
<b>As at 31 December 2014</b>	<b>(199)</b>	<b>(1,536)</b>	<b>(222)</b>	<b>(7,973)</b>	<b>(2,018)</b>	<b>(11,948)</b>
Depreciation charges	(33)	(228)	(43)	(1,030)	(315)	<b>(1,649)</b>
Scope changes	(122)	17	(50)	78	16	<b>(61)</b>
Reversals of impairment losses	-	170	160	180	44	<b>554</b>
Translation difference	(7)	(66)	(24)	(405)	(107)	<b>(609)</b>
<b>As at 31 December 2015</b>	<b>(361)</b>	<b>(1,643)</b>	<b>(179)</b>	<b>(9,150)</b>	<b>(2,380)</b>	<b>(13,713)</b>
Depreciation charges	(66)	(235)	(45)	(1,101)	(501)	<b>(1,948)</b>
Scope changes	-	-	-	-	(78)	<b>(78)</b>
Reversals of impairment losses	-	9	48	422	60	<b>539</b>
Translation difference	54	(2)	3	435	183	<b>673</b>
<b>As at 31 December 2016</b>	<b>(373)</b>	<b>(1,871)</b>	<b>(173)</b>	<b>(9,394)</b>	<b>(2,716)</b>	<b>(14,527)</b>
<b>NET AMOUNT</b>						
<b>As at 31 December 2015</b>	<b>196</b>	<b>1,049</b>	<b>132</b>	<b>2,059</b>	<b>4,413</b>	<b>7,849</b>
<b>As at 31 December 2016</b>	<b>105</b>	<b>1,035</b>	<b>76</b>	<b>2,640</b>	<b>3,661</b>	<b>7,517</b>

As at 31 December 2016, no guarantees had been given regarding property, plant and equipment (2015: none).

## NOTE 11. OTHER INTANGIBLE ASSETS

(In €'000)	Software	Software contracts	Restraint of trade agreement	Other intangible assets	TOTAL
<b>GROSS AMOUNT</b>					
<b>As at 31 December 2014</b>	<b>5,774</b>	<b>4,358</b>	<b>1,113</b>	<b>7,259</b>	<b>18,504</b>
Inflows of assets generated internally	3,355	-	-	-	3,355
Acquisitions	-	-	-	162	162
Disposals	-	-	-	(5)	(5)
Deconsolidations	(1,560)	-	-	-	(1,560)
Translation difference	201	299	-	9	509
<b>As at 31 December 2015</b>	<b>7,770</b>	<b>4,657</b>	<b>1,113</b>	<b>7,425</b>	<b>20,965</b>
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)
<b>As at 31 December 2016</b>	<b>10,298</b>	<b>4,488</b>	<b>1,113</b>	<b>7,469</b>	<b>23,368</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES</b>					
<b>As at 31 December 2014</b>	<b>(3,136)</b>	<b>(1,382)</b>	<b>-</b>	<b>(1,371)</b>	<b>(5,889)</b>
Depreciation charges	(682)	(901)	-	(1,926)	(3,509)
Scope changes	302	-	-	2	304
Impairment losses	(243)	-	-	-	(243)
Translation difference	(64)	(93)	-	(8)	(165)
<b>As at 31 December 2015</b>	<b>(3,823)</b>	<b>(2,376)</b>	<b>-</b>	<b>(3,303)</b>	<b>(9,502)</b>
Depreciation charges	(858)	(1,005)	-	(1,556)	(3,419)
Scope changes	-	-	-	3	3
Translation difference	40	289	-	71	400
<b>As at 31 December 2016</b>	<b>(4,641)</b>	<b>(3,092)</b>	<b>-</b>	<b>(4,785)</b>	<b>(12,518)</b>
<b>NET AMOUNT</b>					
<b>Net amount as at 31 December 2015</b>	<b>3,947</b>	<b>2,281</b>	<b>1,113</b>	<b>4,122</b>	<b>11,463</b>
<b>Net amount as at 31 December 2016</b>	<b>5,657</b>	<b>1,396</b>	<b>1,113</b>	<b>2,684</b>	<b>10,850</b>

"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 restraint of trade agreement. Under it, the Group undertook not to compete with Tipik on the territory of 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 agreement, 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 €4,918,000 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 "production backlog".

## Impairment testing for the restraint of trade agreement

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 restraint of trade agreement of €1,113,000 was allocated, including the carrying amount of said agreement, 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 €'000)

	31 December 2016	31 December 2015
<b>GROSS AMOUNT</b>		
Balance at the start of the period	117,470	112,126
Additional amounts recognised following business combinations arising during the period	250	1,121
Disposals	(625)	(920)
Translation difference	(5,842)	5,143
<b>Balance at the end of the period</b>	<b>111,253</b>	<b>117,470</b>
<b>ACCUMULATED IMPAIRMENT LOSSES</b>		
Balance at the start of the period	25,000	25,000
Recognised during the period	-	-
Translation difference	-	-
<b>Balance at the end of the period</b>	<b>25,000</b>	<b>25,000</b>
<b>GOODWILL, NET CARRYING AMOUNT</b>	<b>86,253</b>	<b>92,470</b>

### 12.2 Allocation of goodwill by cash-generating units (CGUs)

(In €'000)

	31 December 2016	31 December 2015
CGU 1 - Software	30,911	35,626
CGU 3 - IT Services (Solutions)	55,342	56,844
<b>TOTAL</b>	<b>86,253</b>	<b>92,470</b>

### 12.3 Impairment testing goodwill

In 2016, without modifying the measurement methods used in the previous period, 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 €193,205 (2015: €165,826,000) and €187,701 (2015: €125,478,000).

## Key assumptions

The projected cash flows used by the Group to estimate value in use came from the 2017 budget and from an extrapolation for 2018 and subsequent years. On the basis of the 2017 budget, the Group's revenue rose approximately 9.8% (10.9%, same scope).

The key assumptions used 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	
	2016	2015	2016	2015
Medium-term revenue growth	10%	12.5%	10%	12.5%
Operating margin	24%	24.5%	8%	9%
Infinite growth rate	2%	2%	2%	2%
Discount rate after tax <sup>(*)</sup>	7%	8%	6%	9%

<sup>(\*)</sup> The pre-tax discount rates for 2016 were 8% (2015: 10%) and 8% (2015: 11%) for CGU 1 and CGU 3 respectively.

The values attributed to medium-term revenue growth and to the operating margin were determined with prudence and are consistent with the Group's historic and budgetary data. The projects were established while taking account of the depreciation of sterling pursuant to a possible following the possibility of a Brexit. The discount rates used for annual impairment tests were the weighted average cost of capital (WAAC) 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 2016:

(In €'000)	Loans and receivables	Financial assets held for sale	TOTAL
<b>ASSETS</b>			
Financial assets held for sale	-	518	518
Other assets	12,899	-	12,899
<b>Long-term investments</b>	<b>12,899</b>	<b>518</b>	<b>13,417</b>
Trade and other receivables	46,255	-	46,255
Other assets	5,409	-	5,409
Cash and cash equivalents	46,196	-	46,196
<b>Current financial assets</b>	<b>97,860</b>	<b>-</b>	<b>97,860</b>
<b>TOTAL FINANCIAL ASSETS</b>	<b>110,759</b>	<b>518</b>	<b>111,277</b>

(In €'000)	Financial liabilities at amortised cost	TOTAL
<b>LIABILITIES</b>		
Financial debt	13,500	13,500
Other liabilities	93	93
<b>Non-current financial liabilities</b>	<b>13,593</b>	<b>13,593</b>
Financial debt	738	738
Trade and other payables	17,837	17,837
Other liabilities	3,628	3,628
<b>Current financial liabilities</b>	<b>22,203</b>	<b>22,203</b>
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>35,796</b>	<b>35,796</b>

The table below shows the breakdown by accounting class of financial assets and liabilities in accordance with IAS 39 as at 31 December 2015:

(In €'000)	Loans and receivables	Financial assets held for sale	TOTAL
<b>ASSETS</b>			
Financial assets held for sale	-	379	379
Other assets	12,153	-	12,153
<b>Long-term investments</b>	<b>12,153</b>	<b>379</b>	<b>13,383</b>
Trade and other receivables	41,223	-	41,223
Other assets	2,472	-	2,472
Cash and cash equivalents	62,112	-	62,112
<b>Current financial assets</b>	<b>105,807</b>	<b>-</b>	<b>105,807</b>
<b>TOTAL FINANCIAL ASSETS</b>	<b>117,960</b>	<b>379</b>	<b>118,339</b>

(In €'000)	Financial instruments at fair value through profit or loss	Financial liabilities at amortised cost	TOTAL
<b>LIABILITIES</b>			
Financial debt	-	19,000	19,000
Other liabilities	367	1,115	1,522
<b>Non-current financial liabilities</b>	<b>367</b>	<b>20,155</b>	<b>20,522</b>
Financial debt	-	668	668
Derivative financial instruments	10	-	10
Trade and other payables	-	17,607	17,607
Other liabilities	2,657	7,214	9,871
<b>Current financial liabilities</b>	<b>2,667</b>	<b>25,489</b>	<b>28,156</b>
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>3,034</b>	<b>45,644</b>	<b>48,678</b>

## NOTE 14. FINANCIAL ASSETS HELD FOR SALE

Balance as at the reporting date

(In €'000)	31 December 2016	31 December 2015
Interest in SBT	219	128
Interests in various unlisted companies	299	251
<b>TOTAL</b>	<b>518</b>	<b>379</b>

Changes during the year

(In €'000)	31 December 2016	31 December 2015
<b>Balance at the start of the period</b>	<b>379</b>	<b>1,661</b>
Acquisitions	253	113
Disposals	(199)	(498)
Scope changes	-	(1 096)
Changes in fair value	91	343
Impairment loss	-	(185)
Translation differences	(6)	41
<b>BALANCE AT THE END OF THE PERIOD</b>	<b>518</b>	<b>379</b>

## NOTE 15. TRADE AND OTHER RECEIVABLES

(In €'000)	31 December 2016	31 December 2015
Trade receivables	26,717	27,307
Provisions for doubtful debts	(1,329)	(1,553)
<b>Trade receivables, net</b>	<b>25,388</b>	<b>25,754</b>
Unbilled revenue	20,867	15,469
<b>TOTAL</b>	<b>46,255</b>	<b>41,223</b>

Due to their short-term maturity, the carrying amount of trade and other receivables is close to the fair value.

### Aged balance

(In €'000)	0-3 months	3-6 months	6-12 months	> 1 year	Total
As at 31 December 2016	23,023	2,100	467	-	25,590
As at 31 December 2015	6,839	2,114	23	-	8,976

The trade receivables presented above comprise amounts due on 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 €'000)	31 December 2016	31 December 2015
<b>Balance at the start of the period</b>	<b>(1,553)</b>	<b>(1,010)</b>
Impairment losses recognised during the period	(466)	(410)
Impairment losses subject to a reversal	674	-
Change in consolidation scope	(60)	(73)
Translation difference	76	(60)
<b>BALANCE AT THE END OF THE PERIOD</b>	<b>(1,329)</b>	<b>(1,553)</b>

### Aged balance of impaired receivables

(In €'000)	0-3 months	3-6 months	6-12 months	> 1 year	Total
As at 31 December 2016	129	277	571	352	1,329
As at 31 December 2015	681	217	41	614	1,553

## NOTE 16. OTHER ASSETS

(In €'000)	31 December 2016	31 December 2015
Deposits and guarantees	723	728
Consideration receivable on the disposal of Kenzan (see Note 9.2)	1,422	1,409
Consideration receivable on the capital increase in Apak	8,360	5,469
Other non-current receivables	2,394	4,547
<b>Total other non-current assets, gross amount</b>	<b>12,899</b>	<b>12,153</b>
Provisions for doubtful debts	(4)	-
<b>TOTAL OTHER NON-CURRENT ASSETS, NET AMOUNT</b>	<b>12,895</b>	<b>12,153</b>
Tax and social security receivables	1,807	2,159
Consideration receivable on the capital increase in Apak	3,404	-
Consideration receivable on the disposal of Tipik	446	1,080
Consideration receivable on the disposal of financial assets held for sale	272	-
Other current receivable	1,287	1,392
Pre-paid expenses	7,280	8,748
<b>Total other current assets, gross amount</b>	<b>14,496</b>	<b>13,379</b>
Provisions for doubtful debts	-	-
<b>TOTAL OTHER CURRENT ASSETS, NET AMOUNT</b>	<b>14,496</b>	<b>13,379</b>

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 that comprise this section is €9,337,000 (2015: €9,071,000) and is classified within 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 €'000)	31 December 2016	31 December 2015
Cash and cash equivalents	46,196	62,072
Marketable securities	-	40
<b>TOTAL</b>	<b>46,196</b>	<b>62,112</b>

For the purposes of the consolidated cash flow table, cash and cash equivalents comprise the following:

(In €'000)	31 December 2016	31 December 2015
Cash and cash equivalents	46,196	62,112
Bank overdrafts <sup>(*)</sup>	(738)	(668)
<b>TOTAL</b>	<b>45,458</b>	<b>61,444</b>

<sup>(\*)</sup> Included in current financial debt

## NOTE 18. RETIREMENT PLANS

At the end of the period, the provisions for employee benefits comprised solely provisions for post-employment benefits totalling €852,000 (2015: €620,000). Post-employment benefits fall under defined contribution plans and defined benefit 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 and totalled 337 as at 31 December 2016 (2015: 313).

In France, determining the amount of and conditions for granting such benefits are governed by a national collective agreement in the industry in which the Group operates (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 €'000)	31 December 2016	31 December 2015
Cost of services rendered during the period	(132)	(104)
Financial cost	(33)	(25)
Other	(79)	20
<b>Items recognised in profit or loss</b>	<b>(244)</b>	<b>(111)</b>
<b>TOTAL</b>	<b>(244)</b>	<b>(111)</b>

The cost of services rendered during the period are recognised in personnel 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 used:

	31 December 2016	31 December 2015
Discount rate <sup>(*)</sup>	1.36%	1.81%
Adjustment rate for annual salaries	1.50%	1.50%
Social security contribution rate	45%	45%
Retirement age	65 years old	65 years old
Staff rotation	(**)	(**)
Mortality table	INSEE 2015	INSEE 2014

<sup>(\*)</sup> The discount rate is based on the IBOX AA 10+.

<sup>(\*\*)</sup> A statistic table corresponding to a high rotation for Sword SA and a low rotation for the others.

The average duration of the obligation in respect of services as at 31 December 2016 is less than one year (less than one year in 2015).

## 18.3 Change in the present value of obligations

(In €'000)	31 December 2016	31 December 2015
<b>Balance at the start of the period</b>	<b>620</b>	<b>509</b>
Cost of services rendered during the period	132	104
Financial cost	33	25
Scope changes	(12)	-
Other changes	79	(20)
<b>BALANCE AT THE END OF THE PERIOD</b>	<b>852</b>	<b>620</b>

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 €'000)	Litigation risks	Other	TOTAL
<b>Balance at 1 January 2016</b>	<b>1,484</b>	<b>179</b>	<b>1,663</b>
Charges	202	21	223
Reversals on used provisions	(353)	(119)	(472)
Translation differences	(204)	1	(203)
Other changes	(3)	-	(3)
<b>BALANCE AT 31 DECEMBER 2016</b>	<b>1,126</b>	<b>82</b>	<b>1,208</b>
Current	326	82	408
Non-current	800	-	800

Provision charges/reversals 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 €'000)	31 December 2016	31 December 2015
Bank borrowings	13,500	19,000
<b>Non-current financial debt</b>	<b>13,500</b>	<b>19,000</b>
Bank overdrafts	738	668
<b>Current financial debt</b>	<b>738</b>	<b>668</b>
<b>TOTAL FINANCIAL DEBT</b>	<b>14,238</b>	<b>19,668</b>

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 within level 2 of the fair value hierarchy.

### 20.2 Maturities

(In €'000)	31 December 2016	31 December 2015
Less than one year	738	668
Between one and five years <sup>(*)</sup>	13,500	19,000
More than five years	-	-
<b>TOTAL</b>	<b>14,238</b>	<b>19,668</b>

<sup>(\*)</sup> Classification at more than one year takes account of existing credit refinancing options negotiated in the Group's favour.



## 20.3 Available lines of credit

(In €'000)

	31 December 2016	31 December 2015
<b>Permitted amount</b>	<b>118,333</b>	<b>111,300</b>
Less than one year	33,333	20,867
Between one and five years	85,000	90,433
More than five years	-	-
<b>Amount drawn down</b>	<b>13,500</b>	<b>19,000</b>
Less than one year	-	-
Between one and five years	13,500	19,000
More than five years	-	-
<b>Available amount</b>	<b>104,833</b>	<b>92,300</b>
Less than one year	33,333	20,867
Between one and five years	71,500	71,433
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 outstanding lines of credit of €13,500,000 as at 31 December 2016 (31 December 2015: €19 million).

As at 31 December 2016, there is compliance with the financial ratios.

## NOTE 21. DERIVATIVE FINANCIAL INSTRUMENTS

### 21.1 Interest rate swaps

(In €'000)

Counterparty	Currency	Expiry date	Notional amount	Variable rate receivable	Fixed rate payable	Fair value	
						31 December 2016	31 December 2015
BNP PARIBAS	EUR	1 October 2016	7,500	3-month Euribor plus 1% margin	1.24%	-	(10)
<b>TOTAL</b>						<b>-</b>	<b>(10)</b>

The fair value of interest rate swaps is recognised in liabilities under "Derivative instruments". As at 31 December 2016, there were no open interest rate swap contracts.

### 21.2 Options contracts

As at 31 December 2015

Counterparty	Currency	Expiry date	Notional amount	Conversion rate	Foreign exchange gain/(loss) on contracts
BNP PARIBAS	USD	9 March 2016	7,000	1.051	-
<b>TOTAL</b>					<b>-</b>

In selling call options in USD linked to investments in USD, the Group was obliged to provide, on the maturity date, a specified amount in USD at an agreed price if the buying bank exercises its option. Sales of call options on investments in USD enabled the Group to realise additional profits thanks to the bonuses included in the interest on such investments, while waiving the gain resulting from a rise in rates beyond the agreed price. As at 31 December 2016, all option contracts had matured.

## 21.3 Other

In connection with the acquisition of AAA Group Ltd (see Note 8.2), buyback options for 791 shares issued by Sword IT Solutions (Sword ITS), i.e. 31% of its capital, and held by individuals holding executive positions in AAA Ltd were granted to Sword Soft Ltd. These buyback options can be exercised at any time during the period beginning on 31 December 2019 and ending on 1 December 2025, provided that certain return targets (expressed in percentage of revenue and EBITDA 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 2016 and 2015, taking account of the prospects of Sword ITS and the conditions for exercising the options, the options had no value.

## NOTE 22. TRADE AND OTHER PAYABLES

(In €'000)	31 December 2016	31 December 2015
Suppliers	3,842	3,629
Accrued invoices	13,105	13,437
Other	890	541
<b>TOTAL</b>	<b>17,837</b>	<b>17,607</b>

## NOTE 23. OTHER LIABILITIES

(In €'000)	31 December 2016	31 December 2015
Contingent consideration related to the additional acquisition of shares in Simalaya Holding SA	-	367
Other	93	1,155
<b>TOTAL OTHER NON-CURRENT LIABILITIES</b>	<b>93</b>	<b>1,522</b>
Value-added tax and other taxes	4,617	3,469
Social security and other social bodies	7,482	8,280
Deferred income	22,524	17,897
Contingent consideration on the acquisition of Mobile Productivity Ltd	-	2,657
Deferred payment related to the additional acquisition of shares in Simalaya Holding SA	35	6,804
Other	3,593	410
<b>TOTAL OTHER CURRENT LIABILITIES</b>	<b>38,251</b>	<b>39,517</b>

## 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 show an analysis of assets and liabilities measured at fair value by level of hierarchy.

(In €'000)	Level 1	Level 2	Level 3	Total as at 31 December 2016
<b>Assets at fair value</b>				
<i>Financial assets held for sale</i>				
Interest in SBT	219	-	-	219
Interests in various unlisted companies	-	-	299	299
<b>TOTAL ASSETS AT FAIR VALUE</b>	<b>219</b>	<b>-</b>	<b>299</b>	<b>518</b>

(In €'000)	Level 1	Level 2	Level 3	Total as at 31 December 2015
<b>Assets at fair value</b>				
<i>Financial assets held for sale</i>				
Interest in SBT	128	-	-	128
Interests in various unlisted companies	-	-	251	251
<b>TOTAL ASSETS AT FAIR VALUE</b>	<b>128</b>	<b>-</b>	<b>251</b>	<b>379</b>
<b>Liabilities at fair value</b>				
Derivative financial instruments	-	10	-	10
Contingent consideration (Note 23)	-	-	3,024	3,024
<b>TOTAL LIABILITIES AT FAIR VALUE</b>	<b>-</b>	<b>10</b>	<b>3,024</b>	<b>3,034</b>

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 assets which generate cash flows. 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.

#### Contingent consideration

The fair value of the contingent consideration relating to the acquisition of subsidiary Mobile Productivity Ltd and the subsequent purchase of shares in Simalaya Holding SA was established using an estimate of the average profit or loss on the basis of budgets and medium-term forecasts, adjusted - if applicable - to take account of the discount effect.

The contingent consideration is classified within level 3 of the fair value hierarchy taking account of the use of data inherent to the companies acquired.

### In the ordinary course of business

#### Derivative financial instruments

The fair value of interest rate swaps is determined by discounting estimated future cash flows by taking account of the conditions and the maturity of each specific contract and on the basis of rate curves observable at the reporting date. For the reasons given above, interest rate swaps are classified within level 2 of the fair value hierarchy.

Currency options purchase or sale contracts are valued on the basis of the Black & Scholes model, on the basis of observable data such as the volatility of the underlying currency and interest rates. In the assumption that the currency options contracts have a short-term maturity, the gain or loss is calculated on the basis of spot exchange rates applicable on the reporting date.

## Financial assets held for sale

Financial assets held for sale at level 1 are measured at the stock exchange rate on 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 €'000)	31 December 2016	31 December 2015
<b>Balance at the start of the period</b>	<b>251</b>	<b>1,561</b>
Acquisitions	253	193
Disposals	(199)	(1,673)
Total gains and losses	(6)	170
<b>BALANCE AT THE END OF THE PERIOD</b>	<b>299</b>	<b>251</b>
Total gains and losses for the period relating to assets held at the end of the period	6	(500)

Total gains and losses for the year relating to assets held at the end of the year are included in other comprehensive income under "gain/(loss) related to remeasurement at fair value".

#### Contingent consideration

(In €'000)	31 December 2016	31 December 2015
<b>Balance at the start of the period</b>	<b>3,024</b>	<b>1,855</b>
Acquisition de Simalaya Holding SA	-	367
Disposals/payments	3,024	-
Total gains and losses	-	802
<b>BALANCE AT THE END OF THE PERIOD</b>	<b>-</b>	<b>3,024</b>
Total gains and losses for the period relating to liabilities held at the end of the period	-	802

## NOTE 25. TAXES

### 25.1 Breakdown of tax expense

(In €'000)	31 December 2016	31 December 2015
<b>Tax on profit recognised in the profit or loss for the period</b>		
Current tax	4,289	2,637
Deferred tax	557	804
<b>TOTAL</b>	<b>4,846</b>	<b>3,441</b>

## 25.2 Reconciliation between theoretical tax and effective tax

(In €'000)

	31 December 2016	31 December 2015
Profit before tax	15,662	14,233
Average tax rate in force in Luxembourg	31.47%	31.47%
<b>Effective tax burden</b>	<b>4,929</b>	<b>4,479</b>
Impact:		
- Expenses not deductible in determining taxable profit	917	42
- Revenue exempt from taxation	(372)	(872)
- Permanent differences	57	642
- Differences in tax rate on profit	(1,738)	(1,232)
- Use of previously non-capitalised tax losses	(496)	(541)
- Non-capitalised tax on losses	812	372
- Tax credit	(37)	(22)
- Miscellaneous	774	572
<b>Effective tax burden</b>	<b>4,846</b>	<b>3,441</b>
<b>EFFECTIVE TAX RATE</b>	<b>30.94%</b>	<b>24.18%</b>

## 25.3 Breakdown of deferred tax assets and liabilities by type

(In €'000)

	Balance at the start of the period	Recognised in profit or loss	Recognised in other comprehensive income	Change in consolidation scope	Balance as at the reporting date
<b>Deferred tax assets/liabilities</b>					
Intangible assets	(1,840)	180	99	(43)	(1,604)
Deferred income	89	(74)	(4)	-	11
Provisions	175	89	-	(4)	260
	<b>(1,576)</b>	<b>195</b>	<b>95</b>	<b>(47)</b>	<b>(1,333)</b>
Tax losses	1,837	(744)	(188)	-	905
<b>DEFERRED TAX ASSETS/LIABILITIES</b>	<b>261</b>	<b>(549)</b>	<b>(93)</b>	<b>(47)</b>	<b>(428)</b>

## 25.4 Balance of deferred tax assets and liabilities

(In €'000)

	31 December 2016	31 December 2015
Deferred tax assets	1,165	2,001
Deferred tax liabilities	(1,593)	(1,740)
<b>NET DEFERRED TAXES</b>	<b>(428)</b>	<b>261</b>

## 25.5 Unrecognised deferred tax assets

On the reporting date, the Group had, in various tax jurisdictions, tax losses of around €23,827,000 (2015: €24,790,000) 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 €'000)	31 December 2016	31 December 2015
Gross compensation	62,744	59,324
Social security charges	10,688	9,752
Expenses relating to share-based payments (Note 36)	92	132
Other	830	380
<b>TOTAL</b>	<b>74,354</b>	<b>69,588</b>

The Group's average head count is:

Average head count	31 December 2016	31 December 2015
Billable workforce	924	809
Non-billable workforce	161	134
<b>TOTAL</b>	<b>1,085</b>	<b>943</b>

Employee benefits for which provisions have been made as at the reporting date are presented in Note 18.

## NOTE 27. CHARGES FOR PROVISIONS

(In €'000)	31 December 2016	31 December 2015
Provision charges for retirement benefits	165	181
Charges for other provisions	21	-
Reversals on other provisions	(128)	(134)
Allocations to provisions for doubtful debts	511	445
Reversals on provisions for doubtful debts	(674)	-
<b>TOTAL</b>	<b>(105)</b>	<b>492</b>

## NOTE 28. INCOME FROM DISPOSALS OF ASSETS

(In €'000)	31 December 2016	31 December 2015
Disposal costs	(347)	(350)
Income from the disposal of non-consolidated securities	21	(14)
Income from the disposal of consolidated securities	-	(90)
Income from the disposal of Amor shares	88	-
Income from the disposal of equity-accounted shares	-	(93)
Income from the disposal of property, plant and equipment	8	9
Income from the disposal of intangible assets	-	(32)
<b>TOTAL</b>	<b>(230)</b>	<b>(570)</b>

## NOTE 29. IMPAIRMENT LOSSES ON ASSETS

(In €'000)	31 December 2016	31 December 2015
Impairment loss on intangible assets	-	(243)
Impairment losses on investments in associates	-	(212)
<b>TOTAL</b>	<b>-</b>	<b>(455)</b>

## NOTE 30. OTHER NON-RECURRING ITEMS

(In €'000)	31 December 2016	31 December 2015
Litigation costs	(145)	(83)
Restructuring costs <sup>(1)</sup>	(1,411)	(845)
Acquisition costs	(1,340)	(2,026)
Other expenses <sup>(2)</sup>	(1,195)	(1,092)
Other income	9	-
<b>TOTAL</b>	<b>(4,082)</b>	<b>(4,046)</b>

<sup>(1)</sup> In the first half of 2016, the Group adopted a restructuring plan affecting Sword Services SA, Sword Consulting SAS and Sword Technologies SA. The plan was deployed in 2016. The costs incurred from restructuring mainly comprise severance benefits and rent for vacant offices.

<sup>(2)</sup> Other expenses comprise €562,000 for rent for vacant offices and €419,000 for additional costs incurred in the disposal of a subsidiary during the previous period.

## NOTE 31. FINANCIAL RESULT

(In €'000)	31 December 2016	31 December 2015
Gains on disposals of marketable securities and income from marketable securities	1	57
Interest on term deposits	441	1,028
<b>Income from cash and cash equivalents</b>	<b>442</b>	<b>1,085</b>
Interest expense on borrowings and financial debt	(427)	(932)
<b>NET FINANCIAL DEBT COST</b>	<b>15</b>	<b>153</b>
Foreign exchange gain	2,655	7,887
Foreign exchange gain	(1,628)	(2,851)
Financial charges on non-consolidated securities and receivables	(4)	(149)
Financial reversals on non-consolidated securities and receivables	-	3,000
Gain related to the remeasurement of derivative financial instruments at their fair value	-	97
Other financial income	24	-
Other finance costs	(255)	(5,127)
<b>NET FINANCIAL RESULT</b>	<b>807</b>	<b>3,010</b>



## NOTE 32. EARNINGS PER SHARE

<i>(in €'000 and units of account)</i>	31 December 2016	31 December 2015
Profit for the period attributable to the Company's owners	10,498	10,162
Weighted average number of ordinary shares in circulation	9,407,713	9,363,344
Impact of dilutive instruments	37,418	50,427
Diluted weighted average number of shares	9,445,131	9,413,771
<b>Earnings per share</b>		
Base net earnings per share	1.12	1.09
Diluted net earnings per share	1.11	1.08

## NOTE 33. SHARE CAPITAL

In 2016, share subscription options were exercised, generating a capital increase of €130,000, represented by 130,000 shares worth €1 each, accompanied by a share premium of €1,976,450.

As at 31 December 2016, the share capital stood at €9,544,965 (2015: €9,414,965), represented by 9,544,965 shares (2015: 9,414,965) 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 expires on 2 May 2017.

## NOTE 34. TREASURY SHARES

As at 31 December 2016, the Group held 105,809 treasury shares.

## NOTE 35. DIVIDENDS

At its meeting on 28 April 2016, the Ordinary General Meeting voted to pay a dividend of €1.20 per share in 2016 in connection with the allocation of the 2015 results, giving rise to a total payout of €11,303,000 during the period ended 31 December 2016.

## 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 executives. Options can 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.

### 36.1 Main features of stock option plans

	Plan released 6/10/2011	Plan released 16/12/2011	Plan released 11/09/2014
	Tranche 2		
Date of the General Meeting	17/05/2011	17/05/2011	26/03/2012
Date of the Board Meeting	6/10/2011	16/12/2011	11/09/2014
Option exercise start date	6/10/2015	01/01/2015	11/09/2014
Expiry date	6/10/2016	31/12/2016	15/04/2017
Initial subscription price ( <i>in €</i> )	12.12	12.40	17.435
Number of shares that can be subscribed	75,000	9,000	100,000
Number of shares subscribed:			
As at 31 December 2015	45,000	9,000	-
As at 31 December 2016	30,000	-	100,000

## 36.2 Changes in stock options during the period

	31 December 2016		31 December 2015	
	Number of options	Average exercise price	Number of options	Average exercise price
<b>Balance at the start of the period</b>	<b>130,000</b>	<b>16.21</b>	<b>184,000</b>	<b>15.02</b>
Options allocated during the period	-	-	-	-
Options exercised during the period	(130,000)	16.21	(54,000)	12.17
Options lapsed during the period	-	-	-	-
<b>BALANCE AT THE END OF THE PERIOD</b>	<b>-</b>	<b>-</b>	<b>130,000</b>	<b>16.21</b>

In 2016, the Group's total expense for stock option plans was €92,000 (2015: €132,000).

## NOTE 37. RELATED PARTY TRANSACTIONS

### 37.1 Compensation for members of the Board of Directors and management

(In €'000)	31 December 2016	31 December 2015
Short-term benefits:		
- Gross (excluding benefits in kind)	1,249	1,495
- Employer contributions	246	310
- Benefits in kind	57	89
Directors' fees	174	180
Share-based payments	92	97
<b>TOTAL</b>	<b>1,818</b>	<b>2,171</b>

Such remuneration pertained to 15 members of the Board of Directors and management (2015: 14).

### 37.2 Associate

(In €'000)	31 December 2016	31 December 2015
Revenue realised with Tipik	3,480	2,065
Purchases from Tipik	(372)	(223)
<b>TOTAL</b>	<b>3,108</b>	<b>1,842</b>

The bridge loan granted to Tipik by CIC Lyonnaise de Banque, maturing on 31 March 2016, was renewed for one year for €6.5 million. 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 €250,000 subject to a clawback provision. Pursuant to the above-mentioned write-offs, the Group had a trade receivable in respect of Tipik of €302,000 as at 31 December 2016 (31 December 2015: €898,000).

In June 2016, the Group increased its interest in Tipik from 38% to 49%. Under a shareholders' agreement with Alamos SA, Tipik is under the exclusive control of Alamos SA as per IFRS 10. Consequently, Tipik is still recognised using the equity accounting method. The price of €582,000 was paid by offsetting a receivable payable by Alamos SA. As at 31 December 2016, the receivable payable by Alamos SA was €446,000.

## 37.3 Other

Financière Sémaphore, which holds an 18.4% interest in the Group, provides the following services:

(In €'000)	31 December 2016	31 December 2015
Management fees	350	350
Fees related to disposals	240	266
Recharging of miscellaneous expenses	-	8
<b>TOTAL</b>	<b>590</b>	<b>624</b>

As at 31 December 2016, the Company had an amount payable of €2,848,000.00 in respect of Financière Sémaphore, to which it advanced funds for the acquisition of 100,000 treasury shares in the Company.

During the year ended 31 December 2016, a company controlled by a Company director supplied the Group with accounting and administrative services totalling €163,000 (2015: €204,000).

Effective 11 January 2016, Group subsidiary Eurogenia SA acquired, for CHF96,000 (equivalent to €88,000), 26% of subsidiary CBA Sourcing SA, which until then had been held by a company controlled by a person with an indirect shareholding in the Group and acting as a Group director.

In financial year 2016, a company controlled by majority shareholder Alamos SA provided consultancy services in connection with the restructuring of certain subsidiaries established in Switzerland (see Note 30) for €74,000.

Loans of €2,106,000 were granted to Group executives to finance the acquisition of minority holdings in certain Group subsidiaries. They are reimbursed at a rate of between 2% and 3% per year and mature during the period running from 2017 to 2020.

## NOTE 38. OFF-BALANCE SHEET COMMITMENTS

(In €'000)	31 December 2016	31 December 2015
<b>Operating leases</b>	<b>21,054</b>	<b>24,467</b>
Less than one year	4,094	4,084
Between one and five years	12,360	13,108
More than five years	4,600	7,275
<b>Sureties for third parties <sup>(1)</sup></b>	<b>6,536</b>	<b>8,036</b>
Less than one year	6,500	8,000
Between one and five years	36	36
More than five years	-	-
<b>Other guarantees given <sup>(2)</sup></b>	<b>67</b>	<b>80</b>
Less than one year	67	71
Between one and five years	-	9
More than five years	-	-
<b>TOTAL</b>	<b>27,657</b>	<b>32,583</b>

<sup>(1)</sup> Including a surety given as collateral for a €6.5 million bank loan granted to Tipik, maturing in March 2017. See Note 37.2.

<sup>(2)</sup> Including performance guarantees

## NOTE 39. CONTINGENT LIABILITIES

As at 31 December 2016, there was no significant risk of contingent liabilities.

## NOTE 40. AUDITORS' FEES

The table below details the amount of the auditors' fee for 2016 and 2015:

<i>(In €'000)</i>	31 December 2016	31 December 2015
Auditors & certification (separate & consolidated)	496	449
Legal, tax, and management consulting	25	19
Other	5	36
<b>TOTAL</b>	<b>526</b>	<b>504</b>

## NOTE 41. SUBSEQUENT EVENTS

On 14 January 2017, the Group increased its interest in Eurogenia SA from 41% to 80% for CHF 553,000 (equivalent to €515,000).

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