



# Registration Document 2018

including the Annual Financial Report

Limited company with a capital of 2.662.782euros  
Tour Gallieni II  
36 Avenue du Général-de-Gaulle  
93170 BAGNOLET



This document was filed with the French Financial Markets Authority on April 26, 2019, in compliance with Article 212-13 of its general regulations. It may be used in support of a financial transaction when accompanied by a transaction note approved by the French Financial Markets Authority. This document was prepared by the Issuer and engages the responsibility of its signatories.

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## MESSAGE FROM THE CHAIRMAN

Madame, Sir,  
Dear stockholder,

In 2018, Infotel recorded a revenue of €231.7 million, for an entirely organic growth of 10.7% compared to the €209.3 million of 2017.

Revenue from the Services activity stands at €223.3 M, an increase of 11% due to highly sustained activity, particularly with digitalization projects, which are the main drivers of growth in all sectors. The banking sector, Infotel's top contributor, now accounts for more than 38% of the Services activity followed by Industry, accounting for 26% and Services/Transports representing 21% of this area's activity. New reference listings were signed, such as the closer collaboration with Air France, a ramp-up of activities within the RATP and the deployment of new projects at Oney Banque. In a dynamic recruitment market, the Group integrated 441 new employees and at the end of December had 1,677 employees out of a total of 2,406 people. The intercontract rate remained very low at 1.8% throughout the year.

Software product revenue records a growth of 2.8% growth, generating €8.4 M in revenue, including €4.3 M in royalties from IBM for the full year. Finally, the Group signed two new contracts (with Mistral Air and Israir) for using its Orlando software.

Current operational income stands at €22.7 M compared with €23.3 M in the previous year. This decrease in margin is explained by the increase in external expenses and in particular outsourcing: the cost of personnel accounted for 43.70% of the turnover in the 2018 fiscal year with external charges standing at 43.08% of revenue in 2018.

The net income (Group share) comes to €15.1 M (6.5% of revenue). Financial year results also resulted in a significant increase in cash resources: with a pre-tax cash flow of €26 M, working capital requirements and investments under control, Infotel increased its cash by €8.5 M in 2018. Infotel's financial situation as of 31 December, 2018 is thus further strengthened with €87.4 M of equity, no significant debt and cash of €72.8 M at the end of the fiscal year. This enabled us to pay a dividend of €1.6 per share, representing just over half of the net income.

Bernard Lafforet  
Chairman of the Board

## **1. PERSONS RESPONSIBLE**

### **1.1. REGISTRATION DOCUMENT MANAGER**

Michel Koutchouk,  
Executive Officer.

### **1.2. STATEMENT OF THE REGISTRATION DOCUMENT MANAGER**

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

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

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

The historical financial information presented in this Registration Document was the subject of Statutory Auditors' reports, which appear on page 130.

## **2. STATUTORY AUDITORS**

### **2.1. PRINCIPLE STATUTORY AUDITORS**

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

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

### **2.2. SUBSTITUTE STATUTORY AUDITORS**

RBB Business Advisors  
133<sup>bis</sup> rue de l'Université,  
75007 Paris  
Represented by Thierry Bretout  
First appointed on: December 7, 2011

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



### 2.3. STATUTORY AUDITORS' FEES

In €k	Audit Consultants Associés		Constantin Associés		Audit Consultants Associés		Constantin Associés	
	2018		2018		2017		2017	
	Amount (excl. taxes)	%	Amount (excl. taxes)	%	Amount (excl. taxes)	%	Amount (excl. taxes)	%
<b>Audit</b>								
- Statutory audit, certification and review of the individual and consolidated financial statements								
- Issuer	52	45	63	54	48	48	67	57
- Wholly consolidated subsidiaries	63	55	43	37	53	52	40	34
- Services other than the statutory auditor								
- Issuer								
- Wholly consolidated subsidiaries								
<i>Sub-total</i>	115	100	106	91	101	100	107	91
<b>Other Services Provided by the Networks to Wholly Consolidated Subsidiaries</b>								
- C.S.R			10	9			10	9
- Other (to be specified if > 10% of audit fees)								
<i>Sub-total</i>	0	0	10	9	0	0	10	9
<b>TOTAL</b>	115	100	116	100	101	100	117	100

### 3. SELECTED FINANCIAL INFORMATION

For each of the fiscal years ending December, 31 2016, 2017 and 2018, the annual financial information described below was extracted from the Company's consolidated financial statement prepared in accordance with IFRS standards as adopted by the European Union, audited and included in this Registration Document in Chapter 20.

#### 3.1. HISTORICAL INCOME STATEMENTS

In €k	2018	2017	2016
Revenue	231,697	209,316	190,541
Purchases	(92)	(153)	(89)
Personnel costs	(101,249)	(96,557)	(87,921)
External costs	(99,820)	(81,577)	(73,732)
Taxes	(4,665)	(4,105)	(3,475)
Depreciation, Amortization	(3,370)	(3,508)	(3,533)
Provisions	42	(76)	(4)
Other income from operations and expenses	155	11	10
<b>CURRENT OPERATING INCOME</b>	<b>22,698</b>	<b>23,351</b>	<b>21,797</b>
Other operating income and expenses	329	(79)	(459)
<b>NET OPERATING INCOME</b>	<b>23,027</b>	<b>23,272</b>	<b>21,338</b>
Financial income	98	107	139
Financial Costs	(13)	(43)	(9)
<b>FINANCIAL INCOME</b>	<b>85</b>	<b>64</b>	<b>130</b>
Income tax	(7,852)	(7,349)	(7,567)
Share of profits of entities accounted for by the equity method	2	0	4
<b>NET INCOME FOR THE PERIOD</b>	<b>15 262</b>	<b>15 988</b>	<b>13 905</b>
Group share	15,087	15,800	13,719
Non-controlling interests	175	188	186
Basic earnings per share - Group share	2.27	2.37	2.06
Diluted earnings per share - Group share	2.27	2.37	2.06

#### 3.2. FINANCIAL POSITION INDICATORS

Additional indicators in €k	2018	2017	2016
Stockholders' equity	87,426	81,585	72,482
Loans and other financial debts	5	0	0
Cash	72,812	64,267	51,327
Cash flow before taxes	25,940	25,961	24,487
Working capital requirements	(9,128)	(4,789)	(2,872)
Investments	4,806	2,181	3,149

## 4. RISK FACTORS

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

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

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

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

### 4.1. BUSINESS RISKS

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

##### Customers

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

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

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

(as a percentage)	2018	2017	2016
Cost-plus services	31.7	33.4	33.6
Fixed-rate services and service desks	68.3	66.6	66.4

During the fiscal year ending December 31, 2018, the risks related to client reliance are the same as those encountered last year. **Infotel**'s largest customer represents 16.7% of consolidated revenue, as opposed to 16.8% for the previous fiscal year. The second largest client represents 11 % of revenue, over 10.7% in 2017. As for the five largest clients, they represent a total of 51.5% of consolidated revenue over 49.2% for the previous year. The majority of services provided for these customers are performed by service desks, subject to multi-year contracts.

##### Suppliers

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

##### Dependence on Key Personnel

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

### **Sub-contracting**

Sub-contracting represented 38.2% of revenue in 2018 (33.3% in 2017). The risk of reliance on sub-contractors is low given their high level of segmentation.

### **Fixed-Price Services**

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

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

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

#### **4.1.2. Technological Risks**

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

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

#### **4.1.3. Fall in Prices**

The Group may be subject to price pressure.

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

#### **4.1.4. Emergence of New Competitors**

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

- Its software publishing activity addresses a niche market occupied by companies that have acquired past specialization in z/OS and Db2; it has succeeded in renewing and expanding its range to regain market share from its competitors;
- The Group succeeded in the past in coping with the consequences of the frequent arrival of new competitors in its service provision activity, and is now a major player.

#### **4.1.5. Difficulty in Managing Growth**

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

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

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

## **4.2. INSURANCE – RISK COVERAGE**

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

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

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

The table below describes the level of coverage of the main potential risks as of December 31, 2018 as well as the amount of premiums paid in 2018.

Risks	Level of coverage (€k)	Premium amount 2018 (€k)
General civil liability	10,000	43
Pensions	75	0
Tangible and intangible damages (all-inclusive)	4,277	17

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

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

There are no risks insured internally.

### 4.3. MARKET RISKS

#### 4.3.1. Foreign Currency Exposure

Thousands USD	Amount
Assets	1,194
Liabilities	398
Net balance	796

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

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

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

The share of 2018 revenue of the **Infotel** Group that may be affected by a fluctuation in the US dollar is €4,923 k, or 2.1% of revenue (as opposed to €5,217 k in 2017 for 2.5% of global revenue). The sensitivity of the pound sterling had little impact. The revenue in this currency represents 1.1% of the revenue for 2018, for €2,555 k (in contrast with the 0.8% of revenue in 2017, for €1 592 k).

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

A change in the British pound of about 10% would impact the financial result by about €26 k.

#### 4.3.2. Interest Rate Risk

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

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

#### 4.3.3. Liquidity Risk

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

#### 4.3.4. Equity Risk

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

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

- Treasury stock: €132k
- Mutual funds: €29 000k

No provisions are allocated to these assets.

#### 4.3.5. Country Risk

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

### 4.4. LEGAL RISKS

The legal risks management policy consists of allocating sums to certain disputes, up to the estimated risk amount for the Group. The allocation for risk amounts to €65k (this amount corresponds to a provision for employment tribunal risk for **Infotel Conseil**).

The details of disputes are described in the annex to the consolidated accounts in section 20.2.6.6 "Notes on the financial position" on page 106.

#### 4.4.1. Specific Legislation

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

#### 4.4.2. Confidentiality

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

#### 4.4.3. Reliance on Intellectual Property Rights

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

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

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

#### 4.4.4. Non-Compliance with Performance Obligations

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

#### 4.4.5. Exceptional Events and Disputes

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

#### 4.4.6. Assets Used as Collateral

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

### 4.5. INDUSTRIAL AND ENVIRONMENTAL RISKS

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

Even though the provision of Group services has little impact on the environment, **Infotel** nevertheless endeavours to limit the impact of its activity on the environment through the measures described in Chapter "Report on Corporate Social and Environmental Responsibility (CSR) - Environmental Information" on page 42 of this document.

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

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

### 4.6. INTERNAL CONTROLS

#### 4.6.1. Definition And Goals of Internal Controls

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

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

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

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

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

#### 4.6.2. Overall Organization of Internal Control Procedures

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

As of December 31, 2018, the Group was made up of its French subsidiaries, **Infotel** Conseil, Archive Data Software, Infotel Business Consulting and OAIO with 100%, 33.33%, 100% and 60% held by **Infotel** respectively. The Infotel Group is also present internationally through its foreign subsidiaries in the United States, the UK,

Germany and Monaco via the following companies: Infotel Corporation, Insoft Infotel Software GmbH and Infotel Monaco, with 100% holding, and its UK subsidiary, Infotel UK Consulting Ltd with 51% holding.

### **Internal Control Bodies**

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

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

**Infotel's** operational subsidiaries are wholly owned (except OAIO which is 60% held, Archive Data Software, which is 33.33% held and Infotel UK Consulting Ltd. which is 51% held), and the internal control of the Group is carried out laterally across all entities.

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

### **Management of Major Risks**

The risk management policy consists of anticipating significant impacts of business activity on the assets and revenue of the Company. In the **Infotel** Group, these preventive actions are the responsibility of the Executive Management. A detailed study of the risk factors weighing on **Infotel** was drawn up in **Infotel's** 2018 Registration Document. Below is a summary of the main risk factors studied by **Infotel**.

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

#### **Interest Rate Risk**

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

#### **Foreign Exchange Risks**

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

#### **Liquidity Risks**

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

#### **Equity Risks**

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

#### **Clients**

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

#### **Suppliers**

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

#### **Dependence on Key Personnel**

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

#### **Technological Risks**

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



**Fall in Prices**

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

**Emergence of New Competitors**

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

**Growth Management**

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

**Legal Risks**

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

**Specific Legislation**

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

**Confidentiality**

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

**Reliance on Intellectual Property Rights**

Exposure to reliance risks with respect to intellectual property rights is detailed in paragraph 0 of this Registration Document.

**Non-Compliance with Performance Obligations**

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

**Exceptional Events and Disputes**

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

**Assets Used as Collateral**

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

**Industrial and Environmental Risks**

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

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

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

**Climate Risks**

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

**Taking Climate Risks into Account**

Given the location of its facilities, exclusively in Europe, the **Infotel** Group has low exposure to the risks linked to climate change, with respect to both its operation and in the performance of its activities.

Certain extreme climate phenomena are nonetheless likely to impact **Infotel's** premises in Europe (e.g. storms, heat waves, overflowing of the Seine, etc.).

### **Low Carbon Strategy**

**Infotel** is committed to minimizing the negative impacts on the environment, in particular through a policy of limiting its CO<sub>2</sub> emissions. The Group's greenhouse emissions are essentially linked to **Infotel** employee travel. They are low due to employees mainly using public transportation systems for travelling to and from their place of work. In addition, most employee vehicles do not belong to the Group. The impact of business travel is thus, for the most part, indirect.

The Group has a fleet of vehicles that includes 28 cars and 6 motorcycles. Emissions are very low due to the small size of the fleet. The Group has also implemented a video conferencing system to limit business travel.

In spite of an increase in the number of employees, the change in CO<sub>2</sub> emissions is minimal, reflecting good management of electricity consumption.

### **Quality**

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

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

Our certification number: 1998/ 10031.10.

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

Our certification number: 2001/40997.3.

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

Our certification number: 2017/77710.1

The **Infotel** policy relating to the environment is described in chapter 8.2.1 "General Environmental Policy" on page 42 of this document.

### **Organisation of the Executive Authority**

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

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

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

### **Description of Internal Control Procedures**

The internal control procedures are described below.

**Infotel's** operational subsidiaries are wholly owned (except OAIO, which is 60% held, Archive Data Software, which is 33.33% held and Infotel UK Consulting Ltd. which is 51% held), and the internal control of the Group is carried out laterally across all entities.

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

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

### *1) Executive Management*

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

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

### *2) Operational Management*

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

Two Executive Officers are responsible for this department.

### *3) Financial Department*

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

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

This department is headed by an Executive Officer.

### *4) HR Department*

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

### *5) Communications*

Executive Management is responsible for communications.

## **4.6.3. Internal Controls Relating to Financial and Accounting Information**

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

### *1) Managing cash resources and delegating signing authority*

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

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

## *2) Preparing corporate financial statements*

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

These firms also prepare the corporate financial statements.

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

## *3) Preparing the consolidated financial statements*

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

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

## **Improving Internal Control Procedures**

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

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

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

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

## **Compliance With the Laws and Regulations in Effect**

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

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

## **5. INFORMATION ABOUT THE ISSUER**

### **5.1. HISTORY AND GROWTH OF THE COMPANY**

#### **5.1.1. Corporate Name and Trade Name of the Company**

**Infotel**

#### **5.1.2. Address and Registration Number**

RCS: Bobigny 317 480 135.

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

#### **5.1.3. Date and Term of Incorporation**

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

#### **5.1.4. Headquarters, Legal Structure and Applicable Legislation**

**Infotel**

36, Avenue du Général de Gaulle

Tour Gallieni II

93175 Bagnole Cedex

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

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

#### **5.1.5. History**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Group based its strategy on three fronts: remaining close to large customers, achieving the growth to constantly maintain the size required to reply to calls for tender, and maintaining the quality of services and their added value.

**Infotel** pursued its external growth strategy with the acquisition and subsequent integration, starting in 2006, of the Odaxys group, based in Rennes and Nantes, a major player in the IT software services in the Greater West area of France.

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

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

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

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

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

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

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

The Group's scope has expanded in three directions:

- Firstly, geographically: The acquisition of Addax at the start of 2010 created a presence in the Nice region (Sophia Antipolis), in Aix-Marseille and Monaco, and the acquisition of Empeiria at the start of 2012 created a presence in the Lille region;
- Secondly, core business-wise: Participation in the successive creations of Harwell Management and Infotel Business Consulting expanded the services of the Group to include consulting and project management;

- Last but not least, with respect to software: Investment in creating Archive Data Software added a new distribution channel for our Arcsys software, and the acquisition at the end of June 2011 of the German software firm Insoft Software GmbH added new software to our service offering.

#### 5.1.5.5. The Performance 2016 Plan (2013 – 2016)

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

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

With this plan, **Infotel** aimed to grow and secure margins, with a revenue in the order of €200 million with acquisitions. The increases in revenue and margins were achieved. However, given the low probability of an acquisition by the end of 2016, **Infotel** made it known on September 14, 2016 that the goal of €200 million in revenue could not be reached in 2016. Therefore, **Infotel's** performance which translates into a revenue of €190.5 M in 2016, €209.3 M in 2017 and €231,7 M is very good as it took place without external growth.

#### 5.1.5.6. 2017: A New 5-year Strategic Plan

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

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

## 5.2. INVESTMENTS

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

### 5.2.1. Main Investments

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

(thousand EUR)	2018	2017	2016
Fixtures and fittings, facilities	508	305	492
IT and office equipment	841	527	952
Transport equipment	41	13	11

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

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

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

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

Investments in research and development are described in Chapter 11 on page 50.

### 5.2.2. **Main Ongoing Investments**

For the 2018 accounts, the Group pursued the renewal of its tangible assets in line with the growth of its activities.

The main investment of the Group is evident in research and development, as described in Chapter 11 “Research and Development, Patents and Licenses” page 50.



## 6. OVERVIEW OF ACTIVITIES

The change in revenue and earnings by operational sector are also outlined in the annex to the consolidated accounts, in section 20.2.6.8 “Segment reporting” on page 115.

### 6.1. OVERVIEW

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

- With its consulting, analysis, IT system audit and TPAM (Third-party Application Maintenance) services, **Infotel** can design, create, maintain and update, as a fixed-price or cost-plus based service, within the service desks, projects implementing the most advanced methods and technical services, from terminals connected to the Web to large databases. With its personalized training, **Infotel** meets the changing needs of the skills of its IT engineers.
- During the fiscal year, the IT services activity represented a revenue of €223,329 k and a net profit of €13,058 k;
- **Infotel** has developed software to assist companies in such areas as operational support for large relational databases (security, performance, and management), archiving, data management and application quality and performance.
- During the fiscal year, the software publishing activity represented a revenue of €8,368 k and a net profit of €2,204k.

### 6.2. STRATEGY

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

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

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

#### 6.2.1. The Infotel model

##### 6.2.1.1. Making IT a Powerful Tool...

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

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

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

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

### 6.2.1.3. ... In the Interest of Growth

It is through the growth of its customers and their IT needs that **Infotel** achieves its own growth.

This growth is multi-dimensional:

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

### 6.2.1.4. An Overview: The Quality Charter

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

- Listen to their needs, and anticipate future requirements with ongoing R&D in leading-edge technologies;
- Manage their projects functionally and technically;
- Go beyond their expectations in terms of advice, deadlines and performance.
- To satisfy its employees, **Infotel** undertakes to:
  - Bring out their potential through basic and further training;
  - Encourage development with ongoing coaching from management;
  - Drive career advancement through rewarding tasks.

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

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

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

### 6.2.2. 2017: A New 5-year Strategic Plan

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

This plan is based on three basic pillars:

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

This plan addresses three goals:

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

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

### 6.2.2.1. Service Desks

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

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

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

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

### 6.2.2.2. Mobility

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

1.4 billion smartphones in 2018 - according to IDC, annual global sales of smartphones dropped by 4.1% in contrast with only 0.1% in 2017, increased by 3.3% in 2016 and just over 10% in 2015. Samsung has a clear lead with 292.3 million smartphones sold worldwide during 2018, although this was 8% down on the previous year. Apple also saw its sales drop by 3% to 208.8 million iPhones sold worldwide. The Cupertino company is keeping a close watch on Huawei which is drawing dangerously closer with sales of 206 million units.

Behind the two declining leaders, competition is becoming keener, with Huawei and its 153.1 million units sold the previous year (up 9.9%, although much lower than its 30% growth in 2016). Two other Chinese manufacturers are following behind, Xiaomi (up 74%) and Oppo (up 12%). The latter has now delivered over 100 million units with 111.8 million smartphones sold. As for Xiaomi, in 2017 this manufacturer reached the top of the rankings with its strong growth of 92.4 million smartphones.

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

**Infotel's** teams have already shown their skills (for example, by implementing iPad and Android banking applications) and are able to meet this new challenge. The creation of a digital subsidiary agency in 2018 to bring the OAI company into existence, has further asserted a determination to focus on the techniques and methods expected by key accounts (digitalization, user experience, Scrum, agility, etc.), an approach which has resulted in winning new contracts.

### 6.2.2.3. Big Data

According to a new IDC study, the total amount of data stored on our planet will reach 175 zettabytes in 2025 or 5.3 times more than today. At present, in 2018, the total volume of information stored in computer systems around

the world reaches 33 Zo. According to the Data Age 2025 IDC analysts' study however, this volume will be multiplied 5.3 fold by 2025 to reach 175 Zo or 175 billion terabytes.

Still according to this study, the data are less and less concentrated in the United States. In 2018, the country of Uncle Sam has been overtaken by China as the first global "datasphere". This Asian country on its own is expected to overtake the entire EMEA zone in 2025.

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

This consideration of big data covers a number of dimensions:

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

#### **6.2.2.4. Internationalization**

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

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

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

### **6.3. SERVICES: CUSTOM SOLUTIONS FOR CUSTOMERS**

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

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

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

#### **6.3.1. The Infotel Difference**

##### **Technical Skills**

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

- At the client workstation level (front-end), with browsers, languages such as HTML, XML, JavaScript, Java, techniques such as Ajax and Rich Client, and the integration of mobile terminals (smartphones, tablets, etc.) and connected objects (watches, for example) as essential components for client-oriented IT systems;
- At the intermediate server level (middle-end), with expertise in middleware, network and firewall layers, operating systems such as Windows or Unix and variants such as Linux, application servers such as WebSphere or Tomcat, Java (JEE) and EJBs, etc.;
- At the central server level (back-end), with a recognized expertise in operating systems such as z/OS, real time monitors (CICS, IMS), relational database management systems (IMS, Db2, Oracle and Hadoop, etc.), languages and applications.

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

### **Expertise in all Our IT Service Activities**

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

**Infotel** teams are present:

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

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

### **Client Proximity**

**Infotel** has facilities that cover the needs of its customers:

- Offices in the Paris area, in Bagnole, Neuilly-sur-Seine and Nanterre;
- Coverage in the south west of France with its Toulouse agency;
- Offices in the west and in the center, including Rennes, Nantes, Le Mans, Niort, Bordeaux, Orléans and Brest;
- Offices in the south east in Lyon, Dijon, Nice, Aix-Marseille;
- and in the north and east with Lille and Strasbourg.

### **An Adapted Organization and Resources**

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

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

### **6.3.2. Some of the Infotel Group's World-Class References**

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

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

## **6.4. SOFTWARE: LARGE IT SYSTEM TOOLS**

### **6.4.1. Designing and Marketing Leading Software**

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

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

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

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

#### 6.4.2. Software that Meets the Needs of Large IT Sites

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

**Infotel** software packages are divided into three product lines:

##### **Digital archiving**

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

##### **Intelligent Database Management**

**iDBA-Online** is an intelligent management solution for administering and maintenance operations for Db2 databases. The software optimizes practical tasks such as reorganizations and back-ups, according to business constraints and their impact on application costs. iDBA-Online incorporates artificial intelligence techniques that make it a genuinely intelligent database administrator.

##### **Quality Application Testing**

**Infoscope** brings the global solution to any organization wishing to implement a quality control approach to its application portfolio. Based on modular architecture, the platform covers the entire software quality control process from source code verification to functional testing.

The Infoscope range has been restructured to be consistent with the functionality of the DB / IQ range, the SQL access quality control software developed by our German subsidiary Insoft Infotel Software GmbH.

##### **Other Software**

In addition to these three lines, **Infotel** continues to support its older software (such as InfoPak, InfoVic, and InfoUtil). It also develops new software, marketed directly or through its subsidiaries or partners and distributes software written by other partners (such as zCost, SQData, etc.) to complement their offering.

**Orlando**, new software developed by **Infotel**, has been designed to meet aircraft manufacturers' and airlines' needs to address their technical documentation problems. Currently in the commercial launch phase, Orlando has already gained some significant references, such as the aircraft manufacturer ATR, Air France and Air Transat.

##### **Agreements with IBM**

In March 1999, **Infotel** and IBM signed the first global commercial distribution agreement. It allows IBM to sell "DB2 High Performance Unload for z/OS" under its own name. This is software for fast unloading DB2 mainframe databases developed by **Infotel**. A new agreement was signed at the beginning of 2002 for a software package delivering fast unloading of multi-platform databases, now known as "InfoSphere Optim High Performance Unload for DB2 for Linux, UNIX and Windows".

In 2011, new backup data management software developed by **Infotel**, "Db2 Merge Backup for UNIX and Windows Linux", was introduced to complete the range.

These agreements generate the payment of royalties which significantly contribute to the profitability of the Software activity.

#### 6.4.3. Technical support

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

### 6.5. MAJOR MARKETS

#### 6.5.1. The Market for Software and Services in France

Syntec Numérique, in its memo of December 6, 2018, analyzed the French software and services market as follows:

## 2018 report and outlook for the digital sector in 2019

### Consulting and Services, Software Publishing and Technology Consulting Still Dynamic in 2018

- Syntec Numérique revises its 2018 growth figures: + 4.1%
- The expected growth in 2019 is + 3.9%

The sector grew by 4.1% in 2018, a slightly revised growth compared to the announcements of the half-yearly conference in June 2018:

- Consulting and services + 3.3%;
- Software publishing + 5.3%;
- Technology Consulting + 5.5%;
- Sector + 4.1%.

Growth is supported by digital transformation projects, including SMACS, which grew by + 15.4% in 2018. In 2019, SMACS will reach 28.5% of the software and services market and a growth of + 14.7%.

- Companies in the sector project positively in 2019: 87% are forecasting a growth in their turnover. The sector will post a growth of + 3.9% in 2019:
- Consulting and services + 3.0%;
- Software publishing + 5.1%;
- Technology Consulting + 5.2%;
- Sector + 3.9%.

(Source IDC / Syntec Digital).

### Consulting and services: + 3.3% in 2018, + 3.0% in 2019

78% of the Digital Services Companies (ESN) increased their turnover in 2018. 90% of them report an ongoing positive new orders / invoices ratio, the sign of a dynamic market.

The development of new value-added service offerings (such as cybersecurity and Artificial Intelligence / Cognitive Systems) is driving the ESN market. The development of cloud offerings is intensifying, reaching 17% of ESN turnover on integration and consulting in 2018.

SMACS grew by + 14.4% in 2018 and accounted for 19.6% of the ESN market, ie €6.7 billion.

The "Banking Insurance Finance", "Business Services" and "Utilities" sectors are generating growth in the Consulting and Services sector.

- Consulting: 2018 + 5.6% 2019 + 5.9%;
- Integration: 2018 + 4.9% 2019 + 4.5%;
- Development and technical assistance: 2018 + 2.3% 2019 +1.8%;
- Training and support: 2018 +1.7% 2019 +1.4%;
- Application outsourcing: 2018 + 5.7% 2019 + 4.8%;
- Infrastructure outsourcing: 2018 -0.1% 2019 -0.3%.

(Source IDC / Syntec Digital).

### Software publishing: + 5.3% in 2018, + 5.1% in 2019

74% of software publishers increased their turnover in 2018. This is due to new software offers and the development of the SaaS model offered by 78% of publishers at the end of 2018.

SaaS is up + 24% and in 2018 accounted for 22% of the publishing market, ie 2.8 billion euros.

The "Industry", "Banking - Insurance - Finance" and "Professional Services" sectors all contributed to the growth of the software sector.

- Software infra./tils: 2018 +4.2% 2019 +3.9%;
- Application software: 2018 + 6.3% 2019 + 6.2%;
- Embedded software: 2018 + 4.5% 2019 + 4.6%.

(Source IDC / Syntec Digital).

### Technology consultancy: + 5.5% in 2018, + 5.2% in 2019

73% of technology consulting companies increased their turnover in 2018.

The factors driving growth for technology consulting companies are: accelerating services in the field of process engineering, supporting the transformation of industrial customers' business models towards the sale of solutions and the development of services in the field of connected objects (development, security, object management, data management, etc.).

The main client sectors involved in the development of technology consulting activities are automotive, aerospace and energy.

**Employment**

*The software and services sector created more jobs for the 8th year in a row, leading to more than 28,000 net job creations in 2017 (+ 56% jobs created). This brings the workforce in the sector to 474,000 employees.*

*According to Apec, the sector's job market in 2018 remains highly recruitment oriented with hiring volume on the increase.*

*Companies in the sector use several different levers to expand recruitment profiles.*

**Infotel's position**

Infotel appears in 26<sup>th</sup> position among the TOP 2018 ranking of French digital service companies based on turnover achieved in France in 2018, published by i-Logiciels & Services on June 20, 2018.



## 6.5.2. Distribution of Infotel's Activities

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

### **Breakdown by activity**

€k	2018		2017		2016	
	Amount	%	Amount	%	Amount	%
Services	223,329	96.4	201,176	96.1	181,892	95.5
Software	8,368	3.6	8,140	3.9	8,649	4.5
<i>including IBM royalties</i>	4,343		4,600		5,341	
Total	231,697	100	209,316	100	190,541	100

### **Breakdown by geographical zone**

€k	2018		2017		2016	
	Amount	%	Amount	%	Amount	%
France	210,455	90.9	186,552	89.1	169,182	88.6
Europe (Excluding France)	16,319	7.0	17,547	8.4	15,466	8.6
Unites States	4,923	2.1	5,217	2.5	5,893	2.7
Total	231,697	100	209,316	100	190,541	100

### **Service activity breakdown by economic sector**

	% revenue 2018	% revenue 2017	% revenue 2016
Banking, Finance	38.2%	34.8%	34.2%
Insurance/Pensions	12.5%	13.1%	13.7%
Industries	26.2%	26.5%	27.4%
Services/Transport/Telecommunications	21.3%	23.8%	23.1%
Administration	1.8%	1.8%	1.5%

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

Revenue per Customer (€k)	2018	% revenue 2018	2017	% revenue 2017	2016	% revenue 2016
Client N° 1	38,741	16.7%	35,359	16.9%	31,460	16.5%
Client N° 2	25,481	11.0%	22,350	10.7%	19,640	10.3%
Client N° 3	24,314	10.5%	16,448	7.9%	16,954	8.9%
Client N° 4	15,763	6.8%	14,635	7.0%	15,300	8.0%
Client N° 5	14,911	6.4%	14,212	6.8%	13,758	7.2%
Client N° 6	14,241	6.1%	12,517	6.0%	10,264	5.4%
Client N° 7	11,588	5.0%	11,219	5.4%	9,890	5.2%
Client N° 8	8,379	3.6 %	9,983	4.8%	9,843	5.2%
Client N° 9	5,439	2.3 %	5,421	2.6%	5,182	2.7%
Client N° 10	5,157	2.2 %	4,536	2.2%	5,140	2.7%

The difference in revenues and profit/loss by sector is described in section 20.2.6.8 "Segment reporting" on page 115.

## **Competition in Services**

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

- International players (such as Cap Gemini, Tata, and Atos) for customers seeking suppliers that ensure them coverage that exceeds the territory; **Infotel** is able to address this competition by driving or participating in consortiums that can offer its customers business and territorial coverage meeting their needs;
- National players representing the largest service companies such as Sopra, GFI Informatique, etc.; **Infotel** is able to compete with these competitors in calls for tender that are often awarded to **Infotel** thanks to the relevance of its responses and the quality of its solutions;
- Local or specialized players with specific skills in software, solutions, functional domains or particular customers.

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

## **Competition in Software**

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

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

### **6.5.3. Infotel's Position as a Software Publisher**

In the TOP 2018 ranking of French software publishers based on the turnover achieved in France in 2017, published by i-Logiciels & Services in June 2018, **Infotel** appears in 96<sup>th</sup> position.

## **6.6. EXCEPTIONAL EVENTS**

There have been no exceptional events during the year ending December 31, 2018.

## **6.7. INTELLECTUAL AND INDUSTRIAL COPYRIGHT**

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

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

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

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

## **6.8. COMPETITIVE POSITION**

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

## 7. ORGANIZATION OF THE GROUP

On December 31, 2018 **Infotel** directly held 100% of the capital stock of its French subsidiary **Infotel Conseil**, 33.33% of its French subsidiary **Archive Data Software**, 100% of its French subsidiary **Infotel Business Consulting**, 60% of its French subsidiary **OAIO**, 51% of its British subsidiary **Infotel UK Consulting Ltd.** and 100% of its other foreign subsidiaries.

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

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

**Infotel's** income appears in section 20.3 "Corporate Financial Statements" on page 118.

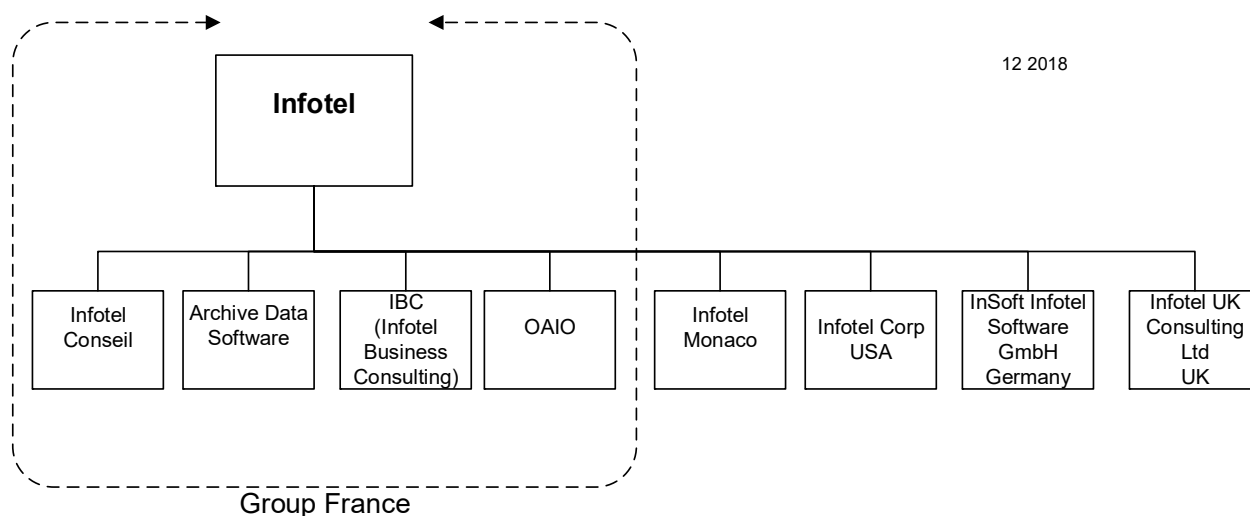
The scope of the Group, as well as the percentages of control and interest are described on page 105 in section 20.2.6.5 "Statement of facts and scope of consolidation".

### 7.1. INFOTEL'S POSITION WITHIN THE GROUP

### 7.2. SUBSIDIARIES

#### 7.2.1. Description and Activities of Subsidiaries

**Infotel** is the parent company of the Group, including as of December 31, 2018 the French subsidiaries **Infotel Conseil**, **Infotel Business Consulting**, **Archive Data Software**, **OAIO** and four subsidiaries abroad. The stockholders and the control of the Group is described in 18 chapter "Major Stockholders" on page 87.



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

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

The company **OAIO** is based in Neuilly-sur-Seine and operates as a consultant in the digital field. It covers sectors undergoing major transformation seeking innovation such as banking, insurance, the automotive industry and aeronautics.

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

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

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

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

- **Infotel Corp.** (Tampa - Florida) provides technical support in the United States and manages certain distributors;
- **Insoft Infotel Software GmbH** (Düsseldorf) designs, develops and markets technical software in the IBM Db2 sector.

#### **7.2.2. Infotel Conseil Activity**

Revenue for **Infotel Conseil**, 100% owned, reached €218,350 for the fiscal year 2018 compared to €194,771 k for the previous year, showing an increase of 12.11%.

Operating costs increased by 15.85%. They went from €175,332 k in 2017 to €203,122 k in 2018.

The financial result showed a profit of €17,613 k, representing 8.07% of the revenue for 2018, while operating costs for the previous fiscal year stood at €19,567 k, accounting for 10.05% of the revenue.

The financial result showed a profit of €46 k compared with €19 k for the previous year.

After deduction of tax on profits of €3,868 k (taking into account a research tax credit of € 652 k and profit tax of €4,519 k) and after deduction of staff members' participation of €1,835 k, the net result amounts to €12,209 k compared with €13,003 k for the previous financial year.

#### **7.2.3. Infotel Business Consulting Activity**

**Infotel Business Consulting**, 100% owned by **Infotel**, achieved a revenue of €7,003 k for the fiscal year 2018 compared to €7,006 k for the previous year, representing a slight decrease of 0.05%.

Operating costs fell by 1.96%. They went from €6,171 k in 2017 to €6,050 k in the last financial year.

Operating income was €1,015 k, representing 14.50% of revenue for the fiscal year 2018, whereas operating income for the previous year stood at €16,926 k and represented 9.51 % of revenue.

After deduction of tax on profits for an amount of €285 k, plus employee participation of €198 k, net profit/loss stood at €530 k compared to €453 k for the previous fiscal year.

#### **7.2.4. OAIO Activity**

The OAIO company, 60% owned by Infotel, recorded a turnover of €2,017 k in 2018. The operating profit of €301k accounts for 14.92% of the turnover for the 2018 fiscal year.

After deduction of income tax of €76 k, the net result stands at €225 k.

#### **7.2.5. Archive Data Software Activity**

**Archive Data Software**, 33% held by **Infotel**, generated a revenue of €897 k in 2018, an increase of 4.67% and a net profit/loss of €5 k.

#### **7.2.6. Infotel Corporation Activity (USA)**

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

It generated a revenue of €662 k in 2018, down by 10.54% (€740 k in 2017) and a loss of €211 k.

### 7.2.7. Infotel Monaco Activity (Monaco)

**Infotel Monaco** (Monaco), 100% owned, achieved a revenue of €2,956 k in 2018 compared to €2,350 k for the previous year, showing an increase of 25.79%. Revenue from this activity showed a profit of €531 k compared to €431 k for the previous fiscal year.

### 7.2.8. Insoft Infotel Software GmbH Activity (Germany)

**Insoft Software GmbH** (Germany), 100% owned, achieved a revenue of €942 k in 2018, down by 24.40 % (€1,246 k in 2016). Revenue from this activity showed a profit of €226 k compared to €261 k for the previous fiscal year.

### 7.2.9. Infotel UK Consulting Ltd Activity

The activity of **Infotel UK Consulting Ltd** (United Kingdom), with a 51% holding showed a revenue of €2,555 k, an increase of 51.90% (€1,682 k during the 2017 fiscal year.). Revenue from this activity showed a profit of €173 k compared to €130 k during the previous fiscal year.

### 7.2.10. Other Information Related to Subsidiaries

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

€k	Infotel Conseil	Infotel Monaco	Infotel corporation	Infotel Business Consulting	OAIO	Archive Data Software	Insoft Infotel Software GmbH	Infotel UK Consulting Ltd
Capital	20,000	150	0.87	60	100	150	50	0.057
Stockholder's equity (excluding capital stock and earnings)	37,008	589	175	883	0	1	596	135
Holding	100%	100%	100%	100%	60%	33%	100%	51%
Book value 31/12/2018	6,269	128	0.87	2,096	60	50	2,000	0.07
Loans and advances granted		0	0	0	200	0	0	0
Guarantees in favor of subsidiaries	0	0	0	0	0	0	0	0
Revenue before tax	218,350	2,956	662	7,003	2,017	897	942	2,555
Profit/loss	12,209	531	(211)	530	225	5	226	173
Dividends received from the subsidiary	6,000	0	0	600	0	0	500	0

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

Management fees	€3,600 k	Invoiced by Infotel to Infotel Conseil
Sub-contracting and personnel made available by Infotel Conseil to Infotel	€3,551 k	Invoiced by Infotel Conseil to Infotel
Infotel Corporation royalties	€356 k	Invoiced by Infotel to Infotel Corp.
Insoft Infotel Software GmbH costs	€7 k	Invoiced by Insoft Infotel Software GmbH to Infotel Corp
Civil liability insurance costs	€42 k	Invoiced by Infotel to French and foreign subsidiaries
Cash advance	€200 k	Advance from Infotel to OAIO
Infotel UK Consulting Ltd management fees	€24 k	Invoiced by Infotel Conseil to Infotel UK Consulting Ltd

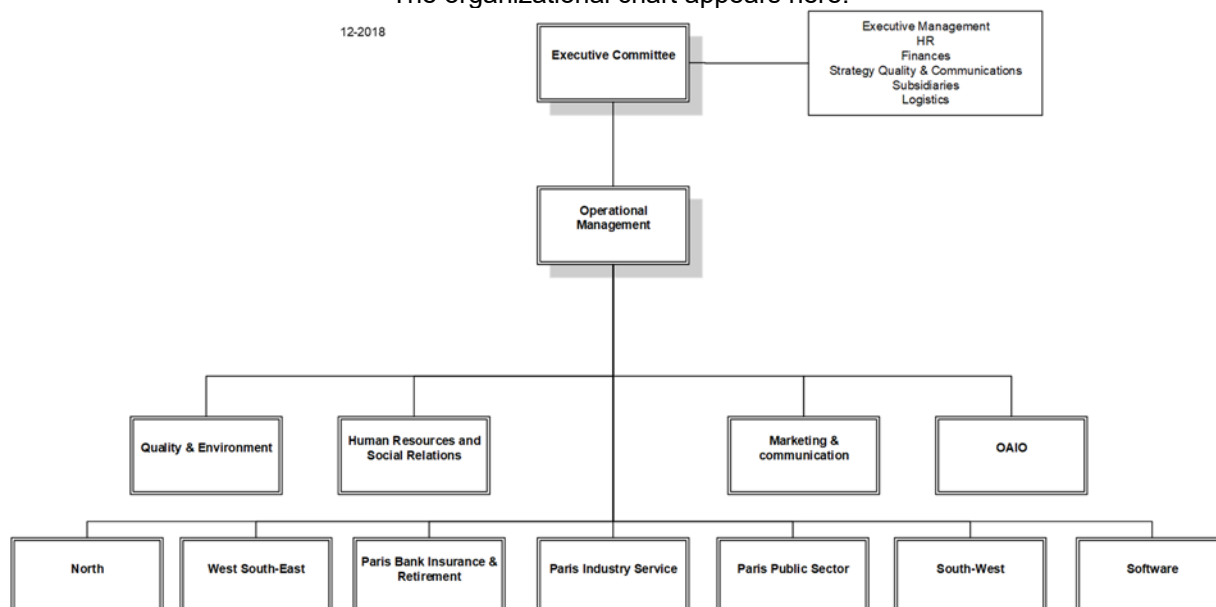
Overview of parent company-subsidiary relationship				
Consolidated items (excluding dividends) in €k	Infotel Conseil	Other subsidiaries	Infotel	Consolidated total
Fixed assets (including goodwill)	15,020	1,137	5,647	21,804
Debt ex. group	5	0	0	5
Cash on balance sheet	60,476	3,323	9,013	72,812
Total net cash flow	8,639	(244)	150	8,545

### 7.3. FUNCTIONAL ORGANIZATIONAL AND HUMAN RESOURCES

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

#### 7.3.1. Organizational chart

The organizational chart appears here:



### 7.3.2. Operations

#### **The Executive Committee**

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

Its major roles are to:

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

On 31 December 2018, the Executive Committee for the Group is made up of six members, each with a functional activity:

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

The members of the Executive Committee share Executive Management, Personnel Management, Financial, Strategy, Quality and Communications Management, Subsidiary Management and Logistics functions.

Thus, it works closely with the Financial Department, which is responsible for managing the Group's accounting and cash resources, and performs a management control function. These tasks are performed directly or with the assistance of outside firms.

It being specified that Mr. Jean-Marie Meyer is no longer a member of the Executive Committee since January 1, 2019, corresponding to the validation of his pension rights and the termination of his operational duties.

#### **Operational Management**

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

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

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

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

#### **Regional divisions and Software division**

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

There are currently seven divisions:

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

- The Northern division;
- Software

The sales engineers are attached to the divisions.



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

### 8.1. PREMISES USED BY THE GROUP

Premises	Surface in m <sup>2</sup>	Type of premises	Annual rent €	Rent per m <sup>2</sup>	Owner or Agent
<b>Infotel</b> 36, Avenue du Général de Gaulle 93170 Bagnolet					
*Headquarters – 11 <sup>th</sup> floor	1,076	Offices	190,608	177	SCI NASTHEL II
* 7 <sup>th</sup> floor	1 076	Offices	166,421	155	SCI PAGES TI
<b>Infotel Conseil</b> 13 rue Madeleine Michelis 92200 Neuilly-sur-Seine					
* Headquarters – 1 <sup>st</sup> , 2 <sup>nd</sup> and 4 <sup>th</sup> floors	1,200	Offices	520,207	434	Société Michelis
* Rennes	844	Offices	141,837	168	SCI MABILAND
* Blagnac le Millénaire	4 427	Offices	626,768	142	EUROSIC
* Balma	1 209	Offices	221,216	183	BP Occitane
* Bordeaux – Pessac	326	Offices	43,367	133	SCI Physalis/ Segeinvest
* Nanterre	623	Offices	197,683	317	SCI Nanterre Etoile Park
* Nantes-Saint Herblain	758	Offices	122,415	161	PFO2
* Lyon - Écully	312	Offices	46,545	149	SCI BAPTISTE
* Le Mans	512	Offices	93,413	182	Foncière Lelièvre
* Mougins	550	Offices	108,110	197	SC ALBORE/ SCI PFO2
* Aix-en-Provence	498	Offices	76,438	153	SCI SAPHI/ SCI MAJ / Unidelta
* Brest	403	Offices	58,635	145	Groupe Baraine
* Brest	100	Offices	16,200	162	SCI WYZ
* Lille-Lezennes	657	Offices	85,617	130	TOLEFI
* Niort	454	Offices	36,000	79	SC MK2
* Dijon	-	Physical address	1,224	-	LBA Business Centre
* Strasbourg	-	Physical address	13,565	-	Regus
* Orléans	224	Offices	33,053	148	SCI JOPI
<b>Infotel Business Consulting</b> 1 rue Garnier 92200 Neuilly-sur-Seine Headquarters	110	Offices	58,204	529	NEXITY

No equipment was acquired through capital lease arrangements as of December 31, 2018.

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

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

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

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

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

### **8.2.1. General Environmental Policy**

#### **How the company takes environmental issues into account**

**Infotel** performs an intellectual activity that is non-polluting.

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

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

#### **Commitments towards a circular economy**

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

#### **Training and employee initiatives for environmental protection**

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

#### **Resources for preventing environmental risks and pollution**

Within the framework of ISO 14001 certification, the Group has implemented an Environmental Management System (EMS) inspired by the requirements of the standard, which is aimed at continuously improving its environmental performance. The Group has implemented an environmental policy designed to reduce its paper and energy consumption. Our goal is to not exceed 2014 consumption levels of paper and energy. The objective is not to exceed the 2014 consumption rate for paper and energy in proportion to turnover. Given a growth of 47.55% since 2014, it can be considered that this objective has been largely achieved.

#### **Amount of Provisions and Guarantees for Environmental Risks**

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

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

### **8.2.2. Pollution**

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

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

### 8.2.3. Waste Prevention and Management

#### Measures for Preventing, Recycling and Eliminating Waste

The company has set up a system for the selective sorting of waste (paper and electronic waste). The quantity of paper and cartons generated by our activity in 2018 was 6.6 tons compared to 5.9 tons in 2017. A new reporting system is being implemented to have a quicker and more comprehensive overview, particularly of electronic waste (D3E). In 2018, the quantity of this type of waste totalled 1.47 tons, compared with 1.2 tons in 2017. The Monaco site was not included in these calculations for 2018 or previous years.

#### Sound pollution and any other type of pollution specific to an activity

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

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

#### Measures for Food Waste Prevention

Initiatives against food waste have not been introduced, as the diversity of the facilities and their size prevented the installation of private company restaurants. Given the nature of **Infotel** activities, this topic is not deemed relevant. Similarly, **Infotel** is not concerned by the themes relating to combating food insecurity and commitments to respect animal welfare and responsible, fair and sustainable food.

### 8.2.4. Sustainable use of Resources

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

All company departments are required to reduce their electrical consumption.

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

Informations environnementales	2018	2017	2016
Water consumption	4,254 m <sup>3</sup>	2,679 m <sup>3</sup>	2,737 m <sup>3</sup>
Electricity consumption	1,403MWh (80.1 T CO <sub>2</sub> )	1,288MWh* (83 T CO <sub>2</sub> )*	1,166 MWh (95.6 T CO <sub>2</sub> )
Consumption of raw materials	None	None	None
Consumption of other energy	None	None	None

- Data from the Mans site has not been taken into account

To evaluate the CO<sub>2</sub> equivalent in electricity consumption, it was decided that 1 kWh = 0.0571 kilograms of CO<sub>2</sub> equivalent (energy mix in France in 2018 source ADEME).

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

### 8.2.5. Climate Change

#### The significant items of greenhouse gas emissions generated as a result of the company's activities, including the use of the goods and services it produces

The main direct sources of greenhouse emissions identified by **Infotel** currently are the energy of the buildings that the Group occupies, that are used by the IT hardware required for the activity, and travel for professional reasons. However, as the fleet held by the Group is small (28 automobiles and 6 motorcycles), the impact of most travel is thus indirect (professional travel) and a video-conferencing system has been implemented to limit travel.

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

Given the Group's activities (mainly IT consultancy), Scope 3 emissions are not deemed to be very high. Scope 3 emissions were calculated in 2018 for air and rail travel. The quantity of CO<sub>2</sub> is 265 tonnes, higher than the 188 tonnes in 2017 due to the increase in activity.

In spite of an increase in the number of employees, the change in CO<sub>2</sub> emissions is minimal, reflecting good

management of electricity consumption.

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

### 8.2.6. Protecting Biodiversity

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

## 8.3. REPORT (CSR) ON CORPORATE COMMITMENT TO SUSTAINABLE DEVELOPMENT

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

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

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

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

- In the Paris region, via its sites in Neuilly-sur-Seine, Bagnolet and Nanterre;
- In the north of France, via its sites in Lille and Strasbourg;
- In the west of France, via service desks in Rennes, Nantes, Mans, Orléans, Niort de Brest and Bordeaux;
- In the south west of France, via its service desk in Toulouse;
- In the south east of France, via service desks in Lyon, Dijon, Aix-Marseille and Nice.

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

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

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

### **Relations with persons or organizations interested in the company's activity**

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

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

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

### **Sub-contracting and Suppliers**

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

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

## **Fair Trade Practices**

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

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

## **Other Initiatives Undertaken to Promote Human Rights**

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

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

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

On March 1, 2019, Infotel published on its website results following the calculation of the equality index between men and women, resulting from law n° 2018-771 passed on September 5, 2018 for people's freedom to choose their professional future and Decree No. 2019-15 of 8 January 2019. The overall rating for professional equality for 2018 is 79/100 points.

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

From now on, particular attention will be paid to the working conditions of all of the Group's employees, as well as those of its sub-contractors. An article published in Capital magazine in February 2019 ranked **Infotel** among the top 500 of best employers in France and 23<sup>rd</sup> among High Tech companies, gaining a place in the rankings for the quality of the working conditions in the company.

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

### 9.1. FINANCIAL POSITION

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

On December 31, 2017 and 2018, the Group held cash and cash equivalents to the amount of €64.3 M and €72.8 M respectively. In 2018, cash and cash equivalents held were €418.0 k in US Dollars, €233.3 k in Sterling pounds and €72,160.7 k in euros.

The activity has generated a positive net cash flow of €22,606 k due to an increase in revenue and good management. This cash flow was used to purchase fixed assets of €4,888 k and buy the minority shareholding of Infotel Business Consulting for €1,650 k.

Cash flow linked to financing transactions concerns mainly the distribution of dividends for €7 651 €k k after elimination of treasury stock.

### 9.2. PROFIT/LOSS

#### 9.2.1. Group

Revenue for the Group reached €231,697 k for the fiscal year 2018, compared to €209 316k for the previous year, showing an increase of 10.69%.

2018 was driven by strong growth in the Services activity (96.39% of revenue), which increased by 11.01% from €201 176 k to €223 329 k, and saw a rise in the Software activity of 2.80%, from €8,140 k to €8,368 k.

Current operating costs increased by 12.39%. They rose from €185,965k in 2017 to €208,999 k in 2018.

Current operating income amounted to €22,698 k and represented 9.80% of revenue, whereas it stood at €23,351 k in 2017 and represented 11.16% of revenue, a drop of 1.36 points.

The financial result showed a profit of €85 k compared to €64 k for the previous fiscal year.

After deduction of tax on profits for an amount of €7,852 k, the consolidated net income (Group share) comes to €15,087 k, compared to €15,800 k for the previous fiscal year.

#### 9.2.2. Parent company

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

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

Revenue for the fiscal year 2018 stands at €10,337 k, up by 8.3% compared to the previous fiscal year (€9,543 k in 2017).

Operating costs increased by 4.09%. They rose from €9,627k in 2017 to €10,022 k in 2018.

Operating income went from €1,723 k to €2,145 k, and financial income stands at €7,079 k compared to €6,776 k for the previous fiscal year.

Current income amounts to €8,499 k compared to €9,224 k for the previous fiscal year.

Exceptional income stands at €82 k in contrast with nil as in 2017.

Tax on profits stands at €780 k.

Last but not least, profit for the fiscal year ending December 31, 2018 amounts to a sum of €8,526 k compared to €8,441 k for the previous fiscal year.

Growth in the activity of the **Infotel** parent company, corresponding to software publishing, is described in section 6.5.2 “Distribution of Infotel’s Activities” on page 33, as well as in paragraph 20.2.6.8 “Segment reporting” on page 115.

### **9.2.3. Governmental Strategies or Factors**

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

## **9.3. STOCKHOLDERS’ EQUITY**

Equity – Group share amount was €87,147 k on December 31, 2018.

A change in the Group’s equity position of €6,026 k is explained by the following elements:

- Profit/loss 2018: + €15 087k ;
- Distribution of dividends of the assembly of May 31, 2018: -€7,651k;
- Change in capital: none;
- Change in additional paid-in capital: none;
- Change in translation reserve:+ €41k;
- Accounting of stock-based payments: none;
- Impact of movements on treasury stock: - €41k;
- Actuarial variation: - €157k;
- Repurchase of minority interests in IBC: - €1,253 k
- Other changes: none.

## 10. LIQUIDITY AND CAPITAL RESOURCES

The activity of the Group's companies generated positive cash flows that enabled the financing of acquisitions of fixed assets for €4,888 k in 2018 compared with €2,181 k in 2017, as well as the distribution of dividends to the shareholders of the Parent company totalling €7,651 k in 2018 compared to €6,654 k in 2017.

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

Detailed information on stockholders' equity and cash flow appear in Chapter 20 "Financial Information regarding the Issuer's Holdings, Financial Position and Results" on page 90.

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

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

In euros	Article D. 441-4 I.-1°: Invoices <u>received</u> unpaid on the closing date of the fiscal year that fell due					
	0 day (for information purposes)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 day and more)
<b>(A) Late payment ranges</b>						
Number of invoices concerned						7
Total amount of invoices concerned (taxes included)				8,810	62,990	71,800
Percentage of the total amount of purchases for the fiscal year (taxes included)				0.12%	0.87%	0.99%
<b>(B) Invoices excluded from (A) relating to debts and contested and unrecorded claims</b>						
Number of invoices excluded				0		
Total amount of excluded invoices (specify: before taxes or taxes included)				0		
<b>C) Reference payment deadlines used (contractual or legal deadline - article L. 441-6 or article L. 443-1 of the commercial code)</b>						
Payment deadlines used to calculate late payments	Contractual deadlines: Legal deadlines: 45 days					
	Article D. 441-4 I.-2°: Invoices <u>issued</u> unpaid on the closing date of the fiscal year that fell due					
	0 day (for information purposes)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 or more days)
<b>(A) Late payment ranges</b>						
Number of invoices concerned						54
Total amount of invoices concerned (taxes included)		(292)	60,608	0	529,358	589,674
Percentage of the revenues for the fiscal year (before taxes)			0.81%	0.00%	7.10%	7.91%



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

In euros	Article D. 441-4 II: Invoices <i>received</i> that experienced a delay in payment during the fiscal year					
	0 day (for information purposes)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 or more days)
<b>(A) Late payment ranges</b>						
Total number of invoices concerned						60
Total amount of invoices concerned (taxes included)		544,785	19,448	8,651	1,149	574,033
Percentage of the total amount of invoices received in the year (taxes included)		7.52%	0.27%	0.12%	0.02%	7.93%
<b>(B) Invoices excluded from (A) relating to debts and contested and unrecorded claims</b>						
Number of invoices excluded						0
Total amount of excluded invoices (taxes included)						0
<b>(C) Reference payment deadlines used (contractual or legal deadline - article L. 441-6 or article L. 443-1 of the commercial code)</b>						
Payment deadlines used to calculate late payments	Contractual deadlines: Legal deadlines: 45 days					
	Article D. 441-4 II: Invoices <i>issued</i> that experienced a delay in payment during the fiscal year					
	0 day (for information purposes)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 or more days)
<b>(A) Late payment ranges</b>						
Total number of invoices concerned						14
Total amount of invoices concerned (taxes included)		1,030,419 <sup>(*)</sup>	29,893	0	174,601	1,234,913
Percentage of the total amount of invoices issued in the year (taxes included)		13.82%	0.40%	0%	2.34%	16.56%
<b>(B) Invoices excluded from (A) relating to debts and contested and unrecorded claims</b>						
Number of invoices excluded						0
Total amount of excluded invoices (taxes included)						0
<b>(C) Reference payment deadlines used (contractual or legal deadline - article L. 441-6 or article L. 443-1 of the commercial code)</b>						
Payment deadlines used to calculate late payments	Contractual deadlines: 60 days Legal deadlines:					

(<sup>\*</sup>) This amount mainly concerns operations within the Group (€630,413).

## 11. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

During 2018, the **Infotel** Group has engaged in research and development efforts for its Software and Services activities.

Spending on software research and development has been focused on innovative software:

- Arcsys (archiving technology platform), including:
  - the design and development of a Sharepoint connector based on a “generic” GED archiving module allowing document flows between the tools (archiving, search and consultation) with high performance constraints;
  - the design and development of an Arcsys document cache with an architecture to locate the cache at the REST API level with optional encryption, to optimize cached data and drastically reduce the time to reconsult;
  - taking into account the SEDA archiving standard;
  - the pursuit of research related to the optimized transformation of document formats by integrating the encryption of archives,
- Further research and development on other products in the Infotel range, including:
  - defining a new core architecture of the HPU product to make it more scalable without degrading performance to simultaneously support generic processors and specialized processors (zIIP processor);
  - the definition and creation of new utilities for unloading from PostgreSQL with the aim of obtaining the expected result from the format of the data as extracted with the ODBC driver.

For this activity, development costs amounted to €1,826 in 2018, fully capitalized before the allocation of the CIR.

For Services, the research and development expenses covered various points among which we can mention:

- a research project and automatic analysis of scanned PDF documents involving high volume and high performance;
- Blockchain research through several vaccine management projects to secure and optimize the exchange of patent-related technical documentation between different national offices;
- ongoing research related to the design of algorithms and non-textual information processing tools in unstructured PDF documents;
- the research and development of a “smart” chatbot to guide users in their navigation and help people looking for a job, in particular providing optimization of algorithmic model performance for learning robots.

Research costs for these service activities totalled €1,449k, corresponding only to staff costs taken into account for calculating the CIR.

The design and implementation of a platform for processing aeronautical technical documentation as part of the “Orlando” product complying with a certain number of professional standards (ATA iSpec 2200, ATA 2300 and S1000D) with guaranteed consulting performances, a generalized service architecture and the ability to integrate future business standards support, or matching other areas, resulted in development costs of €1,997k.

The table below summarizes expenses for research and development over the last three years:

In €k	2018	2017	2016
Capitalized development costs	1,826	1,802	1,950
Development costs of the Orlando software	1,997		
Development costs recorded as expenses	1,449	1,638	1,624
<b>Total cost of research and development</b>	<b>5,272</b>	<b>3,440</b>	<b>3,574</b>

## 12. TRENDS

### 12.1. TRENDS SINCE THE END OF THE FISCAL YEAR 2018

The start of 2019 followed in the same vein as the end of 2018.

As *Syntec Numérique* announced in its press release of December 6, 2018, the “Technology Consultancy, Software Publishing, Consultancy and Services” sectors are expected to grow by 3.9% in 2019, with 5.2% growth for technology consultancy, 3.0% for consultancy and services, and 5.1% for software publishing.

**Infotel** has taken advantage of its position at the heart of strategic systems for major customers with its service desks, leading to a high level of recurring business from one year to the next, and from the movement to digitization leading to new developments in all sectors. The inter-contract rate remains very low (around 1.8%). Recruitment efforts continue, with an objective of 520 new hires at the next end of the fiscal year on 31 December 2019 (employees in the sector are estimated at 474,000). Sales teams are in the field to consolidate our position with existing customers and convert prospective customers into new customers.

As described in the “Financial calendar” section on page 149, the press release on sales and trends for the first quarter of 2019 will be released on the evening of May 29.

### 12.2. TRENDS FOR THE FISCAL YEAR 2019

**Infotel** has excellent assets in both of its business sectors, and the Group can approach the fiscal year 2019 with well-reasoned optimism.

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

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

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

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

### **13. EARNINGS FORECAST OR ESTIMATED**

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

## 14. ADMINISTRATIVE, MANAGEMENT, SUPERVISORY AND EXECUTIVE MANAGEMENT BODIES

### 14.1. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

#### 14.1.1. Membership of Administrative and Management Bodies

The administration of the Company is entrusted to a Board of Directors consisting of four members. Directors are elected for a six-year term and may stand for re-election. The Board of Directors met a total of eight times over the fiscal year 2018. The attendance rate of those meetings was 100%, accounting for participants with the right to vote.

As of December 31, 2018 the Board of Directors was composed as follows:

First and last name of member	Date of first appointment	Expiry date of term	Main position held within the Company	Main position held outside the Company	Other terms of office and positions held in any company
Bernard Lafforet	December 31, 1979	Stockholders' Meeting called to approve the financial statements for fiscal year 2023	Chairman - Chief Executive Officer	None	"Chairman - Director" of Infotel Corp. "Chairman – Executive Officer" of Infotel Monaco
Michel Koutchouk	June 3, 1982	Stockholders' Meeting called to approve the financial statements for fiscal year 2023	Executive Officer	None	"Director" of Infotel Corp.
Josyane Muller	May 23, 2006	Stockholders' Meeting called to approve the financial statements for fiscal year 2023	Executive Officer	None	Chairperson of Infotel Conseil,
Hélène Kermorgant	May 20, 2015	Stockholders' Meeting called to approve the financial statements for fiscal year 2023	None	None	None

On 31 December 2018, the Group's management team consists of five members:

- Bernard Lafforet, Chairman-Chief Executive Officer, graduated in mathematics from the French Ecole Normale Supérieure, founded Infotel after ten years in research with the CNRS; his term expires after the General Stockholders' Meeting called to approve the financial statements for the fiscal year ending December 31, 2023;
- Michel Koutchouk, Director and Executive Officer, graduated from IEP Paris and engineer of the Arts et Métiers, joined Mr. Lafforet to create Infotel after ten years with the IT Department at Air France; his term expires after the General Stockholders' Meeting called to approve the financial statements for the fiscal year ending December 31, 2023;
- Ms. Josyane Muller, Executive Officer, graduated from ISIN-ESSTIN in Nancy, joined Infotel in 1985 after 18 years with IT service companies including nine with Cap Gemini as Branch Manager; her term expires after the General Stockholders' Meeting called to approve the financial statements for the fiscal year ending December 31, 2023;
- Jean-Marie Meyer, Executive Officer, graduated from ENSEIHT in Toulouse, joined Infotel in 1985 after four years in electronics and IT; his term of office expired early on January 1, 2019;
- Éric Fabretti, Executive Officer, with a Masters in IT from Paris V, joined Infotel in 1996 after 12 years in the IT service field, including two for Sopra and ten as a consultant; his term expires after the General Stockholders' Meeting called to approve the financial statements for the fiscal year ending December 31, 2023.

The experience and skills of Hélène Kermorgant are described in Chapter "The Board of Directors" on page 58.

All of these persons are domiciled at the Company's Headquarters.

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

It is specified that Mr. Jean-Marie Meyer is no longer part of the Group's management team as of January 1, 2019, according to the validation of his retirement rights, the termination of his corporate mandates and his operational functions.

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

Over the past five years, none of the people mentioned in Chapter 14, page 53 held offices in companies other than those of the Group which are, for some, no longer part of the Group or have been absorbed.

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

Michel Koutchouk holds the office of "Director" with Infotel Corporation.

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

Éric Fabretti holds the position of Chairman of Infotel Business Consulting. He is director of Infotel UK Consulting Ltd. and Chairman of OAIO.

Until 31 December 2018, Jean-Marie Meyer held the position of Chief Executive Officer of Infotel Conseil, Director of Infotel Monaco and Managing Director of Insoft Infotel Software GmbH.

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

In view of the current composition of the board of directors made up of three founding members who are also operational directors of the company, it is difficult to provide for a phased renewal of their mandates. **Infotel** will study the possibility of organizing a staggered renewal of the directors' terms of office according to Middlednext Code Recommendation R9 or justify the non application of this recommendation according to the principle of "comply or explain".

The appointment of a second independent director who the Board of Directors will submit to the shareholders' vote at the next annual meeting called to approve the 2018 financial statements will make it possible to complete the Board of Directors with a member whose term of office will be different from that of the other directors, thus staggering the renewal of terms in the future.

## **14.2. CONFLICTS OF INTEREST**

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

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

## 15. SALARIES AND PENSIONS

### 15.1. EXECUTIVE SALARIES

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

InEuros	2018	2017	2016
Bernard Lafforet	216,000	216,000	216,000
Michel Koutchouk	196,064	196,064	195,983
Josyane Muller	192,000	192,000	192,000
Jean-Marie Meyer	210,000	210,000	210,000
Éric Fabretti	210,000	210,000	210,000

All above remunerations are allocated to a company officer.

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

For accounts ending on December 31, 2016, 2017 and 2018, no proportional, variable or exceptional remuneration or fee was made to any executive.

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

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

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

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

“Special Report from the Statutory Auditors regarding the regulated agreements and commitments” covered in section 20.4.3 on page 138 does not mention any regulated agreements.

### 15.2. PENSIONS AND OTHER EMPLOYEE BENEFITS

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

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

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

- Turnover of employees under 56 years:
  - 10% for employees of Infotel Conseil;
- Turnover of employees over 56 years:
  - 0.4% for the Group’s entire workforce;
- Discount rate: 1.63% for pensions (1.45% in 2017) and 1.13% for the 10-year seniority bonus (1.12% in 2017);
- Retirement age: 65 years;
- Rate of increase in salaries for employees under 56 years: 2.5%;
- No increase in salaries is planned for employees over 56 years;
- Rate of employer’s contribution: 45%.

As of December 31, 2017 and 2018, the total provisions for retirement bonuses for the Group had risen to €3,022 k and €3,097 k respectively, including social security taxes. As of December 31, 2017 and 2018, these commitments were subject to insurance cover for €135 k and €75 k respectively.

As of December 31, 2017 and 2018, the provisions relating to the ten-year service bonus had risen to €499 k and €490 k respectively.



## **16. OPERATION OF ADMINISTRATION AND MANAGEMENT BODIES**

### **16.1. TERMS AND SERVICE CONTRACTS**

The expiry dates of directors' terms are indicated in section 14.1.1 on page 53.

No service contracts connect the members of the administrative and management bodies with the issuer.

### **16.2. CORPORATE GOVERNANCE AND COMMITTEES**

This information is described in section 16.5 "Report of the Board of Directors on Corporate Governance" on page 58.

### **16.3. RESTRICTIONS TO THE POWERS OF THE CHIEF EXECUTIVE OFFICER**

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

### **16.4. ADDITIONAL INFORMATION ON CORPORATE GOVERNANCE**

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

- Number of independent directors: 1.
- Number of directors elected by employees: None.
- Attendance fees: €3 k was paid to the independent administrator, in compliance with recommendation N°.10 of the Middenext Code.
- Audit committee: Board members carrying out the Audit Committee assignments.
- Remunerations committee: None.
- Gender equality: Two women and two men.

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

In accordance with Recommendation N°. 3 of the Middenext Code, which recommends the appointment of two independent directors to the Board, it is envisaged that a second independent director will be appointed to the Board in 2019.

## **16.5. REPORT OF THE BOARD OF DIRECTORS ON CORPORATE GOVERNANCE**

### **Board of Director's report on corporate governance as provided for in Article L. 225-37 of the Commercial Code with respect to the fiscal year ending December 31,2018**

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

#### **Introduction: Review of Legal Obligations**

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

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

This report has been prepared with the support of the financial departments, and was approved by the Board of Directors at its meeting of March 6,2019.

**Infotel** will henceforth refer to the December 2009 Middelnext Code of Corporate Governance for Midcaps, available at the following website: [http://www.middelnext.com/IMG/pdf/Code\\_de\\_gouvernance\\_site.pdf](http://www.middelnext.com/IMG/pdf/Code_de_gouvernance_site.pdf), hereinafter the Reference Code.

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

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

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

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

## Corporate Governance

### The Management Team

On 31 December 2018, the Group management team consists of five members:

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

### The Board of Directors

The Board of Directors is comprised as follows:

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

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

### Minutes of the Board of Directors

During the fiscal year ending 31 December 2018, the Board of Directors of **Infotel** met on seven occasions (with an average attendance rate of 100 %) with the following agendas and dates:

- January 24 2018, stratégie company strategy (n° 1), an overview of the stock and financial markets;
- March 14 2018, closing of 2018 accounts and preparation for the Combined Stockholders' Meeting;
- April 18, company strategy (n° 2), an overview of the stock and financial markets;
- May 31 2018, changing the management;
- May 31 2018, launch of the repurchase program;
- July 25 2018, company strategy (n° 3), an overview of status and financial markets;
- September 19 2018, closing of accounts of first half of 2018;
- October 24 2018, company strategy (n° 4), an overview of the stock and financial markets.

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

## Internal Rules of Procedure of the Board of Directors

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

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

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

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

### Provisions Regarding Directors – Presence of an Independent Director

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

Although the size of the Group and the significant involvement of the three members of the board performing their executive functions (officers-stockholders)—highly involved in the key management processes of the Group, and concerned at all times for the corporate interest of the company—do not require the presence of an independent director, the Board of Directors of **Infotel** considers, in compliance with Recommendation R8 of the Middlednext Code, that the fourth director, M<sup>s</sup> H  l  ne Kermorgant, is independent for the following reasons:

- For the past five years, H  l  ne Kermorgant has not been an employee or executive officer of **Infotel** or a Group company.
- For the past two years, Ms. H  l  ne Kermorgant has not been a significant client, supplier, auditor, banker (business or financing) of **Infotel** or the Group, or for which **Infotel** or the Group represents a significant part of the activity.
- Ms. H  l  ne Kermorgant has no close family ties with a corporate officer or a reference shareholder.
- Ms. H  l  ne Kermorgant was not the company's auditor for the previous six years.
- Ms. H  l  ne Kermorgant is not a reference shareholder of **Infotel** and does not hold a significant percentage of voting rights.

In addition, Ms. H  l  ne Kermorgant is not subject to any commitment aimed at preserving the conditions of her qualification as independent director and does not maintain any business relationship with **Infotel**.

In accordance with Recommendation No. 3 of the Middlednext Code, which recommends the appointment of two independent directors to the Board, it is envisaged that a second independent director will be appointed to the Board in 2019.

### Conflicts of Interest

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

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

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

## **Board Relationships with Third Parties**

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

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

### **Audit Committee**

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

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

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

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

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

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

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

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

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

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

### **Assessment of the Board of Directors**

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

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

At the last meeting of the Board on March 6, 2019 relating to the 2018 accounts, the Directors gave their views on the assessment of the work of the Board.

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

Further to the nomination of Ms H  l  ne Kermorgant as a Director, at the general assembly of May 20, 2015, the Board consists of two women and two men and hence, is in perfect compliance with the diversity principles of Law no. 2011-103 of January 27, 2011 on gender equality and boards of directors.

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

#### Administration and Management Bodies

First name, last name of the Directors and Executive Officers	Positions occupied in other companies
<b>Directors</b>	"Chairman - Director" of Infotel Corp.
Bernard Lafforet, Chairman – Chief Executive Officer	Chairman – Executive Officer of Infotel Monaco Director of Infotel Corp.
Michel Koutchouk	None
H��l��ne Kermorgant	Chairperson of the S.A.S. Infotel Conseil
Josyane Muller	
<b>Executive Officers</b>	See above
Michel Koutchouk	See above
Josyane Muller	Chief Executive Officer of Infotel Conseil Director Infotel Monaco Managing Director of Insoft Infotel Software GmbH Chief Executive Officer of Infotel Conseil
Jean-Marie Meyer	Chairman of Infotel Business Consulting Director of Infotel UK Consulting Ltd. Chairperson of OAIO

#### Executive Committee

The Executive Committee consists of:

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

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

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

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

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

## *Part 3: Executive Salaries*

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

The payment of variable and exceptional remuneration elements for each Executive Corporate Officer, due or granted with respect to the ended fiscal year, must be presented to the Combined Annual General Stockholders' meeting of May 31 2018 to be put to an advisory vote.

### **Compensation Committee**

In accordance with AMF Position-Recommendation No. 2014-14, the reasons for the absence of a compensation committee, based on the “comply or explain” principle, are described below.

The remuneration of the Chairman and Chief Executive Officer and the Deputy Chief Executive Officers are exclusively composed of a fixed component and do not include any variable or exceptional items.

None of these corporate officers receives compensation or benefits in kind from companies controlled by **Infotel** within the meaning of Article L. 233-16 of the French Commercial Code.

No stock-option (subscription options or stock purchase options), or instruments giving access to the capital are granted to beneficiaries having the status of corporate officers at the time the grant is made.

No loans or guarantees are granted for corporate officers.

There is no commitment of any nature whatsoever, taken by the company for the benefit of its corporate officers, corresponding to elements of remuneration, indemnities or benefits due or likely to be due to the taking, the cessation or change of these functions or subsequent thereto.

For these reasons, the existence of a compensation committee was not considered appropriate.

## **I. REMUNERATION ELEMENTS DUE OR GRANTED FOR THE FISCAL YEAR 2018**

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

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

In Euros	2018	2017	2016
Bernard Lafforet	216,000	216,000	216,000
Michel Koutchouk	196,064	196,064	195,983
Josyane Muller	192,000	192,000	192,000
Jean-Marie Meyer	210,000	210,000	210,000
Éric Fabretti	210,000	210,000	210,000

All above remunerations are allocated to a company officer.

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

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

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

For accounts ending on December 31, 2016, 2017 and 2018, no proportional, variable or exceptional remuneration or fee was made to any executive.

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

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

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

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

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

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

At the Combined Stockholders' Meeting for the approval of the accounts for the fiscal year ending December 31, 2018 and within the framework of the advisory vote relating to the remuneration of the executive management, the stockholders of the Infotel Group will decide on the remuneration elements of the Chairman – Chief Executive Officer and the Executive Officers within the framework of the following resolutions:

### **- SIXTH RESOLUTION-**

The Stockholders' Meeting, consulted in application of Article L. 225-37-2 of the Commercial Code, issued a favorable opinion on the elements of the remuneration due or granted for the 2018 financial year to Mr. Bernard Lafforet, Chairman - Chief Executive Officer, as presented in the Board's report on corporate governance.

### **- SEVENTH RESOLUTION-**

The Stockholders' Meeting, consulted in application of Article L. 225-37-2 of the Commercial Code, issued a favorable opinion on the elements of compensation due or granted for the 2018 financial year to Michel Koutchouk, Director - Executive Officer, as presented in the Board's report on corporate governance.

### **- EIGHTH RESOLUTION-**

The Stockholders' Meeting, consulted in application of Article L. 225-37-2 of the Commercial Code, issued a favorable opinion on the elements of the remuneration due or granted for the 2018 financial year to Josyane Muller, Director - Executive Officer, as presented in the Board's report on corporate governance.

### **- NINTH RESOLUTION-**

The Stockholders' Meeting, consulted in application of Article L. 225-37-2 of the Commercial Code, issued a favorable opinion on the elements of the compensation due or granted for the 2018 financial year to Mr. Jean-Marie Meyer, Director - Executive Officer, as presented in the Board of Director's report on corporate governance.



### **- TENTH RESOLUTION -**

The Stockholders' Meeting, consulted in application of Article L. 225-37-2 of the Commercial Code, issued a favorable opinion on the elements of the compensation due or granted for the 2018 financial year to Mr. Éric Fabretti, Director - Executive Officer, as presented in the Board of Director's report on corporate governance.

### **- ELEVENTH RESOLUTION-**

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

### **III. REMUNERATION ELEMENTS DUE OR GRANTED FOR THE FISCAL YEAR 2018**

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

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

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

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

#### *Part 5: Table of delegations*

<b>AGM</b>	<b>Delegation type</b>	<b>Amount granted</b>	<b>Date</b>	<b>Amount exercised</b>
May 31, 2017	Stock options and securities issued	1,300,000 Euros	July 31, 2019	0
May 31, 2018	Stock repurchase	10% of the capital of the Company calculated on the purchase decision date, deducted from the stock resold as part of this authorization	November 30, 2019	0
May 31, 2018	Free shares awarded	5% of the share capital at the date when the Board of Directors decides to allocate them	July 31, 2021	0

**1<sup>st</sup> The capital structure of the company**

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

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

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

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

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

**4<sup>th</sup> The list of stockholders of any securities with special control rights and their description**

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

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

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

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

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

**7<sup>th</sup> The rules applicable to the nomination and the replacement of members of the Board of Directors as well as the modification of the company statutes**

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

**8<sup>th</sup> The powers of the Board of Directors, in particular with respect to the issuance or purchase of stock**

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

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

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

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

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

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

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

<b>Bernard Lafforet, Chairman</b>	<b>2016 (Fiscal year N-2)</b>	<b>2017 (Fiscal year N-1)</b>	<b>2018 (Fiscal year N)</b>
Remuneration due for the fiscal year <i>(as itemized in table 2)</i>	€216 k	€216 k	€216 k
Valuation of the options granted during the fiscal year <i>(as itemized in table 4)</i>	None	None	None
Valuation of the performance stock granted during the fiscal year <i>(as itemized in table 6)</i>	None	None	None
<b>TOTAL</b>	€216 k	€216 k	€216 k

<b>Michel Koutchouk, Executive Officer</b>	<b>2016 (Fiscal year N-2)</b>	<b>2017 (Fiscal year N-1)</b>	<b>2018 (Fiscal year N)</b>
Remuneration due for the fiscal year <i>(as itemized in table 2)</i>	€196 k	€196 k	€196 k
Valuation of the options granted during the fiscal year <i>(as itemized in table 4)</i>	None	None	None
Valuation of the performance stock granted during the fiscal year <i>(as itemized in table 6)</i>	None	None	None
<b>TOTAL</b>	€196 k	€196 k	€196 k

<b>Josyane Muller, Executive Officer</b>	<b>2016 (Fiscal year N-2)</b>	<b>2017 (Fiscal year N-1)</b>	<b>2018 (Fiscal year N)</b>
Remuneration due for the fiscal year <i>(as itemized in table 2)</i>	€192 k	€192 k	€192 k
Valuation of the options granted during the fiscal year <i>(as itemized in table 4)</i>	None	None	None
Valuation of the performance stock granted during the fiscal year <i>(as itemized in table 6)</i>	None	None	None
<b>TOTAL</b>	€192 k	€192 k	€192 k

<b>Jean-Marie Meyer, Executive Officer</b>	<b>2016 (Fiscal year N-2)</b>	<b>2017 (Fiscal year N-1)</b>	<b>2018 (Fiscal year N)</b>
Remuneration due for the fiscal year <i>(as itemized in table 2)</i>	€210 k	€210 k	€210 k
Valuation of the options granted during the fiscal year <i>(as itemized in table 4)</i>	None	None	None
Valuation of the performance stock granted during the fiscal year <i>(as itemized in table 6)</i>	None	None	None
<b>TOTAL</b>	€210 k	€210 k	€210 k

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

**Table 2: Overview of remuneration for each executive director**

<b>Bernard Lafforet, Chairman</b>	<b>2016 (Fiscal year N-2)</b>		<b>2017 (Fiscal year N-1)</b>		<b>2018 (Fiscal year N)</b>	
	Amounts due	Amounts paid	Amounts due	Amounts due	Amounts paid	Montants versés
Base remuneration	€216 k	€216 k	€216 k	€216 k	€216 k	216 €k
Variable remuneration	None	None	None	None	None	Néant
Multi-annual variable remuneration	None	None	None	None	None	Néant
Exceptional remuneration	None	None	None	None	None	Néant
Attendance fees	None	None	None	None	None	Néant
Benefits in kind	None	None	None	None	None	Néant
<b>TOTAL</b>	€216 k	€216 k	€216 k	€216 k	€216 k	216 €k

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

<b>Josyane Muller, Executive Officer</b>	<b>2016 (Fiscal year N-2)</b>		<b>2017 (Fiscal year N-1)</b>		<b>2018 (Fiscal year N)</b>	
	Amounts due	Amounts paid	Amounts due	Amounts due	Amounts paid	Amounts due
Base remuneration	€192 k	€192 k	€192 k	€192 k	€192 k	€192 k
Variable remuneration	None	None	None	None	None	None
Multi-annual variable remuneration	None	None	None	None	None	None
Exceptional remuneration	None	None	None	None	None	None
Attendance fees	None	None	None	None	None	None
Benefits in kind	None		None		None	
<b>TOTAL</b>	€192 k	€192 k	€192 k	€192 k	€192 k	€192 k

Jean-Marie Meyer, Executive Officer	2016 (Fiscal year N-2)		2017 (Fiscal year N-1)		2018 (Fiscal year N)	
	Amounts due	Amounts paid	Amounts due	Amounts due	Amounts paid	Amounts due
Base remuneration	€210 k	€210 k	€210 k	€210 k	€210 k	€210 k
Variable remuneration	None	None	None	None	None	None
Multi-annual variable remuneration	None	None	None	None	None	None
Exceptional remuneration	None	None	None	None	None	None
Attendance fees	None	None	None	None	None	None
Benefits in kind	None		None		None	
<b>TOTAL</b>	€210 k	€210 k	€210 k	€210 k	€210 k	€210 k

Éric Fabretti, Executive Officer	2016 (Fiscal year N-2)		2017 (Fiscal year N-1)		2018 (Fiscal year N)	
	Amounts due	Amounts paid	Amounts due	Amounts due	Amounts paid	Amounts due
Base remuneration	€210 k	€210 k	€210 k	€210 k	€210 k	€210 k
Variable remuneration	None	None	None	None	None	None
Multi-annual variable remuneration	None	None	None	None	None	None
Exceptional remuneration	None	None	None	None	None	None
Attendance fees	None	None	None	None	None	None
Benefits in kind	None		None		None	
<b>TOTAL</b>	€210 k	€210 k	€210 k	€210 k	€210 k	€210 k

**Table 3: Attendance fee table**

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

**Tableau 4: Stock options granted to each Executive Officer during the fiscal year by the issuer and any other Group company**

Name of the Executive Corporate Officer	Plan no. and date	Type of options (purchase or subscription)	Valuation of the options according to the method selected for the consolidated financial statements	Number of options granted during the fiscal year	Exercise price	Fiscal year period
Bernard Lafforet	None	None	None	None	None	None
Michel Koutchouk	None	None	None	None	None	None
Josyane Muller	None	None	None	None	None	None
Jean-Marie Meyer	None	None	None	None	None	None
Éric Fabretti	None	None	None	None	None	None
<b>TOTAL</b>	<b>None</b>	<b>None</b>	<b>None</b>	<b>None</b>	<b>None</b>	<b>None</b>

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

Name of the Executive Corporate Officer	Plan no. and date	Number of options exercised during the fiscal year	Exercise price
Bernard Lafforet	None	None	None
Michel Koutchouk	None	None	None
Josyane Muller	None	None	None
Jean-Marie Meyer	None	None	None
Éric Fabretti	None	None	None
<b>TOTAL</b>	<b>None</b>	<b>None</b>	<b>None</b>

**Table 6: Performance stocks granted to each Executive Corporate Officer**

Performance stocks granted during the fiscal year to each Executive Corporate Officer by the issuer and any other Group company (list of names)	Plan no. and date	Number of options granted during the fiscal year	Valuation of the options according to the method selected for the consolidated financial statements	Acquisition date	Vesting date	Performance conditions
Bernard Lafforet	None	None	None	None	None	None
Michel Koutchouk	None	None	None	None	None	None
Josyane Muller	None	None	None	None	None	None
Jean-Marie Meyer	None	None	None	None	None	None
Éric Fabretti	None	None	None	None	None	None
<b>TOTAL</b>	<b>None</b>	<b>None</b>	<b>None</b>	<b>None</b>	<b>None</b>	<b>None</b>

**Table 7: Performance stock vested for each Executive Corporate Officer**

Performance stocks vested for each Executive Corporate Officer	Plan no. and date	Number of shares vested during the fiscal year	Acquisition date	Vesting date	Acquisition terms
Bernard Lafforet	None	None	None	None	None
Michel Koutchouk	None	None	None	None	None
Josyane Muller	None	None	None	None	None
Jean-Marie Meyer	None	None	None	None	None
Éric Fabretti	None	None	None	None	None
<b>TOTAL</b>	<b>None</b>	<b>None</b>	<b>None</b>	<b>None</b>	<b>None</b>

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

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

**Table 9: History of stock options granted**

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

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

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

**Table 11: History of assignment of free shares**

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



## 17. EMPLOYEES AND WORKFORCE

### 17.1. WORKFORCE

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

	2018	2017	2016
Voluntary departure rate (in %)	16.1	12.8	12.5
Average workforce in the Group	1,697	1,580	1,421
Average annual salary in the Group (€k)	42.9	41.2	40.9
Apprenticeships	1	1	17
Average permanent workforce	1,639	1,551	1,404
Executive management	5	6	6
Sales personnel	86	74	62
Administration personnel	28	28	44
Engineers	1,468	1,406	1,274
Technicians	56	41	18

This table does not include subcontracting.

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

	2018	2017	2016
Inter-contract rate	1.8%	1.7%	2.1%

### 17.2. EMPLOYEE PROFIT-SHARING AND INCENTIVE PLANS

Year	2018	2017	2016	2015	2014
Employee profit-sharing for the fiscal year of Infotel Conseil	€1,834,898	€2,188,303	€1,813,961	€2,066,525	€1,447,300

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

As Infotel Business Consulting exceeded the threshold of 50 employees during the 2017 fiscal year, participation was calculated according to the legal rules. This amounted to 124,648 euros in 2017 and 197,719 euros in 2018.

### 17.3. EQUITY INVESTMENT

In compliance with the terms of Article L. 225-102 of the French Commercial Code, profit sharing of Infotel Conseil employees in the company on 17 January 2019 through the company's saving plan, is 56,432 shares representing 0.85% of the capital stock of **Infotel**.

- Pursuant to the same article, it should be noted that no employees of the Infotel Group hold shares issued in the following conditions;
- Acquired in accordance with profit sharing, including those that are no longer in a period of non-transferability;
- Acquired following a privatization operation;
- Resulting from free allocations within the context of Article L. 225-197-1 of the French Commercial Code;
- Taken up at the time of increases in capital reserved for employees within the context of Article L. 225-187 of the French Commercial Code before its repeal by the French law of February 20, 2001, on employee savings.

Equity investment among executive management is detailed in paragraph 18.1 “Changes in the Breakdown of Capital Stock over the Last Three Years” on page 87.

**17.4. STOCK OPTION PLAN**

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

**Allocations and options exercised in 2018 by the top 10 non-executive officer employees**

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

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

### 17.5.1. Summary

Corporate Social Information	2018	2017
Total workforce at December 31 <sup>(1)</sup>	1,677	1,659
Hires (permanent and professional training contracts)	441	464
Contract staff	0	0
Departures (permanent and professional training contracts)	423	291
Redundancies (economic and other reasons)	8	6
Additional contract hours	100 per year or 2.75 per week according to function	100 per year or 2.75 per week according to function
External labor	None	None
Staff restructuring plan	None	None
Work time organization	Annualization of working time at 90%	Annualization of working time at 90%
Work time duration	37.20 or 37.75 hours per week	37.20 or 37.75 hours per week
Part time duration (average)	30.1 hours per week	30 hours per week
Absenteeism reasons and rate	Sickness, maternity: 2.5%	Sickness, maternity: 2.5%
Average pay including bonuses (excluding executives)	€42,891 /year	€41,222/year
Change in individual base pay during the year	+3.4% on average	+3.4% on average
Social security costs	43% of wages	43% of wages
Incentive plans	None	None
Profit sharing (Infotel Conseil)	4/7 coefficient	4/7 coefficient
Company savings plan	Yes, included in shareholding	Yes, included in shareholding
Gender equality: average salary <sup>(2)</sup>	2.7% more for men	2.5% more for men
Equality: middle qualification (C2.2) salary	-1.5 %	Difference not significant
Collective bargaining agreements <sup>(3)</sup>	Extra days off	Reduction of work time
Health and safety	1 health & safety committee, occup. illness: none	4 health & safety committees, occup. illness : none
Work accidents and commuting accidents with absence from work	9	18
Training	€3,423 kor 3.4% of salaries	€1,837 k, 3% of salaries
Disabled employees	9	6
Company welfare service	€159k (Works Committee)	€177 k (Works Committee)
Sub-contracting	46.6% of total positions + subcontracting rate	42% of total positions + subcontracting rate
Territorial impact	None	None
Relationship with associations	None	None
Sub-contracting abroad	<0.5%	<0.5%
Impact on local development abroad	None	None

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

<sup>(2)</sup>: This very slight difference is deemed non significant.

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

### **17.5.2. Combating Discrimination in the Workplace**

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

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

### **17.5.3. Training Policy**

Following an assessment of individual interview reports for 2018, a training plan was set up for each site of the Group and validated by Management. This plan is reassessed every six months using performance indicators for each division

The number of internship hours fulfilled for 2018 was 48,890.

### **17.5.4. Health and Safety Policy**

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

No specific agreement relating to health and safety was signed in 2018.

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

### **17.5.5. Organizing Social Dialog, Particularly Employee Information and Consultation Procedures and Employee Negotiations**

On December 31, 2018, the **Infotel** Group had a central works council and works committees. In 2018, Meetings with them were organized on a regular basis throughout 2018.

Following entry into force of the 22 September 2017 Ordinance No. 2017-1386, elections for the Social and Economic Committee (CSE) were held on 22 January 2019. The CSE replaces the former staff representative bodies mentioned in the previous paragraph. Furthermore, a Health, Safety and Working Conditions Commission (CSSCT) was created by delegation of the CSE with responsibility for all or part of the Committee's responsibilities relating to health, safety and working conditions, apart from recourse to an expert and the committee's advisory powers.

## **17.6. METHODOLOGICAL NOTE ON CORPORATE, ENVIRONMENTAL AND SOCIAL INFORMATION**

### **17.6.1. Scope of CSR Reporting**

The scope of corporate reporting covers the employees of the **Infotel** Group in France and Monaco registered on December 31, 2018 with Infotel Conseil (93.4%), Infotel Business Consulting (3.8%), OAIO (0.9% and Infotel Monaco (1.9%) employees.

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

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

### **17.6.2. CSR Indicators**

In accordance with Ordinance No. 2017-1162 of July 12, 2017 and its Implementing Decree No. 2017-1174 of July 18, 2017 (replacing the "Grenelle II" scheme on CSR by an extra-financial performance declaration) the **Infotel** Group has made a great effort to provide maximum transparency with regard to the information concerning its extra-financial information.

In accordance with the rule of *comply or explain* provided by the law, the **Infotel** Group does acknowledge that a limited amount of information is not included in this document: freedom of association and the right to collective bargaining, elimination of forced labor and the abolition of child labor. The main reasons may be the absence of reliable indicators on these issues to date, or the lack of interest in certain issues with regard to the Group's activities, size and geographical location. The selected CSR indicators therefore meet a criterion of materiality and relevance in relation to the activities of the Infotel Group.

### **17.6.3. Specific Points by Indicator**

Energy consumption: this is the quantity of energy bought directly by the entity.

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

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

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

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

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

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

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

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

### **17.6.4. Verification of information**

Pursuant to article L225-102-1 of the French Commercial Code, Infotel has appointed Deloitte et Associés as an independent third-party organization in charge of verifying the CSR information for 2018 published in the Management Report.

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

## **17.7. EXTRA-FINANCIAL PERFORMANCE DECLARATION**

In accordance with Article L. 225-102-1 of the French Commercial Code, we hereby present the Extra-Financial Performance Declaration, following the transposition of the European Directive 2014/95 / EU by Ordinance no. 2017-1162 of July 12<sup>th</sup>, 2017 and its Decree of application n° 2017-1174 of July 18<sup>th</sup>, 2017. This declaration replaces the CSR (Social, societal and environmental responsibility) report resulting from the "Grenelle II" procedure.

This Extra-Financial Performance Statement is intended to present a description of the business model, an analysis of the main risks and the reasonable policies and procedures implemented to better understand the identified risks.

Certain information that falls under the Extra-Financial Performance Statement is already presented in the CSR Reference Document Management Report and the relevant paragraphs are therefore referred to below. For the sake of consistency for those reading this Registration Document, the terms "Corporate Social Responsibility" or "CSR" have not been replaced by the "Statement of extra-financial performance" within these referenced paragraphs.

In addition, further information covering these areas is presented below in paragraph 17.7.:

- details of the measures taken for the benefit of disabled persons, following implementation of Law No. 2018-771 of 5 September 2018 defending the right to choose one's professional future;
- combatting corruption following implementation of the so-called "Sapin II" Law;
- combatting tax evasion following implementation of Law No. 2018-898 passed on 23 October 2018 concerning measures to combat tax, social and customs fraud.

### **17.7.1. Business model**

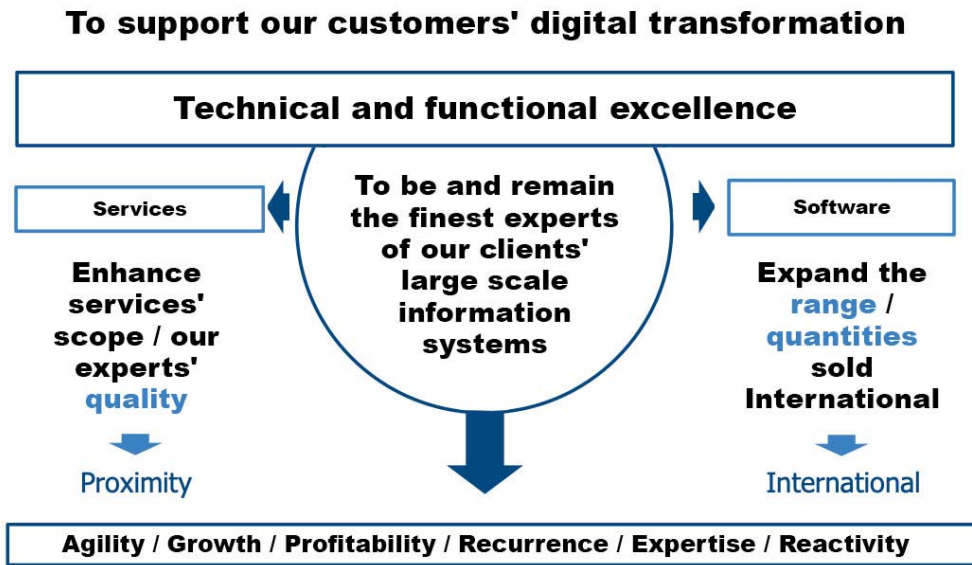
**Infotel's** business model information is presented in detail in paragraphs 6 (Business Overview) and 7 (Group Organization) of this Registration Document. The following topics are covered:

- activity;
- business environment;
- organization and structure;
- resources;
- market on which Infotel operates;
- goal and value creation strategies;
- results;
- trends and future prospects.

**Infotel's** business model can be divided into three parts:

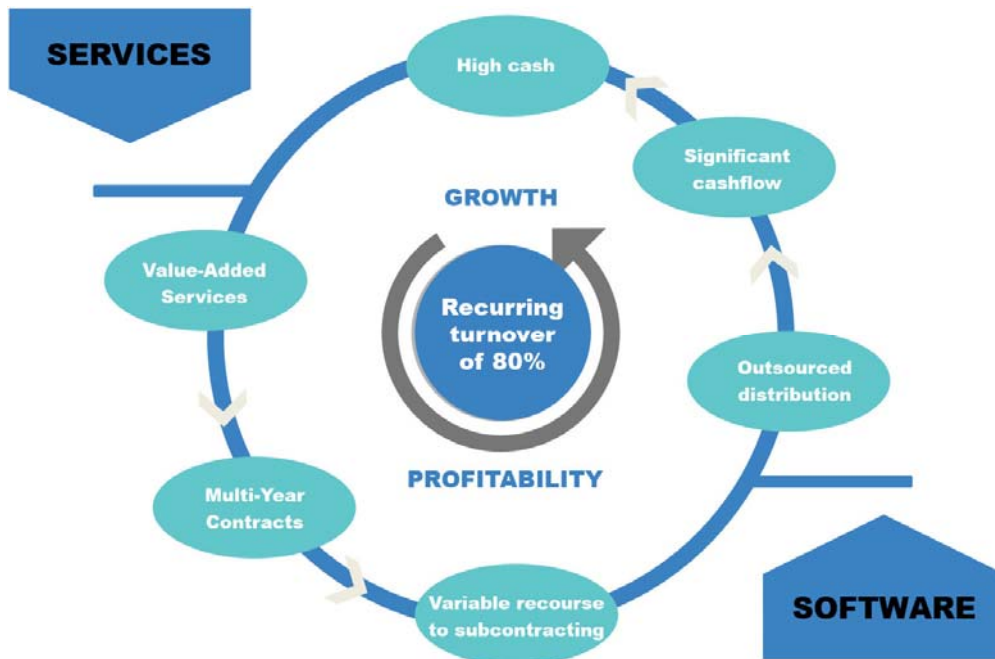
**17.7.1.1. Operational Model**

This shows how Services and Software, are related to the values of excellence on which customer transformation is built.



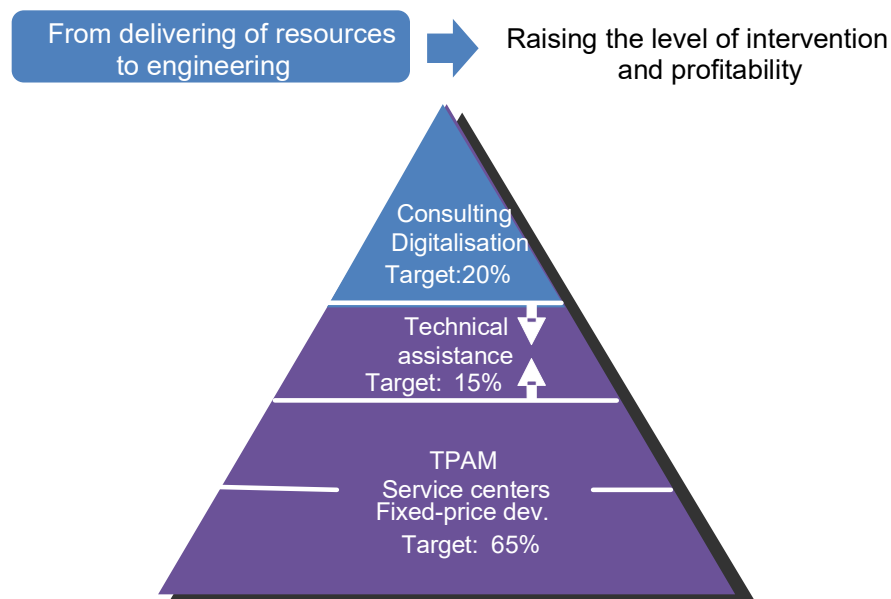
**17.7.1.2. Economic model**

It demonstrates how articulating the two activities contributes to the company's profitability and growth.



### 17.7.1.3. Business model

It demonstrates that evolving businesses ensure activities' sustainability and complementarity. The summit of the pyramid brings profitability while its base brings recurrent business.



### 17.7.2. Analysis of the main extra-financial risks and presentation of the policies and reasonable diligence implemented to offset these risks

The analysis of the main non-financial risks was based on working sessions and dialogue between the Group's governing body and its employees, in particular the Quality Manager. The analysis carried out made it possible to identify the risks inherent to its activity in several areas: social, societal and environmental.

All of these extra-financial risks are summarized in section 17.7.2.6 "Risk Matrix", making it possible to swiftly identify these risks, which are detailed in the following paragraphs:

#### 17.7.2.1. Social

The risks encountered by **Infotel** in the social / societal field are set out in section 8.3 "Report (CSR) - Information on societal commitments to sustainable development" and 17.5 "Report on social and environmental responsibility (CSR) - Information on social services". The policies and reasonable diligence established to offset these risks are also discussed. The following topics are addressed: Gender equality, elimination of discrimination in employment and occupation, training policy, health and safety policy, organization of social dialogue, relationships with people or organizations interested in **Infotel's** activity, outsourcing / suppliers and loyalty of practices.

**Infotel** has approached **Agefiph** to share employment opportunities and offer career openings in the group. **Infotel** pays particular attention to employees with disabilities, adapting their workstation in consultation with the recommendations of occupational health and ergonomics practitioners.

Wherever it expands, **Infotel** makes sure the premises are accessible to people with disabilities.

#### 17.7.2.2. Environment

The risks encountered by **Infotel** in the environmental field are defined in sections 4.5 "Industrial and environmental risks", 8.2 "Report on corporate and social responsibility (CSR) - Environmental information" and 8.3 "Report (CSR) - Information on societal commitments for sustainable development". The policies and reasonable diligence adopted to address these risks are also presented.



### 17.7.2.3. Human rights

Wherever it operates, **Infotel** conducts its development with regard to fundamental human and social rights while also respecting the environment.

None of the countries where **Infotel** operates breach human rights and fundamental freedom.

Nevertheless, particular attention is paid to the working conditions of the entire Group's staff, as well as those of its subcontractors. An article published in the February issue of Capital magazine rates **Infotel** among the top 500 employers in France and in 23<sup>rd</sup> position among High Tech companies, for the quality of its working conditions.

### 17.7.2.4. Anti-corruption

Following the entry into force of Law No. 2016-1691 of 9 December 2016 on Transparency, the fight against corruption and the modernization of economic life, known as "Sapin II", the governing body of Infotel was again sensitized on the risks of corruption and influence peddling to which its employees are exposed.

Infotel condemns corruption in all its forms and ensures that its leaders and employees are involved in upholding this principle. The aim is to reject any tolerance for corruption, an objective that must be shared by the Group, its employees and its stakeholders.

As such, Infotel has appointed one of its employees as Compliance Manager. The latter is in charge of setting up and deploying the anti-corruption system within the Group.

### 17.7.2.5. Combatting tax evasion

In its drive to combat tax evasion, **Infotel** ensures its operations fully comply with current legislation and tax regulations. Furthermore, its subsidiaries transparently communicate their tax returns in those countries where they are subject to this obligation.

Tax evasion is not identified as being likely to put the Group's operations or reputation at any risk.

### 17.7.2.6. Risk matrix

Field	Type of extra-financial risks	Description	Policies and measures to address this risk (Reference document)	Key performance indicators (Reference document)
Social	Eliminating discrimination with regard to employment and profession	Taking disability into account on two levels: - Recruitment - Access to infrastructure and the appropriate working conditions	17.2.2.1.	17.5.1
		Seeking equality between men and women: - Within the governing body - All staff members	8.3. 17.5.2.	8.3. 17.5.1.
	Social dialogue	Setting up representative staff bodies to provide social dialogue and information / consultation for negotiating with the Social and Economic Committee	17.5.5	17.5.5 17.5.1
	Accidents at work / employee safety	Taking into account the risks employees are subject to, namely: - occupational accidents (risk mainly concerns staff travel) - infrastructure / building risks at the place of work, posture adopted by staff members at the workstation and when screen working	17.5.4.	17.5.1.
	Absenteeism	Taking into account the risks related to absenteeism (maternity, paternity, sickness, etc.)	17.6.3	17.5.1 17.6.3
	Training / Skills Development	Monitoring employees' skills and training to ensure all staff members can improve their skills and make progress	17.5.3.	17.5.3.

	Working conditions Well-being of employees	Taking into account the working environment of all Group employees so they work under the best possible conditions	17.7.2.3.	17.7.2.3.
<b>Environnement</b>	Pollution	No risks	8.2.2.	8.2.2.
	Climate change	Environmental risks related to greenhouse gas emissions generated by Infotel's activity	8.2.5.	8.2.5.
	Prevention and waste management	Preventive measures, recycling and waste disposal	8.2.3.	8.2.3.
	Food waste	No risk	8.2.3.	8.2.3.

<b>Sociétal</b>	Sustainable development	There are several types of risk associated with excessive consumption: - Excessive Group expenses resulting from overconsumption, but also - The environmental impact this overconsumption could cause	8.2.4.	8.2.4.
	Human rights	Not a significant risk, Infotel only operates in countries that do not breach human rights and fundamental freedoms	8.3.	8.3.

<b>Anti-corruption</b>	Risk of corruption and influence peddling	Here, there are several kinds of risk, including: - Criminal risk (fines and imprisonment) - Also economic risks - Reputation	17.7.2.4. Anti-corruption	17.7.2.4. Anti-corruption
<b>Combatting tax evasion</b>	Risk of tax evasion	Here, there are several kinds of risk, including: - Criminal risk (fines and imprisonment) - Moreover, economic risks - Reputation	17.7.2.5. Combatting tax evasion	17.7.2.5. Combatting tax evasion

## **17.8. THE INDEPENDENT THIRD-PARTY'S REPORT ON EXTRA-FINANCIAL PERFORMANCE DECLARATION**

### **The independent third party's report on the consolidated non-financial performance statement included in the group management report**

Financial year ended December 31, 2018

To the shareholders,

As an independent third party, accredited by COFRAC with number 3-1048 (scope of accreditation available on the website [www.cofrac.fr](http://www.cofrac.fr)) and a member of the Deloitte & Associés network, as well as Constantin & Associés, one of Infotel's auditors, we present our report on the consolidated non-financial performance report for the year ended December 31, 2018 (hereinafter the "Statement"), included in the Group management report pursuant to the legal and regulatory provisions of Articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code.

#### **Corporate responsibility**

The Board of Directors is responsible for drawing up a Declaration in compliance with the legal and regulatory provisions, including a presentation of the business model, a description of the main non-financial risks, a presentation of the policies applied with regard to these risks as well as the results of these policies, including key performance indicators. The Declaration has been established by applying the procedures of the company, (hereinafter the "Reference"), a summary of which is included in the group management report and available upon request at the company's registered office.

#### **Independence and quality control**

Our independence is defined by the provisions of Article L. 822-11-3 of the French Commercial Code and the profession's Code of Ethics. Furthermore, we have set up a quality control system that includes documented policies and procedures to ensure compliance with ethical rules, professional doctrine and applicable laws and regulations.

#### **Responsibility of the statutory auditor designated an independent third party**

On the basis of the work we carry out, we are responsible for formulating a reasoned opinion expressing a conclusion of moderate assurance on:

- the compliance of the Declaration with the provisions of Article R. 225-105 of the French Commercial Code;
- the fairness of the information provided pursuant to paragraph 3 of I and II of Article R. 225-105 of the French Commercial Code, namely the results of the policies, including key performance indicators, and the actions relating to the main risks, hereinafter the "Information".

On the other hand, it is not for us to pronounce on:

- compliance by the company with other applicable legal and regulatory provisions, particularly with regard to measures against corruption and taxation;
- compliance of products and services with applicable regulations.

#### **Nature and extent of our work**

We conducted work enabling us to assess the conformity of the Declaration with the regulatory provisions and the sincerity of the Information:

- We took note of all the companies included in the field of consolidation, the statement of the main social and environmental risks related to this activity and its effects on the respect of human rights and the fight against corruption and tax evasion as well as the resulting policies and their results.
- We have assessed the appropriateness of the Guidelines in terms of their relevance, comprehensiveness, reliability, neutrality and comprehensibility, taking into account, where applicable, the sector's best practices.
- We confirmed that the Declaration covers every category of information provided for in Article L. 225-102-1 III in respect of social and environmental issues as well as respect for human rights and the fight against corruption and tax evasion.
- We confirmed that the Declaration includes an explanation of the reasons justifying the absence of the information required by the 2nd paragraph of III of Article L. 225-102-1.
- We confirmed that the Declaration covers every category of information provided for in Article L. 225-102-1 III regarding social and environmental issues as well as respect for human rights and the fight against corruption and tax evasion.

- We verified that the Declaration includes an explanation of the reasons justifying the absence of the information required by the 2nd paragraph of III of Article L. 225-102-1.
- We confirmed that the Statement presents the business model and the main risks related to the activity of all the entities included in the consolidation, including, where relevant and proportionate, the risks created through its business relationships, products or services, as well as the policies, actions and results, including key performance indicators.
- We confirmed, when relevant to the main risks or the policies presented, that the Declaration presents the information provided for in Article R. 225-105 II.
- We appreciated the process of selecting and validating the main risks.
- We inquired about the existence of internal control and risk management procedures implemented by the company.
- We appreciated the consistency of the results and the key performance indicators selected with regard to the main risks and policies presented.
- We confirmed that the Declaration includes a clear and reasoned explanation of why there is no policy concerning one or more of these risks.
- We confirmed that the Declaration covers the consolidated field, namely all the companies included in the field of consolidation as defined in Article L. 233-16 in compliance with the limits specified by the Declaration.
- We appreciated the collection process established by the entity for the comprehensive nature and fairness of the Information.
- We have implemented key performance indicators and other quantitative results that we considered to be most important:
  - Analytical procedures consisting of confirming the correct consolidation of the collected data as well as the coherence of subsequent changes;
  - Detailed tests based on surveys, consisting of checking the correct application of the definitions and procedures and matching the data with supporting documents. This work was carried out at Infotel SA's headquarters and covers all the consolidated data relating to the key performance indicators and results selected for these tests;
- We consulted the documentary sources and conducted interviews to corroborate the qualitative information (actions and results) that we considered to be the two most important<sup>1</sup>;
- We appreciated the overall consistency of the Declaration with our knowledge of the company.

We believe that the work we have carried out in exercising our professional judgment allows us to formulate a conclusion of moderate assurance; a higher level of assurance would have required more extensive auditing work.

### **Means and resources**

Our work called upon the skills of three people between February 2019 and April 2019.

To help us in carrying out this work, we worked with our specialists in sustainable development and social responsibility. We conducted seven interviews with those in charge of drawing up the Declaration.

### **Conclusion**

Based on this work, we have not identified any significant misstatement that would call into question the fact that the extra-financial performance declaration complies with the applicable regulatory provisions and that the information, taken as a whole, is presented sincerely, as specified by the Guidelines.

Our work described below was carried out as stipulated by the decree of 13 May 2013, determining the procedures to be employed by independent third-party bodies when carrying out missions and compliant with professional standards applicable in France. Furthermore, with regard to the reasoned opinion on sincerity, this work must also comply with the international standard ISAE 3000.

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<sup>1</sup>**Qualitative information:** Anti-corruption approach, a Project with territorial, economic and social impact on the company's activity, Index of equality between men and women.

Paris-La Défense, le 26 avril 2019  
The Independent Third Party Organization,

Deloitte & Associés

Mireille Berthelot  
Partner, Audit

Eric Dugelay  
Partner, Sustainable Development

## 18. MAJOR STOCKHOLDERS

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

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

Stockholder	Situation at 31/12/2016			Situation at 31/12/2017			Situation at 31/12/2018		
	Number of shares	% of capital stock	% voting rights	Number of shares	% of capital stock	% voting rights	Number of shares	% of capital stock	% voting rights
Bernard Lafforet	2,150,635	32.31	42.07	2,150,635	32.31	42.39	1,850,635	27.80	37.80
Michel Koutchouk	386,800	5.81	7.57	386,800	5.81	7.62	386,800	5.81	7.90
Josyane Muller	180,648	2.71	3.53	148,048	2.22	2.92	132,500	1.99	2.71
Jean-Marie Meyer	180,251	2.71	3.52	170,861	2.57	3.37	160,861	2.42	3.29
Éric Fabretti	180,130	2.70	3.52	166,298	2.50	3.28	147,500	2.22	2.92
Total Executives	3,078,464	46.24	60.21	3,022,642	45.41	59.57	2,678,296	40.23	54.61
Treasury stock	0	0	0	0	0	0	0	0	0
Liquidity agreement	3,062	0.05	0	2,950	0.04	0	3,431	0.05	0
Public	3,575,429	53.71	39.79	3,631,363	54.55	40.43	3,978,659	59.77	45.39
Total	6,656,955	100	100	6,656,955	100	100	6,656,955	100	100

In the absence of treasury stock on December 2018 within the framework of the repurchase plan, the table above does not distinguish between theoretical voting rights and exercisable voting rights, which total 10,147,767.

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

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

To the Company's knowledge, the issuer is not held or more than 50% controlled by one individual or legal entity, taking into account the totality of the stock and voting rights making up the Company's capital stock, of which 59.77% and 45.39% of voting rights are held by the public.

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

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

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

The executives, strongly involved in the Group's expansion, are majority stockholders. On December 31, 2018 they held 40.23% of the capital and 54.61% of voting rights.

On February 14, 2019, the Company was notified of a breach of the 5% threshold by Stadium Capital Management LLC.

On January 17, 2019, employee shareholding held 51,800 shares, or 0.78% of the share capital, through a company savings plan. Representing less than 3% of the share capital, this participation is not significant.

At December 31, 2018 there were no shares acquired by employee shareholding according to the conditions of Article L.225-102 of the French Commercial Code.

At January 17, 2019, the company **Infotel** carried out a TPI (identifiable bearer securities) inquiry, enabling it to determine the number of stockholders: there were 2,691 on this date, a slight increase compared with the 2,635 on January 25, 2018.

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

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

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

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



## **19. RELATED PARTY TRANSACTIONS**

These transactions are described in paragraph 7.2.10 “Other Information Related to Subsidiaries” on page 37.

The “Special Report from the Statutory Auditors regarding the regulated agreements and commitments” covered in section 20.4.3 on page 138 does not mention any regulated agreements.

There are no transactions with associated parties.

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

### **20.1. HISTORICAL FINANCIAL INFORMATION**

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

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

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

- Consolidated accounts and audit reports for the year ending December 31, 2017, appearing on pages 94 to 118 of the 2017 Registration Document, submitted to the French Financial Markets Authority on April 28, 2018 under number D.18-0431; the corporate financial statements and audit reports for the year ending December 31, 2017, appearing on pages 113 to 124 and 128 to 130 of the same document, the analysis of the financial position and results appearing on pages 46 and 47, the investments on page 24, and the related party transactions on page 84 of this document;
- Consolidated accounts and audit reports for the year ending December 31, 2016 appearing on pages 94 to 118 of the 2016 Registration Document, submitted to the French Financial Markets Authority on April 28, 2017 under number D.17-0482; the corporate financial statements and audit reports for the year ending December 31, 2016, appearing on pages 119 to 130 and 131 to 135 of the same document, the analysis of the financial position and results appearing on pages 47 and 48, the investments on page 23, and the related party transactions on page 91 of this document;
- Consolidated accounts and audit reports for the year ending December 31, 2015 appearing on pages 94 to 119 of the 2015 Registration Document, submitted to the French Financial Markets Authority on April 28, 2016 under number D.16-0431; the corporate financial statements and audit reports for the year ending December 31, 2015, appearing on pages 120 to 131 and 132 to 136 of the same document, the analysis of the financial position and results appearing on pages 47 and 48, the investments on page 23, and the related party transactions on page 91 of this document.

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

## 20.2. CONSOLIDATED FINANCIAL STATEMENTS

### 20.2.1. Consolidated Balance Sheet

#### 20.2.1.1. Assets

<b>ASSETS</b> (in thousands of Euros)	<b>Notes</b>	<b>31/12/2018</b>	<b>31/12/2017</b>
Goodwill	1	10,973	10,973
Intangible assets	2	7,084	5,494
Property, plant and equipment	3	2,916	2,560
Other financial assets	4	831	747
Equity-accounted securities	5	52	50
Deferred tax assets	15	1,555	1,577
<b>NON-CURRENT ASSETS</b>		<b>23,411</b>	<b>21,401</b>
Clients	6	69,310	65,316
Other receivables	7	7,009	5,507
Current tax assets	10	3,913	4,103
Cash and cash equivalents	9	72,812	64,267
<b>CURRENT ASSETS</b>		<b>153,044</b>	<b>139,193</b>
<b>TOTAL ASSETS</b>		<b>176,455</b>	<b>160,594</b>

### 20.2.1.2. Liabilities and Stockholders' Equity

<b>LIABILITIES</b> <i>(in thousands of Euros)</i>	<b>Notes</b>	<b>31/12/2018</b>	<b>31/12/2017</b>
Capital	11	2,663	2,663
Retained earnings		7,581	7,581
Accumulated comprehensive income		77,036	71,032
Treasury stock	11	(133)	(155)
<b>GROUP EQUITY</b>		<b>87,147</b>	<b>81,121</b>
Non-controlling interests		279	464
<b>STOCKHOLDERS' EQUITY</b>		<b>87,426</b>	<b>81,585</b>
Loans and other long-term debts		5	
Provisions	12	3,577	3,315
Deferred taxes	15	0	32
<b>NON-CURRENT LIABILITIES</b>		<b>3,582</b>	<b>3,347</b>
Current liabilities			
Trade and other payables	13	21,734	19,703
Other debts	13	63,713	55,959
Current tax liabilities			
<b>CURRENT LIABILITIES</b>	14	<b>85,447</b>	<b>75,662</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		<b>176,455</b>	<b>160,594</b>

20.2.2. Income Statement and Statement of Comprehensive Income

<i>In thousands of euros</i>	Notes	31/12/2018	31/12/2017
<b>Revenue</b>	16	<b>231,697</b>	<b>209,316</b>
Purchases	17	(92)	(153)
Personnel costs	18	(101,249)	(96,557)
External costs	17	(99,820)	(81,577)
Taxes		(4,665)	(4,105)
Depreciation, Amortization		(3,370)	(3,508)
Provisions		42	(76)
Other income from operations and expenses		155	11
<b>CURRENT OPERATING INCOME</b>		<b>22,698</b>	<b>23,351</b>
Other operating income and expenses		329	(79)
<b>NET OPERATING INCOME</b>		<b>23,027</b>	<b>23,272</b>
Financial income	19	98	107
Financial Costs	19	(13)	(43)
<b>FINANCIAL INCOME</b>	19	<b>85</b>	<b>64</b>
Income tax	20	(7,852)	(7,349)
Share of profits of entities accounted for by the equity method		2	0
<b>NET INCOME FOR THE PERIOD</b>		<b>15,262</b>	<b>15,988</b>
Group share		15,087	15,800
Non-controlling interests	21	175	188

Basic earnings per share - Group share	22	2.27	2.37
Diluted earnings per share - Group share	22	2.27	2.37

<b>NET INCOME FOR THE PERIOD</b>		<b>15,262</b>	<b>15,988</b>
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### 20.2.3. Statement of Cash Flows

<i>In thousands of euros</i>	<b>31/12/2018</b>	<b>31/12/2017</b>
<b>NET RESULT OF THE PERIOD</b>	<b>15,262</b>	<b>15,988</b>
Net depreciation and provisions for risks and charges	2,924	2,685
Gains or losses on disposals of assets	2	17
Share of income from companies accounted for by the equity method	2	0
Other	(17)	(14)
Deferred taxes		
<b>AUTOFINANCING CAPACITY AFTER COST OF NET FINANCIAL DEBT AND TAXES</b>	<b>18,173</b>	<b>18,676</b>
Cost of net financial debt	(85)	(64)
Tax expense (including deferred taxes)	7,852	7,349
<b>SELFINANCING CAPACITY BEFORE COST OF NET FINANCIAL DEBT AND TAXES</b>	<b>25,940</b>	<b>25,961</b>
Taxes paid	(7,673)	(5,974)
Variation in WCR related to activity	4,339	1,917
<b>NET CASH FLOW GENERATED BY ACTIVITY</b>	<b>22,606</b>	<b>21,904</b>
Acquisitions of property, plant and equipment and intangible assets	(4,806)	(2,181)
Acquisitions of financial fixed assets net of disposals		
Proceeds from sale of assets	2	13
Variation deposit and suretyship	(84)	(12)
Impact of changes in scope	(1,650)	
<b>NET CASH FLOW RELATED TO INVESTMENT TRANSACTIONS</b>	<b>(6,538)</b>	<b>(2,180)</b>
Capital increase (including subscription of options)	40	
Redemptions and resales of own shares (net of IS)	(40)	(13)
Dividends paid to the shareholders of the parent company	(7,651)	(6,654)
Dividends paid to minority shareholders of subsidiaries		(200)
Dividends received (equity affiliates, non-consolidated securities)		
Loan repayment (including finance lease)	5	
Net interest paid (including finance lease)	85	64
Other flows related to financing operations	0	50
<b>NET CASH FLOW RELATED TO FINANCING OPERATIONS</b>	<b>(7,561)</b>	<b>(6,753)</b>
Impact of changes in currency rates	38	(31)
<b>Net cash flow</b>	<b>8,545</b>	<b>12,940</b>
<b>Cash at the opening</b>	<b>64,267</b>	<b>51,327</b>
<b>Cash at closing</b>	<b>72,812</b>	<b>64,267</b>

20.2.4. Consolidated Statement of Changes in Equity

<i>in thousands of Euros</i>	Capital	Reserves related to capital	Self-detained securities	Reserves and consolidated results	Equity - group share	Minority interests	Total owner's equity
<b>Equity at December 31, 2015</b>	<b>2,663</b>	<b>7,581</b>	<b>(123)</b>	<b>61,882</b>	<b>72,003</b>	<b>479</b>	<b>72,482</b>
Changes in capital stock and stock option plan							
Treasury stock operations			(32)	19	(13)		(13)
Dividends				(6,654)	(6,654)	(200)	(6,854)
Net income for the fiscal year				15,800	15,800	188	15,988
Change in scope of consolidation				13	13		13
Translation adjustments				(28)	(28)	(3)	(31)
<i>Sub-total Comprehensive income</i>				<i>15,785</i>	<i>15,785</i>	<i>185</i>	<i>15,970</i>
Other changes							
<b>Equity at December 31, 2017</b>	<b>2,663</b>	<b>7,581</b>	<b>(155)</b>	<b>71,032</b>	<b>81,121</b>	<b>464</b>	<b>81,585</b>
Changes in capital stock and stock option plan						40	40
Treasury stock operations			22	(63)	(41)		(41)
Dividends				(7,651)	(7,651)		(7,651)
Net income for the fiscal year				15,087	15,087	175	15,262
Change in scope of consolidation				(157)	(157)		(157)
Translation adjustments				41	41	(3)	38
<i>Sub-total Comprehensive income</i>				<i>(1,253)</i>	<i>(1,253)</i>	<i>(397)</i>	<i>(1,650)</i>
Other changes				<i>14,971</i>	<i>14,971</i>	<i>172</i>	<i>15,143</i>
Changes in capital stock and stock option plan							
<b>Equity at December 31, 2018</b>	<b>2,663</b>	<b>7,581</b>	<b>(133)</b>	<b>77,036</b>	<b>87,147</b>	<b>279</b>	<b>87,426</b>

## 20.2.5. General Information

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

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

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

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

The Consolidated Financial Statements were approved by the Board of Directors on March 6, 2019; they will be submitted for approval at the Annual General Stockholders’ Meeting on May 29, 2019.

## 20.2.6. Accounting Principles and Methods

### 20.2.6.1. Basis of presentation

The Consolidated Financial Statements have been prepared in accordance with IFRS international accounting principles and reporting standards applicable at December 31, 2018, available on the website: [http://ec.europa.eu/internal\\_market/accounting/ias/index\\_en.htm](http://ec.europa.eu/internal_market/accounting/ias/index_en.htm)

The data relating to the fiscal year 2017, given for comparative reasons, were prepared according to the same accounting principles and standards.

### **New standards and interpretations applicable as of January 1, 2018**

The impact of applying IFRS 15 “Revenue from Contracts with Customers” and IFRS 9 “Financial Instruments” from January 1, 2018 are described below.

The other standards and interpretations that apply from January 1, 2018, have no significant impact on the Group's consolidated financial statements as of December 31, 2018. They mainly concern:

- Amendments to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”;
- IFRIC 22 “Foreign Currency Transactions and Anticipated Consideration”;
- Annual improvements, 2014-2016 cycle.

### ***IFRS 15 “Revenue from Contracts with Customers”***

IFRS 15 is the reference framework for determining whether products are to be recognized, by what amount and when they should be recognized. It replaces the existing provisions on revenue recognition, in particular IAS 18 - Revenue, IAS 11 - Construction Contracts and their Interpretations. The Group has adopted IFRS 15 according to the full retrospective transition method. As a result, information related to 2017 has been reassessed.

The Group has applied the five-step revenue recognition approach as described by the standard. The main topics identified under IFRS15 relating to Infotel’s business concern the following points:

#### *- Principal or Agent*

The Group has conducted an analysis as to the nature of its relationship with clients to determine whether it acts as principal or as agent in the performance of the contract or part of the contract when the Group sells software or services. Under IFRS 15, the Group is now considered to be acting as principal if it verifies the goods or services before transferring them to its client.

The Group acts as the principal on all its client contracts. The first application of IFRS 15 therefore has no significant impact on the consolidated financial statements.

#### *- Costs of obtaining contracts*

The incremental costs of obtaining contracts are capitalized as “contract assets” and amortized over the life of the contract.

No incremental contract costs have been identified for the 2017 fiscal year.



### *Impact on the Group's consolidated financial statements.*

The impact on sales and other items in the 2017 consolidated financial statements, in application of IFRS 15, is not significant..

#### **IFRS 9 “Financial Instruments”**

The IFRS 9 “Financial Instruments” standard was published by the IASB on July 24, 2014 and adopted by the European Union on November 29, 2016. It defines new principles for the classification and measurement of financial instruments (component 1), credit risk depreciation for financial assets (component 2) and hedge accounting (component 3).

The Group has reviewed the characteristics and management methods of its financial assets in order to classify them according to the appropriate categories of IFRS 9. The Group's only financial assets are trade receivables and a cash deposit account. 12 months renewable with 4 million euros on December 31, 2017 and 29 million euros on December 31, 2018. The application of component 1 of IFRS 9 made no significant impact on the Group's consolidated financial statements.

IFRS 9 introduces a new provisioning model that recognizes provisions on financial assets based on expected credit losses. The Group has assessed the recoverability risk of its main financial assets (trade receivables) for its entire geographical area, taking into account the country risk and the probability of default by the counterparty. As a result of this analysis, which takes into account the nature of the Group's activities and those of its clients, the Group concluded that the application of this new model had no significant impact on the consolidated financial statements at the date of transition.

The Group has not used and does not use hedging instruments, and is not affected by the application of IFRS 9, part 3.

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The Group has not used and does not use hedging instruments, and is not affected by the application of IFRS 9, part 3.

#### **Standards and interpretations adopted by the IASB but not yet applicable as of December 31, 2018**

The Group did not apply any of the new standards and interpretations mentioned below that may concern it but which were not yet mandatory on January 1, 2018:

- IFRS 16 “Leases”;
- IFRIC 23 “Uncertainties Relating to Income Taxes”;
- Amendments to IAS 19 “Amendment, Reduction or Liquidation of a Plan”;
- Amendments to IFRS 9 “Early Redemption Provisions Providing Negative Compensation”;
- Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”;
- Annual improvements, 2015-2017 cycle.

Study of the impacts and practical consequences of applying these standards, amendments of norms and interpretations is currently underway.

#### **IFRS 16 “Leases”**

On January 13, 2016, the IASB issued IFRS 16, which will replace IAS 17 IFRIC 4, SIC 15 and SIC 27. IFRS 16, which came into force on January 1, 2019, requires a single method of accounting for tenants. The Group, as a tenant, will recognize:

- a “right of use” to the assets representing its right to use the underlying asset
- and a debt representative of its obligation to pay rent.

Exemptions are provided for short-term contracts and contracts for low-value assets.

The Group applies IFRS 16 from 1 January 2019 using the modified retrospective method. As a result, the cumulative impact of the application of IFRS 16 will be recognized as an adjustment to the balance of the consolidated reserves as at January 1, 2019 without restatement of the comparative period.

The Group planned to apply IFRS 16 to current contracts before January 1, 2019, which comply with the definition of a lease under IAS 17 and IFRIC 4. The Group also planned to apply certain permitted exemptions by IFRS 16.5, ie, not recognizing short-term lease agreements (less than 12 months) and leases of low-value assets on the balance sheet.

To determine the remaining term of the property leases, the Group conducted an analysis of its sites to take into account reasonably certain renewals to be exercised. The Group has used marginal debt ratios for the calculation of lease liabilities since January 1, 2019.

The Group has analyzed the potential impact of the application of IFRS 16 on its consolidated financial statements. Since January 1, 2019, the Group has recognized user rights and associated debts related to real estate leases, computer equipment and cars used by employees. Rental debt recognized on January 1, 2019 was expected to approach €11 million, a large portion of which comes from property leases.

Furthermore, the nature of the expenses incurred through leases will evolve in that IFRS 16 replaces the straight-line expense of operating leases with an amortization charge of right to use the underlying assets and the cost of interest on the associated lease debt.

In the cash flow statement, rent flows will be replaced by debt and interest repayment flows.

The final impacts resulting from the application of IFRS 16 as of January 1, 2019 will be updated and disclosed in the half-year financial report of June 30, 2019.

#### **IFRIC 23 “Uncertainties with respect to income taxes”**

IFRIC 23 complements the provisions of IAS 12 “Income Taxes” by specifying how to measure and account for uncertainties in income taxes. This interpretation is mandatory for annual periods beginning on or after January 1, 2019. The Group does not expect the opening of equity on January 1, 2019 to have any significant impact following the implementation of this interpretation.

#### **Amendments to IAS 19 “Amendment, Reduction or Liquidation of a Plan”**

Mandatory as of 1 January 2019 and subject to their approval by the European Union, the new amendments to IAS 19 specify that in the event of a change, reduction or liquidation of a defined benefit plan that occurred during the year, the cost of services rendered and the net interest should be revalued for the following period on the basis of the same assumptions used for the remeasurement of the net liability (asset). Asset cap requirements for this reassessment were clarified.

The analyzes carried out by the Group confirmed the consistency of the clarifications provided by the new amendments to IAS 19 with the methods and assumptions currently in force within the Group for the valuation of pension plans.

### 20.2.6.2. Accounting method

#### *Rules of consolidation and scope*

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

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

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

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

#### *Intra-group transactions removed from the financial statements*

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

#### *Foreign currency transactions*

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

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

#### *Financial statements of foreign subsidiaries*

Goodwill and fair value adjustments treated as assets and liabilities of the foreign entity are translated into euros by using the exchange rate prevailing the end of the fiscal year. Income and expenses of the foreign entity are translated into euros using the average rates that approximate the exchange rate at the dates of the transaction. Translation adjustments are offset in translation reserve, a separate component of stockholders' equity, and in non-controlling interests.

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

Exchange rate against EUR		Average exchange rate 2018	Average exchange rate 2017	Average exchange rate 2016	Rate at year-end 2017
US dollar	USD	0.86464	0.88624	0.90395	0.83382
Pound sterling	GBP	1.13027	1.14136	1.22432	1.12710

#### *Translation methods*

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

### 20.2.6.3. Use of estimates and assumptions

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

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

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

#### 20.2.6.4. Methods of valuation

##### *Goodwill*

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

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

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

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

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

##### *Intangible assets*

###### **Separately acquired assets**

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

###### **Internally generated assets**

In the application of IAS 38 *Intangible assets*:

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

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

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

##### *Tangible assets*

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

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

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

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

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

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

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

#### *Impairment of assets*

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

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

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

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

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

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

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

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

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

#### *Cash and cash equivalents*

Cash and cash equivalents include cash, demand deposits, and other investments held for the purpose of meeting short-term cash commitments.

IAS 7 defines cash equivalents as short-term, highly liquid investments that are easily convertible into a known amount of cash and subject to negligible risk of change in value.

The group holds cash and cash equivalents only on demand bank accounts and term accounts (ATC) that are renewable every month.

#### *Treasury shares and other equity instruments*

Shares held by the Group are recognized as a deduction from equity at their acquisition cost. Any profits or losses related to the purchase, sale, issue or cancellation of treasury shares are recognized directly in equity without affecting the result.

In addition, in accordance with IAS 32, shareholders' equity includes subordinated perpetual securities that meet the definition of an equity instrument.

#### *Employee benefits*

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

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

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

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

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

#### *Stock-based payment*

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

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

The cost of stock options and free stock plans is determined in relation to the fair value of the equity instruments granted, valued at the allocation date.

The fair value of free stock is determined in relation to the current market value at the allocation date, taking into account the potential dividends paid by the company between the allocation date and the vesting date.

The cost of transactions settled in stock is accounted as an expense, offsetting a corresponding increase in stockholders' equity, for the duration ending on the date on which the employee becomes fully entitled to the allocation. No expense has been recognized for benefits where the holders do not fulfil the conditions required to acquire a definitive claim.

This accounting is done by entry in "Personnel costs", offset directly in stockholders' equity under "Issue premiums".

#### *Provisions*

A provision is accounted for where there is an obligation to a third party arising before the end of the fiscal year and when the loss or liability is probable and can be assessed reliably.

#### *Accounts payable and other debts*

Accounts payable and other debts are assessed at their fair value during initial accounting, then at amortized cost.

#### *Accounting for turnover*

The applicable standard is IFRS 15 "Revenue from Contracts with Clients".

Revenue is recognized if a contract exists between Infotel and its client. A contract exists if it is probable that the Group will recover the payment to which it is entitled, the rights to goods or services and the terms of payment can be identified, and the parties to the contract are committed to fulfill their respective obligations. Revenue generated by contracts with clients is recognized as consideration for a contract asset or client receivable prior to actual payment.

#### Multi-element service contracts

The Group has to sign multi-element service contracts, which may involve a combination of different services. Revenue is recognized separately for each item when it is separately identifiable and the client can benefit from it, and if the service or good may be useful to the customer, either alone or in combination with resources that the customer can obtain separately.

When a contract contains several performance bonds, the price is allocated to each one on the basis of its individual selling price. This sales price is determined on the basis of the "catalog" price, including all the usual discounts, to which the Group sells its services and products. Otherwise, the Group estimates this selling price on the basis of cost plus margin.

#### Principal or Agent

Under IFRS15, the Group is considered to be acting as principal if it controls the goods or services before transferring them to its customer.

The Group acts as the principal on all its customer contracts.

## Accounting for revenue on a given date in time or continuously

Revenue is recognized when the Group transfers control of the goods or services sold to the client, either on a given date in time or continuously.

### **Contracts managed under the Software business include**

- the right to use (license) software and solutions;
- maintenance;
- associated services: installation, configuration, adaptation, training, etc.

The license is accounted for upon delivery, which must be considered fulfilled when all the contractual obligations have been met, i.e., when the services still remaining to be provided are not significant and unlikely to compromise the client's acceptance of the products delivered or services rendered.

Maintenance, usually billed in advance, is accounted for as the service is rendered.

### **Technical assistance services, consulting, training and projects provided on an ongoing basis**

The production is examined at each closing of accounts:

- services rendered but not yet or only partially invoiced are valued according to the contractual selling price and billable time spent. They are recorded as revenue and appear in the balance sheet under "Invoices to be prepared" and the heading "Accounts receivable and related accounts";
- Services billed but not yet fully performed are deducted from billed turnover and are recorded as liabilities on the balance sheet under "Deferred income" and "Other liabilities".

### **Services provided under the terms of a fixed price contract**

These contracts are characterized by a commitment in terms of price, compliance and time. Services corresponding to this type of contract are recorded according to the percentage of completion method, as follows:

- the turnover and the profit generated on the contract are recorded according to the Operational Managers' estimate of progress made, largely on the basis of hours billed by the consultants working on the contract at the end of the financial year;
- the percentage of a contract's completion is regularly monitored and estimated by the Operational Managers, relating the amount of costs incurred to the total estimated costs of the project;
- depending on the projects' progress, "Invoices to be issued" are entered in the "Accounts receivable and accounts receivable" item, when the invoicing is lower than the progress estimated by the Operational Managers, or "Deferred revenue" under "Other debts" when billing is greater than the progress estimated by the Operational Managers.
- Invoices to be settled and Deferred Income are assets and contract liabilities as defined by IRFS15. They are included in sales when the invoice is validated by the client for the invoices to be issued, and when the actual provision of services for the Prepaid Products has been completed.

## Contract Costs - Cost of Obtaining and Completing Contracts

The incremental costs of obtaining contracts are capitalized as "contract costs" and amortized over the life of the contract.

Transition and contract transformation costs that do not constitute a separate performance obligation are capitalized as contract assets if they relate to resources committed to meet future performance obligations in relation to the contract and if they are recoverable. Other costs incurred in obtaining or completing contracts are expensed as incurred.

### *Subsidies*

As part of the growth of its IT projects, the Group carries out research and development expenses and, as such, can benefit from a Research Tax Credit. IAS 20 requires companies to allocate government subsidies to the costs, charges or assets they are supposed to offset. The research tax credit is considered to be a public subsidy and must therefore be related either to development costs, which it partly offsets, or to other operating revenues.

### *Income tax*

Income tax (expense or income) includes the current tax expense or income and the deferred tax expense or income. Tax is recognized in profit or loss unless it relates to items that are recognized directly in equity in which case it is recognized in equity.

Current tax is the estimated amount of tax payable for taxable profit for a period, determined using tax rates that were enacted or substantively enacted at the balance sheet date, and any adjustment in the amount of tax payable for previous periods.

Deferred tax is determined using the liability method on the basis of the tax rates known at closing for all temporary differences between the carrying amount of assets and liabilities and their tax bases. The following items do not give rise to the recognition of deferred taxes:

- goodwill not tax deductible;
- the initial recognition of an asset or liability in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit;
- temporary differences related to investments in subsidiaries to the extent that they will not reverse in the foreseeable future.

The valuation of deferred tax assets and liabilities is based on the way in which the Group expects to recover or settle the carrying amount of assets and liabilities, using the tax rates that have been adopted or substantively enacted at the closing date.

A deferred tax asset is recognized only to the extent that it is probable that the Group will have future taxable profits against which this asset can be attributed. Deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable income will be available.

The additional tax resulting from the distribution of dividends is recognized when the dividends payable are recognized as liabilities.

On January 14, 2010, the Accounting Standards Authority (ANC) issued a notification related to the accounting treatment of the Value Added Contribution of Companies (CVAE), a component of the Territorial Economic Contribution. The ANC states that it is up to each company to exercise its judgment, given its own situation, to determine the qualification of the CVAE.

The Infotel Group considers that the CVAE recorded in its accounts falls within the scope of IAS 12.

As such, the consequences are the recognition of deferred income taxes for all temporary differences on all balance sheet assets and liabilities. It is specified that the depreciable assets representing at least future income taxable to the CVAE fall within the scope of IAS 12 for the recognition of deferred tax liabilities.

#### *Results by share*

Consolidated net income per share is calculated based on the weighted average number of common shares outstanding during the year.

Consolidated net income per diluted share is calculated based on the weighted average number of shares outstanding plus the number of shares that would result from the exercise of stock options and the number of bonus shares that may be granted.

#### *Segment information*

According to IFRS 8, the segment information is based on the internal management data used by the company Management.

An operating segment is a component of the entity:

- corresponding to an activity that can generate revenue and for which expenses are incurred, even when these revenues and expenses relate to other components of the entity;
- whose operating results are regularly reviewed by the entity's chief operating decision-maker in order to allow the allocation of resources to the various segments and the assessment of their performance;
- for which separate financial information is available.

The two sectors identified are therefore "Services" and "Software" as previously described.



## 20.2.6.5. Statement of facts and scope of consolidation

### Legal transactions

The OAIO company was created in the first half of 2018, and its activity began in July 2018.

### Characteristic operations

In March 2018, Infotel repurchased the entire minority stake in IBC for a total amount of €1,650,000, increasing its stake in IBC from 75% to 100%.

The purchase of Coach-IS was announced on February 11, 2019 and was finalized on March 5, 2019.

### Audits

- Infotel Conseil underwent a tax audit in 2012 for the fiscal years 2009 to 2011, which was completed in the second quarter of 2013. An adjustment offer of €2,531 k dealing essentially with the research tax credit (CIR) was received in 2013 and challenged. The tax authorities replied to this challenge in January 2015 with a new adjustment offer of €588 k. The amount requested is still in dispute. As a result, payment of this debt took place during the fiscal year. The company filed an appeal and awaits a hearing for the appeal.

### List of consolidated companies on December 31, 2018

Company name	Headquarters	SIREN No.	Consolidation method	% control	% interest	Country of activity
Infotel SA	Tour Gallieni II - 36 av du Général de Gaulle - 93170 Bagnole	317 480 135	Parent company - Head of the group			France
Infotel Conseil SA	13 rue Madeleine Michelis 92200 Neuilly sur Seine	344 122 262	IG	100%	100%	France
Infotel Business Consulting SAS	1 rue Garnier 92200 Neuilly sur Seine	530 823 020	IG	100%	100%	France
OAIO	13 rue Madeleine Michelis 92200 Neuilly sur Seine	838 059 152	IG	60%	60%	France
Archive Data Software	1, rue Claude Chappe 69370 Saint Didier au Mont d'Or	518 038 542	EM	33%	33%	France
Insoft Infotel Software GmbH	Sternstr. 9-11 40479 Düsseldorf	10357360260	IG	100%	100%	Germany
Infotel Corporation	PO Box 5158 Gulfport, FL 33737	592 644 116	IG	100%	100%	United States
Infotel Consulting UK	5 Jupiter Court Orion Business Park North Shields Tyne & Wear - NE29 7SE	09394161	IG	51%	51%	UK
Infotel Monaco	Panomara A-B 57 rue Grimaldi Monaco	01 S 03972	IG	100%	100%	Monaco

## 20.2.6.6. Notes on the financial position

### Note 1 – Goodwill

Table showing changes in goodwill

The movements during 2018 are as follows:

<i>In thousands of euros</i>	<b>12/31/2017</b>	<b>Changes in scope</b>	<b>Increase</b>	<b>Decrease</b>	<b>12/31/2018</b>
Infotel Conseil	9,200				9,200
Empeiria	770				770
Insoft Software GmbH	1,003				1,003
<b>Total</b>	<b>10,973</b>	-	-	-	<b>10,973</b>

### Impairment tests

Impairment testing on goodwill is carried out annually on December 31, or more regularly if there are indications of impairment loss.

The CGU value in use is determined by the discounted future cash flow method (DCF) according to the following principles:

- Cash flows are issued with operating forecasts stated by management for the coming fiscal year with the growth forecasts for the following three years;
- The discount rate is 9%;
- The terminal value is calculated by summation in perpetuity of the discounted future cash flows, determined on the base of a nominal cash flow and a continuous growth rate. This growth rate is in line with the development potential of markets in which the entity operates, as well as its concurrent position;
- The growth rate in perpetuity is 2%.

The resulting value in use is compared to the contributive value in the consolidated balance sheet of fixed assets, including goodwill. Impairment loss is recognized if this recoverable value is lower than the existing value entered in the accounts.

On December 31, 2018 the value test indicated that the goodwill is not overvalued and therefore, no impairment loss is allocated.

The business plan of the CGU Infotel Conseil shows an average growth rate in revenue of 9% over the three years and a slightly lower margin rate. On this basis, the thresholds from which impairment may have been shown are a discount rate of 352.43%, the other assumptions remaining constant.

The business plan of the CGU Insoft Software GmbH shows stagnation in its revenue over the last 3 years, and a similar result associated with the management of primarily personnel costs. On this basis, the thresholds from which impairment may have been shown are a discount rate of 26.39 % while the other assumptions remain constant.

### Breakdown of goodwill by CGU

The Group is segmented in Cash-Generating Units (CGU) in line with the operating organization and the management and reporting system. The group is organized in such a way that each subsidiary represents a CGU. For impairment testing requirements, from the acquisition date, the goodwill acquired in a business combination must be allocated to each of the acquirer's CGUs or groups of CGUs that are expected to benefit from business combination synergies, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Note 2 – Other intangible assets

<i>In thousands of euros</i>	12/31/2017	Changes in scope	Increase	Decrease	12/31/2018
<b>Assets</b>					
Customer relationships	2,489				2,489
Development costs	14,238		1,286		15,524
Patents and licenses	852		120		972
Application software			1,997		1,997
<b>Total</b>	<b>17,579</b>		<b>3,403</b>		<b>20,982</b>
<b>Amortizations</b>					
Customer relationships	2,394		95		2,489
Development costs	8,848		1,606		10,454
Patents and licenses	843		26		869
Application software			86		86
<b>Total</b>	<b>12,085</b>		<b>1,813</b>		<b>13,898</b>
<b>NET ASSETS</b>	<b>5,494</b>		<b>1,590</b>		<b>7,084</b>

The development costs recognized in the Group's assets during the fiscal year refer to Arcsys, HPU, Info Recovery, Merge Backup, iDBA, DB/IQ, InfoUnload and the Orlando application software. They are amortized over the probable life span of the project, which is generally seven years.

Note 3 – Tangible assets

<i>In thousands of euros</i>	31/12/2017	Changes in scope	Increase	Decrease	31/12/2018
<b>Assets</b>					
Buildings	31				31
Other assets	9,683		1,390		11,073
<b>Total</b>	<b>9,714</b>		<b>1,390</b>		<b>11,104</b>
<b>Amortizations, Depreciations</b>					
Buildings	31				31
Other assets	7,123		1,034		8,157
<b>Total</b>	<b>7,154</b>		<b>1,034</b>		<b>8,188</b>
<b>NET ASSETS</b>	<b>2,560</b>		<b>356</b>		<b>2,916</b>

Note 4 – Other financial assets

This includes mainly guarantee deposits.

Note 5 – Investments in companies accounted for using the equity method

<i>In thousands of euros</i>	Value at 31/12/2017	Dividends received	Income for the period	Others	Value at 31/12/2018
Archive Data Software	50		2		52
<b>Total</b>	<b>50</b>		<b>2</b>		<b>52</b>

Archive Data Software (100% share):

<i>(in thousands of euros)</i>	31/12/2018	31/12/2017
Revenue	897	857
Total for the year	5	1
Total balance sheet	679	599
Stockholders' equity	156	151

Note 6 – Accounts receivable

<i>(in thousands of euros)</i>	31/12/2018	31/12/2017
Accounts receivable	58,331	56,474
Doubtful debts	16	10
Invoices to be issued	11,056	8,967
Depreciation	(93)	(135)
<b>Net value</b>	<b>69,310</b>	<b>65,316</b>

Changes in impairment break down as follows:

<i>(in thousands of euros)</i>	31/12/2017	Changes in scope	Provisions	Use	Reversal	31/12/2018
Clients	135				42	93
<b>Provisions for impairment</b>	<b>135</b>				<b>42</b>	<b>93</b>

Statement of accounts receivable at 31/12/2018

Statement of accounts receivable at 31/12/2018	Total	not due	due, less than 30 days	due, less than 60 days	due, less than 90 days	due, more than 91 days
Accounts receivable	<b>69,310</b>	58,816	7,186	1,599	693	1,016
%	<b>100%</b>	85%	10%	2%	1%	1%

Statement of accounts receivable at 31/12/2017

Statement of accounts receivable at 31/12/2017	Total	not due	due, less than 30 days	due, less than 60 days	due, less than 90 days	due, more than 91 days
Accounts receivable	<b>65,316</b>	39,860	18,720	3,701	1,317	1,718
%	<b>100%</b>	61%	29%	6%	2%	2%

Note 7 – Other receivables

<i>In thousands of euros</i>	31/12/2018	31/12/2017
Fiscal and social security-related debts	4,589	3,470
Sundry debts	0	8
Prepaid expenses	2,406	2,016
Advances and advance payments	14	12
<b>Total</b>	<b>7,009</b>	<b>5,506</b>
Tax assets (including research tax credits)	<b>3,913</b>	<b>4,103</b>

Note 8 – Working capital requirements

<i>In thousands of euros</i>	31/12/2018	31/12/2017	Total change	Changes in scope	Change for the period
Accounts receivable	69,310	65,316	3,994		3,994
Suppliers	(21,734)	(19,703)	(2,031)		(2,031)
Fiscal and social security-related debts	(31,618)	(30,107)	(1,511)		(1,511)
Other debts	(25,086)	(20,295)	(4,791)		(4,791)
Vendor loans			0		0
<b>Working Capital Requirements</b>	<b>(9,128)</b>	<b>(4,789)</b>	<b>(4,339)</b>		<b>(4,339)</b>

A debt of €50 k appears in other debts corresponding to dividends to be paid to minority shareholders.

Note 9 – Cash and cash equivalents

<i>In thousands of euros</i>	31/12/2018	31/12/2017
Marketable securities	29,000	4,000
Cash on hand	43,812	60,267
<b>Cash assets</b>	<b>72,812</b>	<b>64,267</b>
Bank overdraft	0	0
<b>Cash liabilities</b>	<b>0</b>	<b>0</b>
<b>Net cash</b>	<b>72,812</b>	<b>64,267</b>

Note 10 – Financial instrument assets

<i>In thousands of euros</i>	12/31/2018		Analysis by instrument category		
	Value in balance sheet	Fair value		Value in balance sheet	Fair value
Non-current financial assets	831	831			831
Accounts receivable	69,310	69,310			69,310
Cash	72,812	72,812			72,812
<b>Total Assets</b>	<b>142,953</b>	<b>142,953</b>			<b>142,953</b>

<i>In thousands of euros</i>	12/31/2017		Analysis by instrument category		
	Value in balance sheet	Fair value		Value in balance sheet	Fair value
Non-current financial assets	748	748			748
Accounts receivable	65,316	65,316			65,316
Cash	64,267	64,267			64,267
<b>Total Assets</b>	<b>130,331</b>	<b>130,331</b>			<b>130,331</b>

Note 11 – Stockholders' Equity

Evolution of capital

The capital stock of Infotel at December 31, 2018 was €2,663 k. It comprised 6,656,955 fully paid-up shares with a par value of €0.40 per share.

There were no movements during the 2018 fiscal year.

## Treasury stock

<b>Movement in securities</b>	<b>31/12/2018</b>	<b>31/12/2017</b>
Number of securities held at the beginning of the fiscal year	2,950	3,062
Number of securities bought	84,130	87,876
Number of securities sold	83,649	87,988
Number of securities held at the end of the fiscal year	3,431	2,950

<b>Security value (in euros)</b>	<b>31/12/2018</b>	<b>31/12/2017</b>
Security value at the beginning of the fiscal year	155,145	123,264
Purchases of securities	4,166,981	4,103,686
Transfer of securities during the fiscal year	4,189,442	4,071,805
Security value at the end of the fiscal year	132,683	155,145

Transfers are valued at the average price at the time of exit

## Dividends

The Infotel Annual Stockholders' Meeting held on May 31, 2018 decided to distribute a dividend of €1.15 € per share. This dividend was issued for payment on June 8, 2018. The dividends for treasury stock are recorded as least equity. The net amount distributed is €7,651 k.

## Note 12 – Provisions for risks and charges

<i>(in thousands of euros)</i>	<b>31/12/2017</b>	<b>Changes in scope</b>	<b>Provisions</b>	<b>Use</b>	<b>Reversals</b>	<b>31/12/2018</b>
Litigation (social litigation)	90		5		30	65
Retirement bonuses	2,726	157	139			3,022
Seniority bonuses	499				9	490
Conversion gap						
<b>Provisions for risks and charges</b>	<b>3,315</b>	<b>157</b>	<b>144</b>		<b>39</b>	<b>3,577</b>

The provisions for disputes only include pay disputes.

The criteria held to determine the amount for pensions are as follows:

- Turnover for employees under 56 years:
  - 10% for Infotel Conseil employees
- Turnover for employees over 56 years:
  - 0.4% for the Group's entire workforce
- Discount rate: 1.63% for pensions (1.45% in 2017) and 1.33 % for the seniority bonus of 10 years (1.12% in 2017)
- Retirement age: 65 years
- Rate of increase in salaries for employees under 56 years: 2.5%
- No increase in salaries is planned for employees over 56 years
- Employer contribution rate: 45%.

The Group has taken out an insurance contract for pensions with an external organization since January 1, 2004 for Infotel and Infotel Conseil. The amount covered at December 31, 2018 was €75 k. The provision for severance pay on retirement was €3,022 k corresponding to the difference between the total commitment calculated according to the criteria established above, €3,097 k, and the fair value of the assets of the plan at December 31, 2018.

No supplementary payments were made to insurance organizations during the fiscal year.

The company has chosen to offset actuarial differences directly in the consolidated reserves.

Note 13 – Accounts payable and other current liabilities

Accounts payable and other current liabilities are distributed as follows:

<i>In thousands of euros</i>	31/12/2018	31/12/2017
Accounts payable	21,734	19,703
Fiscal and social security-related debts	36,207	33,577
Other debts	11	68
Unearned revenues	27,495	22,314
<b>Total</b>	<b>85,447</b>	<b>75,662</b>

All debts are less than one year old.

Note 14 – Financial instrument liabilities

<i>In thousands of euros</i>	31/12/2018		Analysis by instrument category			
	Value in balance sheet	Fair value	Fair value in income	Other debts	Debts at amortized cost	Derivative instruments
Suppliers	21,734	21,734		21,734		
Other debts	63,713	63,713		63,713		
<b>Total liabilities</b>	<b>85,447</b>	<b>85,447</b>		<b>85,447</b>		

<i>In thousands of euros</i>	31/12/2017		Analysis by instrument category			
	Value in balance sheet	Fair value	Fair value in income	Other debts	Debts at amortized cost	Derivative instruments
Suppliers	19,703	19,703		19,703		
Other debts	55,959	55,959		55,959		
<b>Total liabilities</b>	<b>75,662</b>	<b>75,662</b>		<b>75,662</b>		

Note 15 – Deferred taxes

<i>In thousands of euros</i>	31/12/2017	Changes in scope	Change for the period	31/12/2018
<b>Deferred tax assets</b>				
associated with employee benefits	806		72	878
associated with profit sharing	771		(94)	677
associated with temporary differences				
<b>Total</b>	<b>1,577</b>		<b>(22)</b>	<b>1,555</b>
<b>Deferred tax liabilities</b>				
- associated with offsetting of statutory provisions				
associated with customer relationships	32		(32)	0
- associated with adjustment of the loss in value on the exchange of securities				
associated with temporary differences				
- associated with CVAE				
<b>Total</b>	<b>32</b>		<b>(32)</b>	<b>0</b>

## 20.2.6.7. Notes on the Consolidated Income Statement

### Note 16 – Revenue

The Group's revenue comprises two activities:

- IT services for companies,
- Software publishing.

<i>In thousands of euros</i>	<b>2018</b>	<b>% total</b>	<b>2017</b>	<b>% total</b>
Services	223,329	96.39%	201,176	96.11%
Software	8,368	3.61%	8,140	3.89%
<b>Total</b>	<b>231,697</b>	<b>100%</b>	<b>209,316</b>	<b>100%</b>

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

<i>(as a percentage)</i>	<b>2018</b>	<b>2017</b>
Cost-plus services	31.7	33.4
Fixed-rate services and service desks	68.3	66.6
<b>Total</b>	<b>100</b>	<b>100</b>

Information regarding the revenue is given in section 20.2.6.8 “Segment reporting” on page 115.

### Note 17 – Purchases and external expenses

<i>In thousands of euros</i>	<b>2018</b>	<b>2017</b>
Sub-contracting	88,400	69,799
Other external expenses	11,420	11,778
Purchases	92	153
<b>Total</b>	<b>99,912</b>	<b>81,730</b>

### Note 18 – Staff costs and workforce

The average workforce of the Group for the year ending December 31, 2018 was 1 697 employees. For 2017, the average workforce for the Group was 1,580 employees. Given the nature of the activity, personnel is mainly made up of managers.

<i>In thousands of euros</i>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Remuneration	73,318	68,643	62,670
Social security costs	33,292	31,232	28,712
Profit sharing	2,033	2,313	1,814
Retirement bonuses	131	339	380
Provision for wage disputes	(25)	(5)	(40)
CICE wage tax credits	(2,887)	(3,241)	(2,527)
Capitalized development costs	(3,823)	(1,801)	(1,950)
CIR - Research tax credit for non-capitalized development projects	(115)	(266)	(457)
Amortization of research tax credit associated with development costs	(511)	(557)	(579)
CPAM and FAFIEC reimbursements	(164)	(100)	(102)
<b>Total Personnel Costs</b>	<b>101,249</b>	<b>96,557</b>	<b>87,921</b>



Furthermore, Article 66 of the amended Law no. 2012-1510 of December 29, 2012 for 2012 created the CICE wage tax credits. As such, proceeds of €2,887 k were accounted for in 2018, against €3,241 k in 2017, as a reduction in personnel costs in accordance with the memo of February 28, 2013 from the French Accounting Standards Authority (ANC).

*Note 19 – Financial result*

<i>In thousands of euros</i>	<b>2018</b>	<b>2017</b>
Interest paid on term deposits	92	52
Capital gains on transfer of marketable securities		
Interest on current accounts		
<b>Cash and cash equivalents</b>	<b>92</b>	<b>52</b>
Foreign exchange gains	6	55
Foreign exchange losses	(13)	(43)
<b>Other financial income/expenses</b>	<b>(7)</b>	<b>12</b>
<b>Financial result</b>	<b>85</b>	<b>64</b>

*Note 20 – Income tax*

The income tax expense results from

<i>In thousands of euros</i>	<b>2018</b>	<b>2017</b>
Tax payable for the year	5,804	5,580
Deferred corporate income taxes	(10)	(196)
CVAE	2,058	1,965
<b>Income tax</b>	<b>7,852</b>	<b>7,349</b>

The tax analysis is as follows:

<i>In thousands of euros</i>	<b>2018</b>	<b>2017</b>
Net profit before equity-accounted subsidiaries	15,264	15,988
Income tax	7,852	7,349
Profit before tax	23,116	23,337
Current corporate tax applicable to parent company	33.33 %	33,33 %
<b>Theoretical income tax</b>	<b>7,705</b>	<b>7,778</b>
Company vehicle tax and non-deductible amortizations	20	10
Non-deductible provision	0	18
Stock costs and expenses	38	32
Tax credits and fiscal subsidies	(1,171)	(1,169)
Monaco revenue	(177)	(189)
Infotel Corp revenue	70	(94)
Infotel UK Consulting Ltd revenue	(30)	(13)
Résultat Insoft Infotel Software	(6)	
Tax on dividends	0	(579)
Social security contribution on earnings (CSB)	145	159
CVAE net of corporate income tax	1,372	1,310
Corporate income tax rate variation	(69)	93
Others	(44)	(7)
<b>Actual income tax</b>	<b>7,852</b>	<b>7,349</b>

*Note 21 – Non-controlling interests*

The minority interests relate to OAIO, the company which is 40% owned by minority shareholders, and Infotel Consulting UK, which is 49% owned by minority interests.

Note 22 – Earnings per share

	2018	2017
Net profit (Group share):	15,262	15 800
Number of shares comprising capital stock	6,656,955	6,656,955
- of which are treasury stock	3,431	2 950
Average number of shares for the period	6,653,524	6,653,893
Basic earnings per share	2.27	2,37
Average number of potential outstanding stock options		
Average number of outstanding free shares		
Number of diluted shares of capital stock		
Diluted earnings per share	2,27	2,37

## 20.2.6.8. Segment reporting

The Infotel Group's activity is broken down into two segments: software and services.

*Net profit for the fiscal year by segment*

<i>in thousands of euros</i>	2018			2017		
	Software	Services	Total	Software	Services	Total
Revenue	8,368	223,329	231,697	8,140	201,176	209,316
Net Operating Income	3,262	19,765	23,027	3,216	20,056	23,272
Net income	2,204	13,058	15,262	3,052	12,936	15,988

*Breakdown of Software Products*

<i>In thousands of euros</i>	2018	2017
IBM royalties	4,343	4,600
Sales - Software Rental	1,447	910
Maintenance and Services associated with sales and rentals	2,578	2,630
<b>TOTAL</b>	<b>8,368</b>	<b>8,140</b>

*Breakdown of turnover Services*

<i>In thousands of euros</i>	2018	2017
Fixed price IT development services and service center	142,978	129,321
IT development service management	66,329	64,854
Project management assistance	9,974	7,001
Digitizing	4,048	0
<b>TOTAL</b>	<b>223,329</b>	<b>201,176</b>

*Distribution of revenue by geographical region*

<i>In thousands of euros</i>	2018	%	2017	%
France	210,455	90.9 %	186,552	89.1 %
Europe	16,319	7.0 %	17,547	8.4 %
United States	4,923	2.1 %	5,217	2.5 %
<b>Total</b>	<b>231,697</b>	<b>100 %</b>	<b>209,316</b>	<b>100 %</b>

Clients representing more than 10% of revenue

Only two clients represent more than 10% of consolidated revenue.

*Distribution of assets by segment*

<i>In thousands of euros</i>	31/12/2018		31/12/2017	
	Software	Services	Software	Services
Non-current assets	8,574	14,837	6,031	15,370
Current assets	17,053	135,991	17,093	122,099
<b>Total</b>	<b>25,627</b>	<b>150,828</b>	<b>23,124</b>	<b>137,469</b>

## 20.2.6.9. Supplementary information

### *Financial risk factors*

#### **Credit risk**

Regarding the credit risk for the Group's financial assets, notably customers, the Group's exposure is associated with the possible non-performance by third parties.

Customer accounts are continually monitored. The analysis of the maturity of these financial assets that are past-due and not written down is given in "Note 6 – Accounts receivable" page 108.

#### **Liquidity risk**

In accordance with the definition given by the French financial markets authority, AMF, the liquidity risk results from having an asset with a longer term than the liability, and translates to an inability to repay short-term debts in the event of being unable to mobilize assets or take out new credit lines.

The Group considers that it is not exposed to this risk, given the absence of borrowing and its surplus cash.

#### **Market risks**

##### *a. Interest rate risk*

Since the Group has no financial debt, it is not exposed to changes in interest rates.

##### *b. Foreign exchange risk*

The foreign exchange risk affects primarily IBM royalties, which are issued in US dollars, and the billing of royalties by the Group to the US subsidiary. This risk is not subject to specific coverage.

On December 31, 2017, the net value of assets and liabilities accounted for by the entities of the Group in currencies other than Euro stood at:

- for the dollar, at \$795 k or €694 k (\$1,187k or €990 k as of December 31, 2017). It consists solely of the net assets of the US subsidiary and the IBM royalties for the fourth quarter of 2018;
- for the pound sterling, £274 k or £306 k. It consists solely of the net assets of the English subsidiary.

##### *c. Equity risk*

The marketable securities held by the Group are exclusively in UCITS securities. The risk associated with the change in financial markets is, as a result, limited.

Moreover, Infotel held 3,431 shares of its treasury stock on December 31, 2018 for a total amount of €132,683 at an average price of €38.67.

### *Off-balance sheet commitments*

Real estate commitments are associated with leases according to the French regulation on commercial leases, called "3-6-9". These commitments are valued at the maximum commitment.

	Less than a year	Between 1 and 5 years	More than 5 years
Commercial lease commitments	2,334	7,597	3,192

To the Infotel Group's knowledge, no significant off-balance sheet commitments have been omitted from this list, in accordance with applicable accounting standards.

Statutory Auditors' fees

In €k	Audit Consultants Associés		Constantin Associés		Audit Consultants Associés		Constantin Associés	
	2018		2018		2017		2017	
	Amount (excl. taxes)	%	Amount (excl. taxes)	%	Amount (excl. taxes)	%	Amount (excl. taxes)	%
<b>Audit</b>								
- Statutory audit, certification and review of the individual and consolidated financial statements								
- Issuer	52	45	63	54	48	48	67	57
- Wholly consolidated subsidiaries	63	55	43	37	53	52	40	34
- Services other than the statutory auditor								
- Issuer								
- Wholly consolidated subsidiaries								
<i>Sub-total</i>	115	100	106	91	101	100	107	91
<b>Other Services Provided by the Networks to Wholly Consolidated Subsidiaries</b>								
- C.S.R			10	9			10	9
- Other (to be specified if > 10% of audit fees)								
<i>Sub-total</i>	0	0	10	9	0	0	10	9
<b>TOTAL</b>	115	100	116	100	101	100	117	100

*Current liabilities*

To our knowledge, there are no other liabilities that have had in the recent past, a significant impact on the activity, results, financial situation and holdings of the Infotel company and its subsidiaries.

*Events after the balance sheet date*

An allocation of 77,497 free shares was made on January 23, 2019.

*Transactions with related parties*

**Executive compensation**

The gross compensation allocated to management and for functions performed in the Infotel Group for 2018 was €1,024 k.

The Group has not assumed any commitment regarding post-employment benefits for its directors (pensions, severance pay, etc.).

**Other transactions**

There are no other transactions with associated parties.

## 20.3. CORPORATE FINANCIAL STATEMENTS

### 20.3.1. Balance Sheet – Assets

<i>Amounts in €</i>	<b>Gross</b>	<b>Amortization/ depreciation</b>	<b>Net at 31/12/2018</b>	<b>Net at 31/12/2017</b>
<b>ASSETS</b>				
<b>Intangible assets</b>				
Research and development costs	20,981,001	14,148,643	6,832,358	7,125,932
Concessions, patents and licenses	554,310	452,556	101,754	8,851
<b>Tangible assets</b>				
Buildings	31,278	31,278		
Other tangible assets	1,593,522	1,259,266	334,256	339,603
<b>Financial assets</b>				
Investments and associated debts	10,603,448		10,603,448	8,893,448
Other financial assets	104,468		104,468	103,938
<b>TOTAL FIXED ASSETS</b>	<b>33,868,027</b>	<b>15,891,742</b>	<b>17,976,285</b>	<b>16,471,772</b>
<b>Stocks</b>				
<b>Debts</b>				
Accounts receivable	2,069,804		2,069,804	1,411,663
Suppliers' debts	0		0	24
State, Income tax payable	3,946,273		3,946,273	4,069,354
State, Tax on revenue	330,604		330,604	448,739
Other receivables	200,000		200,000	9,641
<b>Others</b>				
Marketable securities	132,683		132,683	155,144
Cash on hand	9,013,939		9,013,939	8,863,571
Prepaid expenses	135,924		135,924	271,850
<b>TOTAL CURRENT ASSETS</b>	<b>15,829,227</b>		<b>15,829,227</b>	<b>15,229,987</b>
Translation adjustments - Assets				
<b>ACCRUALS</b>				
<b>TOTAL ASSETS</b>	<b>49,697,254</b>	<b>15,891,742</b>	<b>33,805,511</b>	<b>31,701,759</b>

### 20.3.2. Balance Sheet – Liabilities

<i>Amounts in €</i>	<b>Net at 31/12/2018</b>	<b>Net at 31/12/2017</b>
<b>LIABILITIES</b>		
Capital stock	2,662,782	2,662,782
Issue, merger, acquisition premiums, etc.	7,410,179	7,410,179
Statutory reserve	266,278	266,278
Other reserves	393,591	393,591
Retained earnings	8,686,806	7,897,153
<b>Total for the year</b>	<b>8,525,991</b>	<b>8,440,666</b>
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>27,945,627</b>	<b>27,070,650</b>
<b>TOTAL OTHER STOCKHOLDERS' EQUITY</b>		
<b>TOTAL PROVISIONS FOR RISKS AND EXPENSES</b>		
<i>Overdrafts and credit lines</i>	1,193	879
Loans and debts associated with credits	1,193	879
Loans and other financial debts - Affiliates	4,059,829	3,129,878
Accounts receivable	912,546	859,649
<i>Social security bodies</i>	54,731	146,246
<i>State, Tax on revenue</i>	113,850	45,130
<i>Other fiscal and social security-related debts</i>	28,434	16,430
Fiscal and social security-related debts	197,015	207,807
Secured liability on property		
Other debts		49,331
Unearned revenues	689,300	383,566
<b>TOTAL DEBT</b>	<b>5,859,884</b>	<b>4,631,109</b>
Translation adjustments - Assets		
<b>TOTAL LIABILITY</b>	<b>33,805,511</b>	<b>31,701,759</b>

### 20.3.3. Income Statement

<i>Amounts in €</i>	<b>31/12/2018</b>	<b>31/12/2017</b>
<b>Operating Revenue</b>		
Sale of commodities		
Production sold (goods)		
Production sold (services)	10,337,025	9,542,647
<b>Net Revenue</b>	<b>10,337,025</b>	<b>9,542,647</b>
Production left in stock		
Production capitalized		
Cash subsidies		
Write-backs of amortization and provisions, expenditure transfers	1,829,978	1,807,858
Other income	2	2
<b>Total Operating Revenue (I)</b>	<b>12,167,005</b>	<b>11,350,517</b>
<b>Operating Expenses</b>		
Purchase of commodities		
Change in stock		
Purchase of raw materials and other supplies		
Change in stock		
Other purchases and external expenses	6,105,604	5,770,227
Taxes and similar payments	193,780	148,961
Salaries	1,024,064	1,024,064
Social security costs	383,267	382,074
Operating costs:		
- On fixed assets: amortization	2,269,706	2,298,240
- On fixed assets: provisions		
- On current assets: provisions		
- For liabilities and charges: provisions		
Other costs	45,102	3,832
<b>Total Operating Expenses (II)</b>	<b>10,021,522</b>	<b>9,627,398</b>
<b>OPERATING INCOME (I - II)</b>	<b>1,723,119</b>	<b>1,723,119</b>
<b>Share of profit of shared operations</b>		
Allocated gain or transferred loss		
Sustained loss or transferred gain		
<b>Financial Income</b>		
Investments		6,750,000
Other securities and fixed asset receivables		
Other interests and income		25,789
Write-backs of provisions, expenditure transfers		
Positive currency fluctuations		
Net gains on disposal of trading securities		52,276
<b>Total Financial Income (V)</b>		<b>6,828,065</b>
<b>Financial Costs</b>		
Depreciation and amortization and transfer to provision		
Interest and associated costs		
Negative currency fluctuations		18,687
Net charges on disposal of trading securities	93,865	33,462
<b>Total Financial Costs (VI)</b>	<b>93,865</b>	<b>52,149</b>
<b>FINANCIAL INCOME (V - IV)</b>	<b>7,078,888</b>	<b>6,775,917</b>
<b>CURRENT INCOME BEFORE TAX (I-II+III-IV+V-VI)</b>	<b>9,224,371</b>	<b>8,499,036</b>

.../...



	31/12/2018	31/12/2017
<b>Exceptional Revenue</b>		
On management operations	81,953	
On capital operations		
Write-backs of provisions and expenditure transfers		
<b>Total Exceptional Revenue (VII)</b>	<b>81,953</b>	
<b>Exceptional Costs</b>		
Fines		
On management operations		
On capital operations		
Exceptional depreciation/amortization and transfer to provision		
<b>Total Exceptional Costs (VII)</b>		
<b>EXCEPTIONAL INCOME (VII-VIII)</b>	<b>81,953</b>	
Profit sharing (IX)		
Income tax payable (X)	780,333	58,370
<b>Total Revenue (I+III+V+VII)</b>	<b>19,421,712</b>	<b>18,178,582</b>
<b>Total Expenses (II+IV+VI+VIII+IX+X)</b>	<b>10,895,721</b>	<b>9,737,917</b>
<b>PROFIT OR LOSS</b>	<b>8,525,991</b>	<b>8,440,666</b>

## 20.3.4. Annex to the Annual Accounts

### 1. Accounting Principles

These annual accounts were prepared and presented in line with generally accepted accounting principles in France, with regards to the principles of prudence and independence of the fiscal years and assuming the principle of going concern. The assessment of the items accounted for was performed in reference to the historical cost method.

They were prepared in accordance with the accounting principles and standards and methods used for financial statements (French Regulation 2014-03 of the Accounting Standards Committee).

These annual accounts have been prepared by the Board of Directors on March 6, 2019.

The fiscal period covers the calendar year 2018. The notes and tables given above are an integrated part of the annual accounts.

Apart from the remuneration and dividends, there is no other relation with the directors. The information with the affiliated companies is specified at each individual level in the annexed notes.

#### Change in method

There has been no change in accounting method during the fiscal year ending December 31, 2017.

#### Use of estimates

In order to prepare the financial statements in line with the accounting standards applied in France, management is required to make estimates and assumptions that may impact the amounts reported in these financial statements. The real results may ultimately show significant differences to these estimates.

#### Development costs

Pursuant to the French Accounting Standards Authority (ANC) regulation no. 2014-03, Infotel records as intangible assets the development costs of software and amortizes them over the probable life span of the projects when they comply with activation criteria defined by Article 212-3:

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

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

Development costs that do not meet the activation criteria and research costs are recognized directly in expenses.

#### Software

Software and usage rights acquired with full ownership are recorded as assets and amortized on a straight-line basis from 1 to 3 years if their useful life is greater than one year.

#### Tangible assets

Tangible assets are accounted for at their acquisition cost.

Amortization is calculated on a straight-line basis for the expected useful life of the different categories.

The generally accepted amortization span is:

- |                                  |               |
|----------------------------------|---------------|
| • Buildings, facilities          | 10 years      |
| • Fixtures and fittings          | 4 to 10 years |
| • Furniture and office equipment | 3 to 8 years  |
| • IT equipment                   | 3 years       |
| • Transport equipment            | 5 years       |

### **Equity securities**

Equity securities are recorded at acquisition cost. A provision for impairment is accounted for if this value is greater than the value in use. The value in use is reviewed according to medium-term development prospects for securities and an assessment on the basis of the expected discounted future cash flow of the companies concerned.

### **Debts**

Debts are accounted for at par value. On a case by case basis, they are assessed for provision if their recovery appears to be compromised.

### **Stock options or stock options**

Stock option plans for Group employees are not accounted for at allocation date, rather they result, at the exercise date for their holders, in an increase in capital corresponding to the number of shares issued.

Given the conditions of issue of these options (option exercise period and exercise price), Infotel is not subject to social security contributions on stock options.

The Combined General Meeting of May 31, 2018 voted to authorize the Board of Directors to grant free shares to issue or existing shares of the Company to certain Company employees. A first tranche of 77,497 shares for 7 persons, representing 1.2% of the capital, was awarded by the Board of Directors on January 23, 2019.

### **Treasury stock**

The treasury stock acquired by the company is accounted for as securities. It is subject to impairment when the inventory value (based on the average market price over the last month before the end of the fiscal year) is less than the purchase price.

### **Pensions and other employee benefits**

The workforce of Infotel SA at December 31, 2018 comprised five people, all corporate officers.

According to the recommendations of the AFEP and the MEDEF, pensions and other employee benefits for company officers must be decided by the Board of Directors. Since the Board of Directors of Infotel SA has not made any decision on pensions or other benefits for company officers, no provision has been allocated.

### **Revenue Recognition**

The rules for taking into account the turnover are as follows:

Sale of software packages: the turnover is recorded during the installation and at the latest during the final acceptance.

Maintenance of software packages: invoices issued for maintenance are recognized prorata temporis over the duration of the contract and give rise to the recognition of deferred revenue.

IBM royalties: the revenue is made up of IBM royalties where quarterly accounting is done during collection. A provision is given at the end of the period. In the absence of information from IBM on the date of publication of the revenue, this provision is determined, for prudence purposes, by taking the lowest amount of royalties perceived during the last four quarters.

The Infotel Group does not have any revenue in countries with specific economic risks.

## 2. Notes annexed to the accounts

The figures given in the balance sheet are in euros. Those in the income statement are given in thousands of euros.

### a) Stockholders' equity

The changes in equity during the fiscal year were as follows:

<i>In €</i>	31/12/2017	Increase	Decrease	31/12/2018
Capital	2,662,782			2,662,782
Premiums	7,410,179			7,410,179
Statutory reserve	266,278			266,278
Other reserves	393,591			393,591
Retained earnings	7,897,153	8,440,666	7,651,013	8,686,806
Income for the previous year	8,440,666		8,440,666	
Total for the year		8,525,991		8,525,991
<b>TOTAL</b>	<b>27,070,650</b>	<b>16,966,657</b>	<b>16,091,679</b>	<b>27,945,627</b>

The changes in capital, premiums and reserves are attributed essentially to the following:

- Distribution of a dividend of €1.15 per share, (for 6,656,955 shares) for a total amount of €7,655,498 and €7,651,013 after removing dividends on treasury stock.

The capital stock, fully paid up, comprised on December 31, 2018, of 6,656,955 shares at cap €0.4, including 3,431 held by Infotel.

### Stock options

No stock option plan has been issued since 2016.

### b) Intangible assets

The changes in intangible assets, in gross values, are as follows:

<i>In €</i>	31/12/2017	Increase	Decrease	31/12/2018
Software acquired	435,57	119,153		554,310
Development costs	19,157,906	1,823,095		20,981,001
<b>TOTAL</b>	<b>19,593,063</b>	<b>1,942,248</b>		<b>21,535,311</b>

The development costs recognized in the Group's assets during the fiscal year refer to the following projects: Arcsys, HPU, MP, IDBA, HPU Z/OS, Merge Backup. They are amortized over the probable life span of the project, which is generally seven years.

The changes in amortization are as follows:

<i>In €</i>	31/12/2017	Increase	Decrease	31/12/2018
Software acquired	426,306	26,250		452,556
Development costs	12,031,974	2,116,669		14,148,643
<b>TOTAL</b>	<b>12,458,280</b>	<b>2,142,919</b>		<b>14,601,199</b>

### c) Property, plant and equipment

The changes in tangible assets, in gross values, are as follows:

<i>In €</i>	31/12/2017	Increase	Decrease	31/12/2018
Installations and facilities	31,278			31,278
Fixtures and fittings	697,898	40,534		738,432
Transport equipment	33,866			33,866
Office equipment	740,317	80,906		821,223
<b>TOTAL</b>	<b>1,503,359</b>	<b>121,440</b>	<b>0</b>	<b>1,624,799</b>

The changes in amortization are as follows:

<i>In €</i>	31/12/2017	Increase	Decrease	31/12/2018
Installations and facilities	31,277	1		31,278
Fixtures and fittings	462,686	60,311		522,996
Transport equipment	17,949	6,773		24,722
Office equipment	651,844	59,704		711,548
<b>TOTAL</b>	<b>1,163,757</b>	<b>126,789</b>	<b>0</b>	<b>1,290,544</b>

### d) Financial assets

The changes in financial assets, in gross values, are as follows:

<i>In €</i>	31/12/2017	Increase	Decrease	31/12/2018
Equity securities	8,893,448	1,710,000		10,603,448
Treasury stock	0			0
Guarantee deposits	103,938	530		104,468
<b>TOTAL</b>	<b>8,997,386</b>	<b>1,710,530</b>	<b>0</b>	<b>10,707,916</b>

Increases in shareholdings are linked to purchasing stock from the minority shareholders of Infotel Business Consulting in order to have 100% of the capital for €1,650,000 and acquire a 60% stake in a new partner, OAIO, a company focusing on digitization created in March 2018.

### e) Clients and related accounts

Accounts receivable of €2,069,804 corresponds to invoices issued and unpaid at the end of the fiscal year; the latter corresponding to licenses delivered and maintenance services performed at the end-date of the fiscal year. They were €1,411,663 at the start of the previous fiscal year.

Invoices to be issued totaled €732,442 at December 31, 2018, which corresponds to royalties to be billed to IBM for sales during the last quarter of 2018, calculated according to the method described above. Company credits stood at €648,518 at December 31, 2018.

### f) Other receivables

<i>in €</i>	31/12/2018	31/12/2017
Corporate income tax	3,946,273	4,069,354
Value added tax	330,604	448,739
Other receivables	200,000	9,641
Tax consolidation current account		
<b>TOTAL</b>	<b>4,476,877</b>	<b>4,527,758</b>

The corporate income tax is associated with the impact of tax consolidation and tax credits. Other receivables of €200,000 only correspond to a cash advance to our subsidiary OAIO.

### g) Prepaid expenses

They stood at €135,924 on 31 December 2018. This only includes operating expenses (rents, insurance, maintenance, etc.). They were €271,850 at the start of the previous fiscal year.

### h) Accounts receivable

<i>In €</i>	Gross amount	Maturities less than one year	Maturities more than one year
Fixed asset receivables			
Receivables associated with investment	0		
Loans	0		
Other financial assets	104,468		104,468
Current asset receivables			
Accounts receivable	2,069,804	2,069,804	
Other receivables	4,476,877	4,476,877	0
Prepaid expenses	135,924	135,924	
<b>TOTAL</b>	<b>6,787,073</b>	<b>6,682,605</b>	<b>104,468</b>

### i) Loans and other financial debts

The company does not have any loans.

Financial debts at December 31, 2018 were €4,059,829 as opposed to €3,129,878 at December 31, 2017. This results from down payments made by French subsidiaries for tax integration.

### j) Trade notes and accounts payable

Supplier debts and accounts payable stood at €912,546 on December 31, 2018, as opposed to €859,649 at the end of the previous fiscal year.

Invoices receivable totaled €380,919 at December 31, 2018. This figure represents general costs, where the due date is less than one year.

Debts to associated companies was €418,725.

### k) Fiscal and social security-related debts

Fiscal and social security-related debts (in €) are broken down as follows:

<i>In €</i>	2018	2017
Personnel	0	0
Social security bodies	54,731	146,245
VAT	113,850	45,130
Other taxes	28,434	16,431
<b>TOTAL</b>	<b>197,015</b>	<b>207,806</b>

Fiscal and social security-related debts have a maturity of less than one year.

## l) Other debts

There are no other debts as of December 31, 2018, compared to €49,330 at the end of the previous financial year (which only related to receipts received for a related business).

## m) Unearned revenues

At December 31, 2018, unearned revenues represented €689,300 corresponding to the pro rata spread of maintenance contracts and royalties from our subsidiary Infotel Corp. They were €383,566 at the end of the previous fiscal year.

## n) Debt maturity

<i>In €</i>	Gross amount	Maturities less than one year	Maturities more than one year	Maturities more than five years
Bank loans and other financial debts	1,193	1,193		
Loans and other financial debts	4,059,829	4,059,829		
Supplier debt	912,546	912,546		
Fiscal and social security-related debts	197,015	197,015		
Debts on fixed assets	0	0		
Other debts	0	0		
Unearned revenues	689,300	689,300		
<b>TOTAL</b>	<b>5,859,884</b>	<b>5,859,884</b>	-	-

## o) Operating Revenue

The breakdown of revenue by geographical region is as follows:

<i>En €k</i>	2018	2017
Non-group France	1,805,128	876,323
Non-group USA	4,342,788	4,600,079
Non-group Europe	191,664	216,956
Non-group Export (others)	0	0
<b>SUBTOTAL NON-GROUP</b>	<b>6,339,580</b>	<b>5,693,358</b>
Group France	3,641,330	3,371,922
Group USA	356,115	477,378
Group Europe		
<b>SUBTOTAL GROUP</b>	<b>3,997,445</b>	<b>3,849,300</b>
<b>TOTAL</b>	<b>10,337,025</b>	<b>9,542,658</b>

Infotel SA operates in a single activity segment, providing the commercialization of software. For its implementation, it may occasionally perform service provisions. At December 31, 2018, these provisions were €99,696 € as opposed to €124,201 in 2017.

Intra-group billing involves:

- in France, management fees of the Group and the rebilling of costs;
- in Europe and the USA, royalties associated with the sale of Infotel products abroad.

Provision writebacks and expenditure transfers of €1,829,978 concern the activation of research and development costs for €1,825,914 (against €1,801,888 in 2017).

#### **p) Financial result**

Financial assets were €7,172,753 as opposed to €6,828,065 in the previous period and consist of received dividends, interest on term deposits in Euros or US Dollars, gain from currency adjustments and capital gains on marketable securities or treasury stock.

In 2018, the company received €6,000,000 in dividends from Infotel Conseil, €600,000 from Infotel Business Consulting and €500,000 from Insoft Infotel Software GmbH.

Financial costs were €93,865 in 2017 as opposed to €52,148 in 2017. They only correspond to capital losses on treasury stock transfers.

#### **q) Foreign exchange risks**

The parent company assumes the currency risk on intra-group billing outside the Eurozone (essentially, Infotel Corporation) and on revenue with IBM. Foreign Infotel subsidiaries invoice their services in local currency.

The portion of the revenue that can be affected by a fluctuation in the US Dollar is about €4,698,903 or 45% of revenue (as opposed to 53% during the previous financial year).

#### **r) Income tax payable**

Net income tax for Infotel SA on profits was €780,333 in 2018, as opposed to €58,370 in 2017, determined pursuant to tax regulations and the applicable rates. This takes into account the cancellation of dividends contributions paid since 2013 for a total of €579,130.

Infotel SA is the head of a tax consolidation group consisting of the company Infotel Conseil. Tax consolidation generates additional income tax of €31,596 as shown in the Infotel SA accounts.

#### ***Increases and decreases in future tax liabilities***

There are no increases or decreases in future tax liabilities.

### **3. Workforce at the end of the fiscal year**

The workforce of Infotel at December 31, 2018 comprised a team of 5 people, all corporate officers.

### **4. Remuneration of management bodies**

The gross compensation allocated to management and for functions performed in the Infotel Group for 2017 was €1,024,064 k.

No advance or credit has been granted to the Company's officers during the 2018 financial year.

### **5. Statutory Auditors' fees**

The fees of the statutory auditors for 2018 were €125,033 including €115,003 for the consolidated financial statements and €10,000 for verifying consolidated corporate, environment and social information for the Management Report.

### **6. Commitments**

#### **Pensions and other employee benefits**

No supplementary plans or differential plans were implemented that involve future supplementary pension payments for Infotel, either as defined benefits or defined contributions.

#### **Financial commitments received or granted (including leasing)**

None



To the Company's knowledge, no significant off-balance sheet commitments have been omitted, in accordance with the applicable accounting standards.

## 7. Subsequent events

An allocation of 77,497 free shares was made on January 23, 2019.

## 8. List of subsidiaries and investments

The company Infotel SA is the parent company of the Infotel Group.

<i>In €k</i>	Infotel Conseil	Infotel Monaco	Infotel Corp	Infotel Business Consulting	OAI0	Archive Data Software	Insoft Infotel Software	Infotel UK
Capital	20,000	150	0.87	60	100	150	50	0.057
Stockholder's equity (excluding capital stock and earnings)	37,008	589	175	883	0	1	596	135
Holding	100%	100%	100%	100%	60%	33%	100%	51%
Gross book value of treasury stock	6,269	128	0.87	2,096	60	50	2,000	0,07
Net book value of treasury stock	6,269	128	0.87	2,096	60	50	2,000	0.07
Loans and advances granted	0	0	0	0	200	0	0	0
Guarantees and backing provided by the company	0	0	0	0	0	0	0	0
Revenue (excl. taxes)	218,350	2,956	662	7,003	2,017	897	942	2,555
Profit/loss	12,209	531	(211)	530	225	5	226	173
Dividends received by the company during the fiscal year	6,000	0	0	600	0	0	500	0

All of the companies close their annual accounts on December 31, 2018. All of the data presented is for 2018. OAI0 was set up in March 2018, and its business really began in July 2018.

The data for Infotel Corp. was converted at the following exchange rates:

- Average exchange rate of 1\$ = €0.86464 for the income statement and 1\$ = €0.87336 for equity.

The data for Infotel UK was converted at the following exchange rates:

- Average exchange rate of 1£ = €1.13027 for the income statement and 1\$ = 1.11790 € for equity.

## **20.4. STATUTORY AUDITORS' REPORT**

### **20.4.1. Statutory Auditors' Report on the Consolidated Accounts**

Fiscal year ending December 31, 2018

At the Stockholders' Meeting for the company Infotel,

#### **Opinion**

In execution of the mission entrusted to us by the general meeting, we have audited **Infotel's** consolidated financial statements for the year ended December 31, 2018, as attached to this report.

We certify that the consolidated financial statements are, in accordance with the IFRS as adopted in the European Union, regular and fair. They give a true and fair view of the results of the operations during the period as well as the financial position and assets of the group consisting of the persons and entities included in the consolidation at the end of the financial year.

The opinion expressed above is consistent with the content of our report to the Board of Directors performing the functions of the Audit Committee.

#### **Basis of audit opinion**

##### *Audit terms of opinion*

We have carried out our audit according to the professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The responsibilities incumbent upon us with respect to these standards are specified in the "*Responsibilities of statutory auditors relating to the audit of the consolidated financial statements*" of this report.

##### *Independence*

We have performed our audit assignment in compliance with the independence rules that apply to us for the period from January 1st, 2018 to the issuance date of our report, and in particular we have not provided information forbidden by article 5, paragraph 1, of the regulation (EU) No. 537/2014 or by the Code of Ethics for the profession of statutory auditor.

#### **Justification of our assessments - Key points of the audit**

According to the provisions of articles L. 823-9 and R. 823-7 of the Commercial Code relating to the justification of our assessments, we hereby draw your attention to the key points of the audit relating to risks of material misstatement that, in our professional judgment, were the most important for the audit of the consolidated financial statements for the fiscal year, as well as the responses that we have provided with respect to these risks.

The assessments were performed in the context of our audit of the consolidated financial statements, taken as a whole, and thus contribute to the expression of our opinion given above. We provide no opinion on the elements of these consolidated financial statements taken in isolation.

#### **Revenue accounting on fixed-price services**

##### *Risk identified*

As outlined in the section "*Revenue accounting*" of note 3.4 of the consolidated annex, the group performs its "Services" activity via most notably fixed-price contracts, which are generally broken down into a succession of short-term tasks and work, with a commitment in terms of price, compliance and deadline (service desks in particular). The services rendered are recorded according to the percentage-of-completion method.

For multi-year fixed price contracts, including Service Centers, revenue is recognized in accordance with IFRS 15 "Revenue from Contracts with Customers". Transfer of control of the performed service is carried out as and when applicable..

For multi-element service contracts, which may be a combination of different services, revenue is recognized separately for each performance obligation and identified when the control of the services is transferred to the client. The revenue recognized depends on the estimated total price of the transaction and its allocation to the different elements of the contract.

A contract's percentage of completion is regularly monitored and estimated by the Operational Managers who compare the amount of costs incurred to the total estimated costs of the project. An incorrect estimate of the estimated costs and the progress of the contracts would be likely to distort the amounts of revenue and margin recognized.

We considered that accounting for sales and associated costs on fixed-price contracts was a key aspect of the audit in that (i) these contracts represent a very significant portion of consolidated sales, (ii) the estimated progress and costs on these contracts are based on operational assumptions, and (iii) their estimation has a direct impact on the level of revenue and margin recognized in the consolidated financial statements.

#### *Our audit approach*

We reviewed the internal control system relating to contract accounting. We tested the effectiveness of the key controls implemented by the Operations Managers and the Management (including validation of the time spent and verification of billing in subsequent periods of all outstanding amounts related to the services provided).

For a sample of randomly selected contracts from the Contract Operational Tracking Application:

- We compared the data from the operational monitoring application with the accounting;
- We had a meeting with the Operational Managers to understand how they determined what remained to be completed and the stage of the contract on which the revenue and margin would be calculated;
- We reconciled the sales data with the contractual data and obtained, when required, the confirmation of the progress of the contract validated by the clients.

#### ***Checking the group information provided in the management report***

In line with the professional standards applicable in France, we also carried out the specific verification required by law of the information relating to the group given in the Board of Directors' management report.

We have no comments to make as to their fairness and consistency with the consolidated financial statements.

#### ***Information resulting from other legal and regulatory requirements***

##### **Appointment of auditors**

We were appointed auditors of INFOTEL by the general meeting of May 26, 2010 for Constantin & Associés and by that of December 7, 2011 for Audit Consultants Associés.

As of December 31, 2018, Constantin & Associés was in the 9th year of its uninterrupted mission and Audit Consultants Associés in its 8th year.

#### ***Responsibilities of Management and Corporate Governance Officers in the Consolidated Financial Statements***

It is the management's responsibility to prepare consolidated financial statements that present a true and fair view in line with IFRS requirements as adopted in the European Union, as well as to implement the internal control that it deems necessary for the preparation of consolidated financial statements and that there is no material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, to present in these accounts, as appropriate, the necessary information relating to the continuity of operations and apply the going concern accounting policy unless it is intended to wind up the company or cease trading.

The Board of Directors performing the functions of the Audit Committee is responsible for following the process of preparing financial information and for monitoring the effectiveness of the internal control and risk management systems, as well as, where applicable, an internal audit, as regards the procedures relating to the preparation and processing of accounting and financial information.

The consolidated financial statements were approved by the Board of Directors.

## **Responsibilities of the Statutory Auditors Relating to the Audit of Annual Financial Statements**

### **Audit goal and procedure**

It is our responsibility to prepare a report on the annual financial statements. Our goal is to obtain a reasonable assurance that the annual financial statements taken as a whole are free from material misstatements. Reasonable assurance corresponds to a high level of assurance, without however guaranteeing that an audit performed in accordance with auditing standards allows for systematic detection of material misstatements. Misstatements can arise from fraud or error and are considered material when there is a reasonable expectation that they could, individually or together, influence the economic decisions of users of the accounts made based on these accounts.

As specified in article L. 823-10-1 of the Commercial Code, our account certification mission is not to guarantee the viability or the quality of the management of your company.

Within the framework of an audit performed in compliance with the auditing standards generally acceptable in France, the statutory auditors exercised their professional judgment throughout this audit. In addition:

- The statutory auditors identify and assess the risks that the annual financial statements include material misstatements, whether they arise from fraud or error, define and implement the audit procedures given these risks, and gather the elements they deem sufficient and appropriate in order to form an opinion. The risk of non-detection of a material misstatement arising from fraud is higher than that of a material misstatement arising from error, as fraud can involve collusion, falsification, voluntary omissions, false declarations or overriding of internal controls;
- They obtain an understanding of the internal control relevant to the audit to define the suitable audit procedures in the circumstances, and not with a view to expressing an opinion on the efficiency of the internal controls;
- They assess the suitability of the accounting methods used and the reasonable nature of the accounting estimations made by the Executive Management, as well as the information concerning them provided in the annual financial statements;
- They evaluate the suitable nature of application by the Executive Management of the accounting policy concerning the ability to continue as a going concern and, according to the elements collected, the existence or otherwise of a significant uncertainty linked to events or circumstances likely to jeopardize the company's ability to continue as a going concern. This evaluation is based on elements collected up to the date of its report, bearing nonetheless in mind that subsequent circumstances or events could jeopardize the company's ability to continue as a going concern. If they conclude that a significant uncertainty exists, they draw the attention of the readers of the report to the information provided in the annual financial statements with respect to this uncertainty, or, if this information is not provided or not relevant, they formulate another certificate with qualifications or refuse to certify
- They evaluate the presentation of the annual financial statements as a whole and assess whether the annual financial statements reflect the underlying operations and events so as to give a true and fair representation;
- Concerning the financial information of the persons or entities included in the scope of consolidation, they collect items that it deems sufficient and appropriate to express an opinion on the consolidated financial statements. It is responsible for the management, supervision and performance of the audit of the consolidated financial statements and the opinion expressed on these accounts.

### **Report of the Board of Directors Fulfilling the Functions of the Audit Committee**

We provide a report to the Board of Directors fulfilling the functions of the Audit Committee that contains in particular the extent of the work related to the audit and work program implemented, as well as the conclusions resulting from our work. We also draw to its attention, where appropriate, to the significant weaknesses in the internal control procedure that we have identified with respect to procedures relating to the development and processing of accounting and financial information.

The report given to the Board of Directors fulfilling the functions of the Audit Committee includes the risks of material misstatements that we deem the most significant for the audit of the annual financial statements for the fiscal year and that thus constitute the key points of the audit, that we are responsible for describing in this report.

We also provide the Board of Directors fulfilling the functions of the Audit Committee the declaration stipulated in article 6 of regulation (EU) No. 537-2014 confirming our independence, in the sense that the rules applicable in France as they are set out in particular in articles L. 822-10 to L. 822-14 of the Commercial Code and in the Code of Ethics for the profession of statutory auditor. Where appropriate, we discuss with the Board of Directors fulfilling the functions of the Audit Committee the risks to our independence and the safeguards applied.

Paris et Paris-La-Défense, April 26 2019

The Statutory Auditors

Audit Consultants Associés

Sarkis Canli

Constantin Associés  
Member of Deloitte Touche Tohmatsu Limited

Mireille Berthelot

## 20.4.2. Statutory Auditors' report on the annual accounts

Financial year ended December 31, 2018

At the General Meeting of Infotel,

### **Opinion**

In execution of the mission entrusted to us by the general meeting, we have audited the financial statements of Infotel for the year ended December 31, 2018, as attached to this report.

We certify that, in the light of French accounting rules and principles, the annual accounts are fairly and accurately presented, giving a true and equitable view of the results which reflect the operations of the past financial year as well as the company's financial position and assets at the end of this exercise.

The opinion formulated above is consistent with the content of our report to the board of directors exercising the missions of the specialized committee referred to in Article L.823-19 of the French Commercial Code..

### **Basis of opinion**

#### **Audit reference system**

We conducted our audit in accordance with professional standards applicable in France. We believe that the evidence we have collected is sufficient and appropriate to provide a basis for our opinion.

The responsibilities incumbent upon us according to these standards are set out in the section "Auditors' responsibilities for auditing the annual accounts" in this report.

#### **Independence**

We conducted our audit mission in accordance with the rules of independence applicable to us, from January 1, 2018 to the date of our report, and in particular we did not provide any services prohibited by Article 5 (1) of Regulation (EU) No 537/2014 or Code of Ethics for members of the External Auditor profession.

### **Justification of the assessments - Key points of the audit**

Pursuant to the provisions of Articles L.823-9 and R.823-7 of the French Commercial Code relating to the justification of our assessments, we draw your attention to the key points of the audit relating to the risks of material misstatement which, according to our professional judgment, were of greatest importance for the audit of the annual accounts of the year, as well as the responses we have provided to manage these risks.

The assessments thus made fall within the context of the audit of the annual financial statements taken as a whole and the formation of our opinion expressed above. We do not express an opinion on individual items contained in these separate annual accounts.

### **Valuation of equity securities**

#### *Identified risk*

As explained in the note entitled "Participating interests" in the accounting principles of the appendix, equity investments are recorded in the balance sheet at their acquisition cost. A provision is recognized if this value is greater than the value in use. The value in use is assessed according to the medium-term development prospects of the investments and a discounting of the estimated operating cash flows of the companies concerned, adjusted by the amount of the net cash position at the closure.

Equity securities represent a significant amount of the balance sheet and the determination of their value in use requires the exercise of management's judgment in determining the parameters taken into account, particularly cash flow forecasts and the interest rates used.

We therefore considered the assessment of the value used for equity securities to be a key aspect of our audit.

### *Our audit approach*

We have taken note of the work relating to the impairment tests implemented by the Company. Our work consisted of assessing the reasonableness of the estimate of the value in use of the equity securities, based on the information provided to us. Our work consisted mainly of:

- taking note of the methods for calculating the value in use, and in particular the net cash flow forecasts;
- assessing and reviewing the reasonableness of the assumptions of sales, operating income, working capital requirements and investment expenditures used for these forecasts of net cash flow by conducting interviews with management, by comparing the forecasts retained for previous periods with the achievements, and an assessment of the assumptions used in the projections considered in the business plans approved by the General Management;
- analyzing the main assumptions with regard to available market data;
- reviewing the discount rates used by the company, with the support of our specialists.

### **Specific verifications**

In accordance with the professional standards applicable in France, we have also performed the specific verifications required by the legal and regulatory texts.

### **Information provided in the management report and the other documents on the financial position and annual accounts addressed to the shareholders**

We have no issues to report as to the fair presentation and consistency with the financial statements of the information provided in the board of directors' management report and other documents on the financial position and annual accounts addressed to the shareholders.

We certify the fairness and consistency with the financial statements of the information relating to the payment periods mentioned in Article D.441-4 of the French Commercial Code.

We certify that the non-financial performance declaration provided for by Article L. 225-102-1 of the French Commercial Code is included in the management report, it being specified that, in accordance with the provisions of Article L. 823-10 of this code, the information contained in this declaration has not been the subject of our verifications of fairness or consistency with the annual accounts.

### **Corporate governance information**

We certify that, in the section of the management report of the Board of Directors devoted to corporate governance, all the information required by Articles L. 225-37-3 and L. 225-37-4 of the Code of business is included.

With regard to the information provided in application of the provisions of Article L. 225-37-3 of the French Commercial Code on compensation and benefits paid to corporate officers as well as on the commitments made in their favor, we verified their agreement with the financial statements or with the data used to draw up these accounts and, where applicable, with the information collected by your company from companies controlling or controlled by your company. On the basis of this work, we certify the accuracy and sincerity of this information.

### **Other information**

In accordance with the law, we have ensured that the various items of information relating to the acquisition of equity interests and control, to the identity of the holders of the capital or the voting rights and to the reciprocal participations were communicated to you in the management report.

### **Information resulting from other legal and regulatory requirements**

#### **Appointment of auditors**

We were appointed auditors of INFOTEL by the general meeting of May 25, 2010 for Constantin & Associés and by that of December 7, 2011 for Audit Consultant Associés.

On December 31, 2018, Constantin & Associés was in the 9th year of its mission without interruption and the firm Audit Consultant Associés in its 8th year.

### **Responsibilities of the management and those constituting the corporate governance with regard to the annual accounts**

The management is responsible for preparing annual accounts that present a true and fair view in accordance with French accounting rules and principles and to set up the internal control it deems necessary for the preparation of annual accounts that do not contain any significant anomalies, whether they are the result of fraud or errors.

When preparing the annual accounts, it is the responsibility of management to assess the ability of the company to continue as a going concern, to present in these accounts, where appropriate, the necessary information relating to the continuity of operations and apply the going concern accounting policy unless it is intended to wind up the company or cease trading.

The board of directors exercising the missions of the specialized committee referred to in Article L.823-19 of the Commercial Code is responsible for following the process of preparing financial information for monitoring the effectiveness of the internal control systems and risk management, as well as, where appropriate, an internal audit, with regard to the procedures relating to the preparation and processing of accounting and financial information.

The annual accounts have been adopted by the Board of Directors.

### **Responsibilities of the Statutory Auditors relating to the audit of the annual accounts**

#### **Audit objective and approach**

It is our responsibility to prepare a report on the annual accounts. Our objective is to obtain reasonable assurance that the financial statements taken as a whole do not contain any material misstatements. Reasonable assurance is a high level of assurance, but it does not guarantee that an audit performed in accordance with professional standards will systematically detect any material misstatement. Anomalies may arise from fraud or error and are considered significant when it can reasonably be expected that they, taken individually or in combination, may influence the economic decisions that account users take in their business if based on these.

As specified by Article L.823-10-1 of the French Commercial Code, our mission to certify accounts is not to guarantee the viability or the quality of the management of your company.

As part of an audit conducted in accordance with the professional standards applicable in France, the statutory auditor exercises his professional judgment throughout this audit. Furthermore:

- he identifies and assesses the risks that the annual accounts contain material misstatements, whether due to fraud or error, defines and implements audit procedures to address these risks and collects evidence that he considers sufficient and appropriate on which to base his opinion. The risk of not detecting a significant anomaly from fraud is higher than that of a significant misstatement resulting from an error, as the fraud may involve collusion, forgery, voluntary omissions, misrepresentation or circumventing internal control;
- he becomes aware of the internal control relevant to the audit in order to define appropriate auditing procedures in the circumstances and not to express an opinion on the effectiveness of internal control;
- he assesses the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as the information concerning them provided in the annual accounts;
- he assesses the appropriateness of management's application of the going concern accounting policy and, depending on the evidence gathered, the existence or otherwise of significant uncertainty related to events or circumstances that could compromise the company's ability to continue as a going concern. This assessment is based on the information collected up to the date of its report, although it is recalled that subsequent circumstances or events could jeopardize the continuity of operations. If he concludes that there is significant uncertainty, he draws the attention of the readers of his report to the information provided in the annual accounts concerning this uncertainty or, if this information is not provided or is not relevant, he formulates a qualified certification or a refusal to certify;
- he assesses the overall presentation of the annual accounts and assesses whether they reflect the underlying transactions and events in a way that accurately gives a true and fair view of them.

#### **Report to the Board of Directors exercising the missions of the specialized committee referred to in Article L.823-19 of the French Commercial Code**

We submit a report to the board of directors exercising the missions of the specialized committee referred to in Article L.823-19 of the Commercial Code, which sets out in particular the scope of the auditing work and the working program implemented, as well as conclusions we draw from our work. We also indicate, where appropriate, any significant weaknesses of internal control that we have identified with respect to the procedures relating to the preparation and processing of accounting and financial information.

Among the items disclosed in the report to the Board of Directors exercising the tasks of the specialized committee referred to in Article L.823-19 of the French Commercial Code, are the risks of material misstatements that we consider to have been the most important for the audit of the annual accounts for the financial year. These are therefore the key points of the audit and it is our responsibility to describe them in this report.

We also provide the board of directors carrying out the tasks of the specialized committee referred to in Article L.823-19 of the Commercial Code the declaration provided for by Article 6 of Regulation (EU) No 537-2014 confirming our independence within the meaning of the rules applicable in France as laid down in particular by Articles L.822-10 to L.822-14 of the French Commercial Code and in the Code of Ethics of the profession of statutory auditor. If necessary, we discuss with the board of directors exercising the missions of the specialized committee referred to in Article L.823-19 of the Code of Commerce, any risks to our independence and the safeguard measures therefore applied.



Paris and Paris-La-Défense, April 26, 2019

The Statutory Auditors

Audit Consultants Associés

Sarkis Canli

Constantin Associates

Member of Deloitte Touche Tohmatsu Limited

Mireille Berthelot

### **20.4.3. Special Report from the Statutory Auditors regarding the regulated agreements and commitments**

Financial year ended December 31, 2018

At the General Meeting of Infotel,

In our capacity as Statutory Auditors of your company, we present to you our report on regulated agreements and commitments.

It is our responsibility to communicate to you, on the basis of the information given to us, the characteristics, the essential terms and the reasons justifying the interest of the Company in the agreements and commitments of which we have been informed or that we have discovered on the occasion of our mission, without having to pronounce on their usefulness and their merits nor to seek the existence of other conventions and engagements. It is your responsibility, pursuant to article R.225-31 of the French Commercial Code (Code de commerce), to assess the benefits arising from the conclusion of these agreements and commitments with a view to their approval.

Furthermore, it is our responsibility, if applicable, to provide you with the information provided for in Article R.225-31 of the French Commercial Code relating to the execution, during the past financial year, of the agreements and commitments already approved by the general assembly.

We performed the due diligence that we considered necessary in accordance with the professional standards of the National Company of Auditors for this engagement. These procedures consisted in verifying the concordance of the information given to us with the basic documents from which it came.

#### **Conventions and commitments submitted to the General Assembly for approval**

##### ***Agreements and commitments authorized during the past financial year***

We inform you that we have not been given notice of any agreement or commitment authorized during the past financial year to be submitted for the approval of the general meeting pursuant to the provisions of Article L. 225-38 of the French Commercial Code.

#### **Conventions and commitments already approved by the General Assembly**

We inform you that we have not been given notice of any agreement or commitment already approved by the general meeting whose execution would have continued during the past financial year.

Paris and Paris-La-Défense, April 26, 2019

The Statutory Auditors

Audit Consultants Associés

Sarkis Canli

Constantin Associates  
Member of Deloitte Touche Tohmatsu Limited

Mireille Berthelot

## **20.5. DATE OF LAST FINANCIAL DISCLOSURE**

The last year for which financial information was verified is the fiscal year ending December 31, 2018.

## **20.6. INTERMEDIATE FINANCIAL INFORMATION**

The Company publishes its financial information each quarter. The last disclosure was for the results for the year 2018, published on March 6, 2019. This disclosure was assessed and audited by the statutory auditors.

## **20.7. DIVIDEND POLICY**

It is the Company's desire to pay dividends, although it has not implemented a strict policy for the distribution of profits between dividends and financing its activities.

Since its listing on the stock market, Infotel has always issued a dividend.

In previous years, these dividends amounted to:

- 2015: €1 dividend per share;
- 2016: €1 dividend per share;
- 2017: €1.15 dividend per share

The Board of Directors will offer at the Annual Stockholders' Meeting on May 29 2019 a dividend distribution of 1.6 € per share.

Dividends not claimed within 5 years of the date of payment are paid over to the State (Article 2277 of the French Civil Code).

## **20.8. LEGAL PROCEEDINGS AND ARBITRATION**

To date, there are no governmental or legal proceedings or arbitration, including any proceedings that the Company is aware of, that are pending or are threatened, which may have or have had over the last 12 months a significant impact on the financial position or profitability of the Company.

## **20.9. MAJOR CHANGES IN THE FINANCIAL OR COMMERCIAL POSITION**

No significant changes in the financial or business situation of Group have taken place since the end of the last fiscal year.

## 21. SUPPLEMENTARY INFORMATION

### 21.1. CAPITAL STOCK

At December 31, 2018, the capital stock was €2,662,782 divided into 6,656,955 shares of 0.4 euros each.

#### 21.1.1. Changes in capital stock since the incorporation of the Company

Date	Transaction nature	Increase in capital	Contribution / issue premium	Total number of shares	Par value	Capital amount
December 31, 1979	Incorporation	150,000 F	0	1,500	100 F	150,000 F
June 3, 1982	Capitalization of reserves	450,000 F	0	1,500	400 F	600,000 F
June 7, 1983	Capitalization of reserves	1,800,000 F	0	1,500	1,600 F	2,400,000 F
June 17, 1987	Capitalization of reserves	900,000 F	0	1,500	2,200 F	3,300,000 F
June 17, 1987	Par value split by 22		0	33,000	100 F	3,300,000 F
May 30, 1988	Capitalization of reserves	1,200,000 F	0	45,000	100 F	4,500,000 F
December 31, 1992	Contributions in cash (1)	14,800 F	525 F	45,148	100 F	4,514,800 F
December 31, 1995	Contributions in cash (1)	33,200 F	525 F	45,480	100 F	4,548,000 F
July 8, 1998	Capitalization of reserves	4,548,000 F	0	90,960	100 F	9,096,000 F
July 8, 1998	Par value split by 10		0	909,600	10 F	9,096,000 F
January 21, 1999	Contributions in cash	2,550,000 F	165.99 F	1,164,600	10 F	11,646,000 F
May 31, 2001	Capitalization of reserves	3,632,550 F	0	1,164,600	13.11 F	15,278,550 F
December 31, 2003	Contributions in cash (1)	€4,000	€7.91	1,166,600	€2	€2,233,200
December 31, 2004	Contributions in cash (1)	€17,000	€7.91	1,175,100	€2	€2,350,200
December 31, 2005	Contributions in cash (1)	€22,160	€24.58	1,186,180	€2	€2,372,360
December 31, 2006	Contributions in cash (1)	€7,876	€28.46	1,204,140	€2	€2,408,280
December 31, 2007	Contributions in cash (1)	€30,040	€24.75	1,219,160	€2	€2,438,320
May 23, 2008	Capitalization of reserves (2)	€70,480	0	1,254,400	€2	€2,508,800
December 31, 2008	Contributions in cash (1)	€33,760	€28.34	1,271,280	€2	€2,542,560
October 12, 2009	Capitalization of reserves (2)	€106,770	0	1,324,665	€2	€2,649,330
October 12, 2009	Contributions in cash (1)	€252	€28	1,324,791	€2	€2,649,582
December 31, 2009	Contributions in cash (1)	€200	€33.50	1,324,891	€2	€2,649,782
December 31, 2010	Contributions in cash (1)	€9,400	€21.94	1,329,591	€2	€2,659,182
December 31, 2011	Contributions in cash (1)	€2,200	€35.91	1,330,691	€2	€2,661,382
December 31, 2012	Contributions in cash (1)	€1,400	€37.30	1,331,391	€2	€2,662,782
May 21, 2014	Shares split by five		0	6,656,955	€0.4	€2,662,782

(1) employee subscription as part of a stock option plan.

(2) allocation of free stock.

The stock and assets of the Company were not subject to any collateralization.

### 21.1.2. Granted, Outstanding Stock

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

At December 31, 2018, there were no outstanding diluted stock that may represent a potential dilution of the capital stock at that date.

### 21.1.3. Non-Equity Stock

There are no non-equity stocks.

### 21.1.4. Treasury Stock

Pursuant to Article 225-209 of the French Commercial Code, the Annual General Stockholders' Meeting may authorize the Company to purchase on the regulated market, treasury stock to a maximum amount of 10% of the capital stock in order to stimulate the market or the liquidity of the share, through an investment partner, perform external growth operations, cancel shares acquired, allocate them to security holders by providing access to the capital or allocate them to employees or corporate officers as part of a stock options plan, free share allocation or a company savings plan.

All authorizations by the General Stockholders' Meeting must establish the conditions for the operation and notably, the maximum purchase price and the date on which the acquisition can be made, not exceeding eighteen months. Along these lines, the Annual General Stockholders' Meeting for the years 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017 and 2018 agreed to such authorizations.

The Shareholders' Meeting of May 31, 2018 authorized the Board of Directors to acquire on the stock market a maximum number of shares corresponding to 10% of the share capital of the company calculated on the day of the purchase decision, less any shares resold during the period of authorization, in accordance with the provisions of Article L. 225-209 of the French Commercial Code and set the maximum purchase price at €90.

This authorization is valid for a period of eighteen months. It cancels and replaces the one given by the General Meeting of May 31, 2017.

No purchase of treasury shares was carried out under the repurchase program between January 1 and December 31, 2018. As of December 31, 2018, the Company held 3,431 treasury shares repurchased under the liquidity contract. As at December 31, 2018, the Company did not hold any treasury shares purchased under previous buyback programs.

The transactions carried out under the liquidity contract entered into with Gilbert Dupont between January 1, 2018 and December 31, 2018 are as follows:

	<b>Quantity</b>	<b>CUMP</b>	<b>Gross amount</b>
Purchase	84,130	49,5303€	4,166,981€
Sale	83,649	50,0836 €	4,189,442 €

#### **21.1.5. Complex Securities**

There are no convertible, exchangeable securities or other subscription warrants.

#### **21.1.6. Acquisition and/or Bond Rights for Unreleased Capital**

There are no acquisition and/or bond rights associated with the subscribed capital that is not released.

#### **21.1.7. Options or Conditional Agreements for Group Members**

There are no capital portions belonging to a Group member subject to an option or a conditional or unconditional agreement.

#### **21.1.8. History of Capital Stock**

This information is described au-dessus in paragraph 21.1.1 “Changes in capital stock since the incorporation of the Company” on page 140.

### **21.2. MEMORANDUM AND ARTICLES OF INCORPORATION**

#### **21.2.1. Corporate Purpose**

Article 3 of the Articles of Incorporation defines the corporate purpose as:

“The Company’s purpose, both in France and abroad, and in the following domains, is:

- consulting and provision of IT and electronic services;
- analysis, programming, execution and sale of software;
- advisory consulting, expertise and auditing regarding IT hardware purchase, the development of application programs or systems, and the organization of IT departments;
- support in the implementation of transmission networks;
- staff training;
- hire, sale of electronic material or for its partial use;
- and in general, all industrial, commercial, tangible and intangible property, and financial operations associated directly or indirectly in their entirety or in part with any of the purposes specified above and similar or related purposes.”

#### **21.2.2. Members of the Management Bodies**

Articles 16, 17 and 20 of the Articles of Incorporation respectively define the composition of the Board of Directors, its organization and its management and Executive Management as:

#### **Article 16 – BOARD OF DIRECTORS**

1 – Unless otherwise stipulated by legal deviations, the Company shall be managed by a Board of Directors with three members at least, and eighteen members at most.

2 - During the course of the Company's existence, the directors shall be appointed or reappointed by ordinary General Stockholders' Meeting. In any case, in the event of merger, directors may be nominated during the extraordinary General Stockholders' Meeting on the operation.

3 - 3 – The term of office for directors shall be SIX years.

This term shall start from the appointment by the ordinary Annual General Stockholders' Meeting for the financial year elapsed and held in the year in course during which the term of the director expires.

The directors may be reappointed. Their appointment may be revoked at any stage by ordinary General Stockholders' Meeting.

4 – Individuals over 90 years of age may not be appointed as director if their nomination means that more than a third of the members of the Board are over this age. If this proportion is exceeded, the oldest director is deemed to have withdrawn from office at the ordinary Annual Shareholders' Meeting for the year in which this proportion is exceeded.

5 – The directors may be individuals or legal entities. Legal entities, on their nomination, must designate a permanent representative who is subject to the same conditions and obligations and who carries out the same responsibilities as if they were a director themselves, notwithstanding the group liability of the legal entity they represent.

When the permanent representative of the legal entity reaches the end of his or her term, the legal entity must notify, by registered mail, the Company immediately of their decision and the identity of the new permanent representative. The above is also applicable in the event of death or resignation of the permanent representative.

6 – In the event of vacancy due to death or resignation of one or more directors, the Board of Directors may, between two Annual General Stockholders' Meetings, proceed to appoint a director or directors temporarily in order to complete the positions of the Board. These appointments must act deliberately in the three months of the vacancy where the number of directors is less than the statutory minimum, without which it would be below the legal minimum.

Temporary appointments made by the Board are subject to ratification at the next ordinary General Stockholders' Meeting. In the absence of such ratification, the deliberations taken and the actions accomplished remain, however, valid.

When the number of directors falls below the statutory minimum, the directors in office must immediately convene the ordinary General Stockholders' Meeting in order to complete the Board.

The director appointed to replace another director may only remain in office for the duration remaining to cover the term of their predecessor.

7 – Individuals may not simultaneously hold a position on more than five Board of Directors or Supervisory Boards of public limited companies with their corporate address in mainland France, unless in those cases stipulated by law.

8 – A Company employee may only be appointed as director if their contract is an actual position in the company. They shall not lose the benefits of this work contract. The number of directors associated with the Company through a work contract may not exceed a third of the current directors.

## **Article 17 – ORGANIZATION AND MANAGEMENT OF THE BOARD OF DIRECTORS**

1 – The Board of Directors shall choose from its members a chairman and determine his or her remuneration. The Board shall determine the duration of his or her duties as chair, which cannot exceed that of his or her term as director.

2 – The age limit for the chairman of the Board of Directors is 90 years. If the chair exceeds that age, he or she is deemed to have withdrawn from office.

3 – The chair represents the Board of Directors. He or she shall organize and manage the work of the Board, reporting back at the General Stockholders' Meeting. He or she shall be responsible for the proper operation of the Company's bodies and for ensuring, in particular, that the directors fulfil their tasks.

4 – In the absence of the chairman or the inability to fulfil his or her duties, the Board of Directors shall nominate the chair of the meeting.

5. 5. The Board of Directors shall nominate a secretary, who may be an Executive Director or not. He or she shall be replaced by simple decision of the Board.

## **Article 20 – EXECUTIVE MANAGEMENT**

### ***Forms of exercise***

Pursuant to Article L.225-51-1 of the French Commercial Code, Executive Management of the company shall be assumed either by the chairman of the Board of Directors or another individual appointed by the Board of Directors who takes on the role of Chief Executive Officer.

The choice of these two forms of exercise of Executive Management is made by the Board of Directors. The decision of the Board regarding the form of exercise shall be taken by majority ruling of the directors present or represented. The Board of Director's decision shall be communicated to stockholders and third parties according to the terms and conditions stipulated by applicable law.

The option chosen by the Board of Directors shall remain valid while the Board of Directors does not make any changes in the form of exercise.

Any change in the form of exercise of Executive Management shall not require a change in the Articles of Incorporation.

### ***Executive Management***

According to the form of exercise chosen by the Board of Directors, the Chairman or Chief Executive Officer shall be responsible for the general management of the Company.

The Chief Executive Officer is appointed by the Board of Directors who determines his or her term, remuneration and, where appropriate, the limitations of his or her powers.

To exercise his or her duties, the Chief Executive Officer must be younger than 90 years. If this age limit is reached during his or her term, the Chief Executive Officer shall be deemed to have withdrawn from office and a new Chief Executive Officer shall be appointed.

The position of Chief Executive Officer can be revoked at any time by the Board of Directors. The dismissal of a non-chairman Chief Executive Officer may result in damages if it is deemed to be without reasonable grounds.

### ***Powers of the Chief Executive Officer***

The Chief Executive Officer has the broadest power to act in all circumstances on behalf of the Company. He or she exercises these powers within the corporate purpose, and under the reserve of the powers expressly allocated by law to General Stockholders' Meetings and to the Board of Directors.

He or she shall represent the Company in all its dealings with third parties. The Company is also bound by the actions of the Chief Executive Officer that are not relevant to the company's purpose, unless the Company can prove that the third party knew that the action surpassed this purpose or it should have been aware of the fact given the circumstances, although it should be clarified that simply publishing the Articles of Incorporation does not constitute as proof.

### ***Executive Officers***

Based on a proposal of the Chief Executive Officer, where this function is assumed by the chairman of the Board of Directors or another person, the Board of Directors may appoint one or more individuals responsible for assisting the Chief Executive Officer with the title of Executive Officers.

The maximum number of Executive Officers is five.

In agreement with the Chief Executive Officer, the Board of Directors shall determine the scope and term of these powers granted to Executive Officers and their remuneration.



As regards third parties, the Executive Officer or Officers hold the same powers as the Chief Executive Officer.

In the event of termination of his or her functions or his or her inability to perform as Chief Executive Officer, the Executive Officers retain, unless otherwise decided by the Board of Directors, their functions and powers until a new Chief Executive Officer is appointed.

The positions of Executive Officers may be revoked at any time, under the proposal of the Chief Executive Officer. The dismissal of an Executive Officer may result in damages if it is deemed to be without reasonable grounds.

### **21.2.3. Rights, Privileges and Restrictions Associated with Stock**

Each share shall confer the right to a share of the profits and corporate assets proportional to the amount of the capital that it represents. Stockholders are only liable for losses up to the amount of their capital contributions. The rights and obligations associated with the stock shall be transferred to any owner thereof. The ownership of stock automatically entails full acceptance of the Articles of Incorporation and the resolutions of the General Stockholders' Meetings.

The heirs, creditors, trustees or other representatives of a stockholder may not demand for the Company's assets or valuables to be sealed or call for the division or sale by auction thereof. The stockholders may not interfere in any manner whatsoever in the actions of its administration. To exercise their rights, the stockholders shall be bound by the statements of corporate assets and liabilities and the resolutions of the General Stockholders' Meetings.

Whenever a certain number of shares is required for the exercising of any particular right, for an exchange, pooling or allocation of stock, or for a capital increase or decrease, merger or any other operation, the holders of individual shares or a number under the limit required to exercise that right shall personally see to the pooling and, where applicable, purchasing or selling the stock necessary.

Unless forbidden by law, during the Company's existence or its liquidation, all stock shall be jointly beneficiary and liable for tax exemptions and charges as well as any taxation likely to be borne by the Company, before any distribution or reimbursement, in such a way that, taking into account par value and dividend date, the stock of the same category receive the same net sum.

#### **Double voting right**

However, there are still shares with double voting rights. At the General Stockholders' Meeting of July 8, 1998, it was decided to confer double voting rights on all fully paid-up shares, which are justified as having been registered for two years in the name of the same stockholder, as well as to those issued shares allocated to a stockholder in the event of capital increase by capitalization of reserves, profits or issue premiums, where his or her previous shares already benefited from double voting right. In this decision, the holding period allows the allocation of a double voting right with retroactive status from the General Stockholders' Meeting of July 8, 1998. This double voting right ceases automatically with any share converted to bearer shares or whose ownership is transferred. The double voting right can be abolished by resolution of the extraordinary General Stockholders' Meeting and following the ratification of the special Stockholders' Meeting for owners of the shares in this category.

On December 31, 2018, the number of shares with double voting rights was 3,134,565.

### **21.2.4. Change in Stockholder Rights**

Any change in possible stockholder rights is associated with the acquisition of double voting rights (see paragraph 21.2.3 above).

### **21.2.5. Notification of Ordinary and Extraordinary General Stockholders' Meetings**

The convening, holding and voting in General Stockholders' Meetings shall be performed in accordance with law. The General Stockholders' Meeting includes all stockholders of at least one share, who exercise their voting right according to the terms and conditions stipulated by the Articles of Incorporation. The right to attend or be represented at the General Stockholders' Meeting depends on the registration of the stockholder in the Company's register two working days before the date of the meeting.

The General Stockholders' Meeting is presided over by the chairman of the Board of Directors or by a member of the Board of Directors appointed by the Board for this purpose, or alternatively, by a person appointed by the General Stockholders' Meeting. The duties of the scrutineers shall be performed by two members of the General Stockholders' Meeting with the highest number of votes who accept the duties. The office appoints a secretary who can be chosen from outside the stockholders.

The resolutions of the General Stockholders' Meeting are recorded in the minutes in accordance with law. Ordinary and extraordinary General Stockholders' Meetings, held with the quorum and majority legally applicable to each, shall exercise the powers vested in them by law.

In the event of an initial public offering, a notice of meeting containing the indications stipulated by Article R 225-73 of the French Commercial Code is published in BALO, the French Official Legal Notices Bulletin, at least 30 days before the date of the General Stockholders' Meeting.

It is noted that the concept of an "*appel public à l'épargne*" (public issue) was replaced by that of an "*offre au public de titres financiers*" (public offering) since the ruling of January 22, 2009 regarding the initial public offering, and which included diverse provisions for financial matters.

#### **21.2.6. Changes in the Control**

The Articles of Incorporation do not contain any provision that may delay, defer or prevent a change in the Company's control.

#### **21.2.7. Stockholding Thresholds**

The Company's Articles of Incorporation do not anticipate any additional declaration of shareholding thresholds other than those stipulated by applicable legal provisions. It is noted that the threshold of 30% was added to the legal thresholds by French Law no. 2010-1249 of October 22, 2010, on the banking and finance regulation.

As a result, pursuant to the provision of Article L 233-7 of the French Commercial Code, all stockholders who come to hold directly or indirectly a number of shares that represent a shareholding percentage of at least equal to the following legal thresholds: 5%, 10%, 15%, 20%, 25%, 30%, 33.33%, 50%, 66.66%, 90%, 95% of the capital stock, must disclose to the Company the number of shares held within fifteen days from exceeding one of the threshold limits.

In the event of failure to comply with this obligation, the shares exceeding the portion that should be disclosed shall be disqualified from voting according to the terms and limits established by law.

Any stockholder whose holding falls below one of these thresholds is also obliged to disclose this fact to the Company within the same fifteen-day period.

#### **21.2.8. Changes in the Capital Stock**

The Articles of Incorporation do not contemplate any stricter conditions for changes in capital stock, whether an increase or a decrease, than those applicable by law.

Therefore the conditions stipulated by law must be respected.

## **22. SIGNIFICANT CONTRACTS**

Significant contracts were concluded in the normal course of business (Article 22 of Regulation 809/2004).

**23. DISCLOSURES FROM THIRD PARTIES, EXPERT DECLARATIONS AND DECLARATIONS OF INTERESTS**

Not applicable

## 24. DOCUMENTS AVAILABLE TO THE PUBLIC

Legal documents on the Company can be viewed at its corporate headquarters:  
Tour Gallieni II  
36, Avenue du Général de Gaulle  
93175 Bagnolet Cedex.

Corporate information is available on the company's website at: [www.infotel.com](http://www.infotel.com).  
More specially, you will find information on:

- Financial calendar;
- Press releases;
- Annual reports;
- Analysis notes;
- Stockholders' questions.

### 24.1. FINANCIAL CALENDAR

For information purposes, the financial calendar for 2018 is as follows:

- |                              |  |
|------------------------------|--|
| • January 23, 2019           | Q4 2018 Revenues                                       |
| • March 6, 2019 2018         | annual results audited                                 |
| • March 7, 2019 morning      | Analysts meeting                                       |
| • April 26, 2019             | Publication of the reference document                  |
| • May 29, 2019 afternoon     | General meeting of shareholders                        |
| • May 29, 2019 evening       | 1 <sup>st</sup> quarter 2019 sales                     |
| • July 24, 2019              | Revenues 2 <sup>nd</sup> Quarter 2019                  |
| • September 18, 2019         | H1 2019 results audited + half-yearly financial report |
| • September 19, 2019 morning | Analysts meeting                                       |
| • October 23, 2019           | 3 <sup>rd</sup> Quarter Earnings 2019                  |
| • January 22, 2020           | Sales 4 <sup>th</sup> quarter 2019                     |

## **25. INVESTMENT INFORMATION**

Paragraph 7.2.10 on page 37 provides information on investments.

## **26. NON-FINANCIAL INFORMATION**

Not applicable

**27. CSR REPORT CORRESPONDENCE**

17.5 Report on Corporate Social and Environmental Responsibility (CSR) – Corporate Social Information ..... 75  
8.2 Report on Corporate Social and Environmental Responsibility (CSR) - Environmental Information ..... 42  
8.3 Report (CSR) on Corporate Commitment to Sustainable Development ..... 44  
16.5 Report of the Board of Directors on Corporate Governance ..... 58  
17.6 Methodological Note on Corporate, Environmental and Social Information ..... 77  
17.8 Methodological Note on Corporate, Environmental and Social Information ..... 84