econocom

2012 Annual Report

FINANCIAL STATEMENTS

Founded **40 years** ago, Econocom is a **European provider of services for integrating and financing digital solutions.**

With its complementary areas of expertise (distribution, leasing, IT services and telecoms), and innovative range of enterprise solutions, Econocom assists businesses in transforming their IT systems and managing their digital projects.

A LEADING GROUP

Operating in **18 countries,** Econocom Group employs **3,700 people** and posted **revenue of €1.538 million** and **recurring operating profit[1] of €74.1 million in 2012.**

Listed on the Euronext NYSE since 1986, the Econocom share joined the Brussels Bel Mid index on 20 June 2011.

(1) Before amortisation of the ECS customer portfolio (€2 million/year)

MESSAGE FROM THE CHAIRMAN OF ECONOCOM

In a difficult economic climate, Econocom made some strategic investments in order to improve the Group's appeal and thus maintain its position as Europe's leading provider of business-to-business ICT infrastructure management.

Throughout 2012, Econocom integrated several targeted acquisitions, each of which broadened its scope in terms of both expertise (virtualisation, cloud, mobile ICT and security) and international coverage (Spain and Mexico).

At the end of the year, Econocom posted a significant rise in results, with consolidated revenue of €1.54 billion and recurring operating profit standing at €74.1[(1)] million, up 11% on the previous year. In addition to these good results, we continued our shareholder return policy, maintaining a stable dividend payout in 2012 and continuing to buy back shares.

This year promises to be lively and full of challenges. Our unique business model, a combination of technological and financial innovation, has made the Group the success it is today, as it approaches its 40th anniversary. This anniversary will mark the beginning of a new era for Econocom with the launch of its new strategic plan which will set its ambitions for the next five years.

I would like to conclude by thanking our directors and their teams for the hard work and devotion which has made these good results possible, and our shareholders for their continuing trust.

Jean-Louis Bouchard
Chairman of Econocom

(1) Before amortisation of the ECS customer portfolio (€2 million/year)

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PRESENTATION OF ECONOCOM GROUP

ORGANISATION OF ECONOCOM GROUP

as of 31 December 2012

BOARD OF DIRECTORS

Jean-Louis Bouchard
Chairman and Chief Executive Officer

Jean-Philippe Roesch
Chief Executive Officer

Bruno Lemaistre
Chief Executive Officer

Directors:
Robert Bouchard
Christian Bret
Chantal De Vrieze
Charles de Water
Véronique di Benedetto
Gaspard Dürrleman
Rafi Kouyoumdjian
Jean Mounet

EXECUTIVE COMMITTEE

Jean-Louis Bouchard
Chairman and Chief Executive Officer

Jean-Philippe Roesch
Chief Executive Officer

Bruno Lemaistre
Chief Executive Officer

Véronique di Benedetto
Deputy Managing Director and Board member

FINANCE

Charles De Stoop
Chief Financial Officer

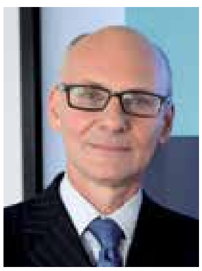
COMPANY SECRETARY DEPARTMENT

Galliane Touze
Company Secretary

STATUTORY AUDITORS

PricewaterhouseCoopers
Réviseurs d'Entreprises SCCRL represented by Emmanuèle Attout

Jean-Louis Bouchard



Bruno Lemaistre

Jean-Philippe Roesch

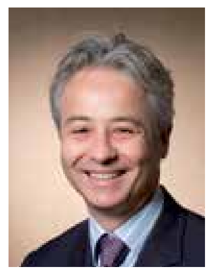
Robert Bouchard

Christian Bret

Chantal De Vrieze

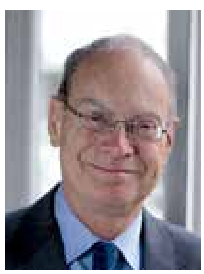
Charles de Water

Véronique
di Benedetto

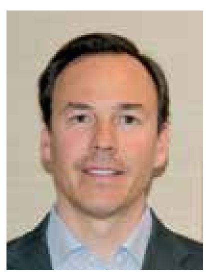


Gaspard Dürrleman

Rafi Kouyoumdjian



Jean Mounet

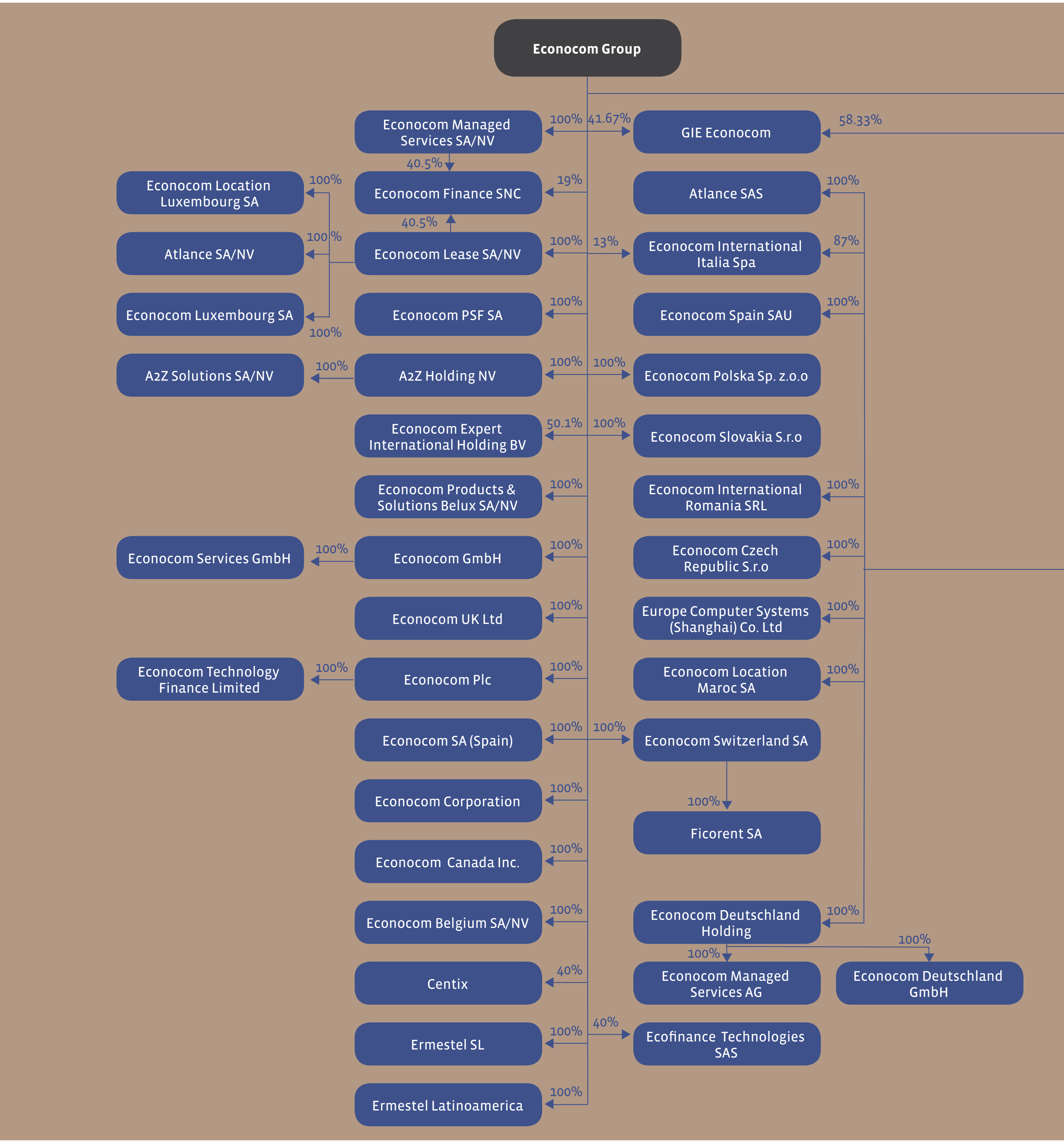


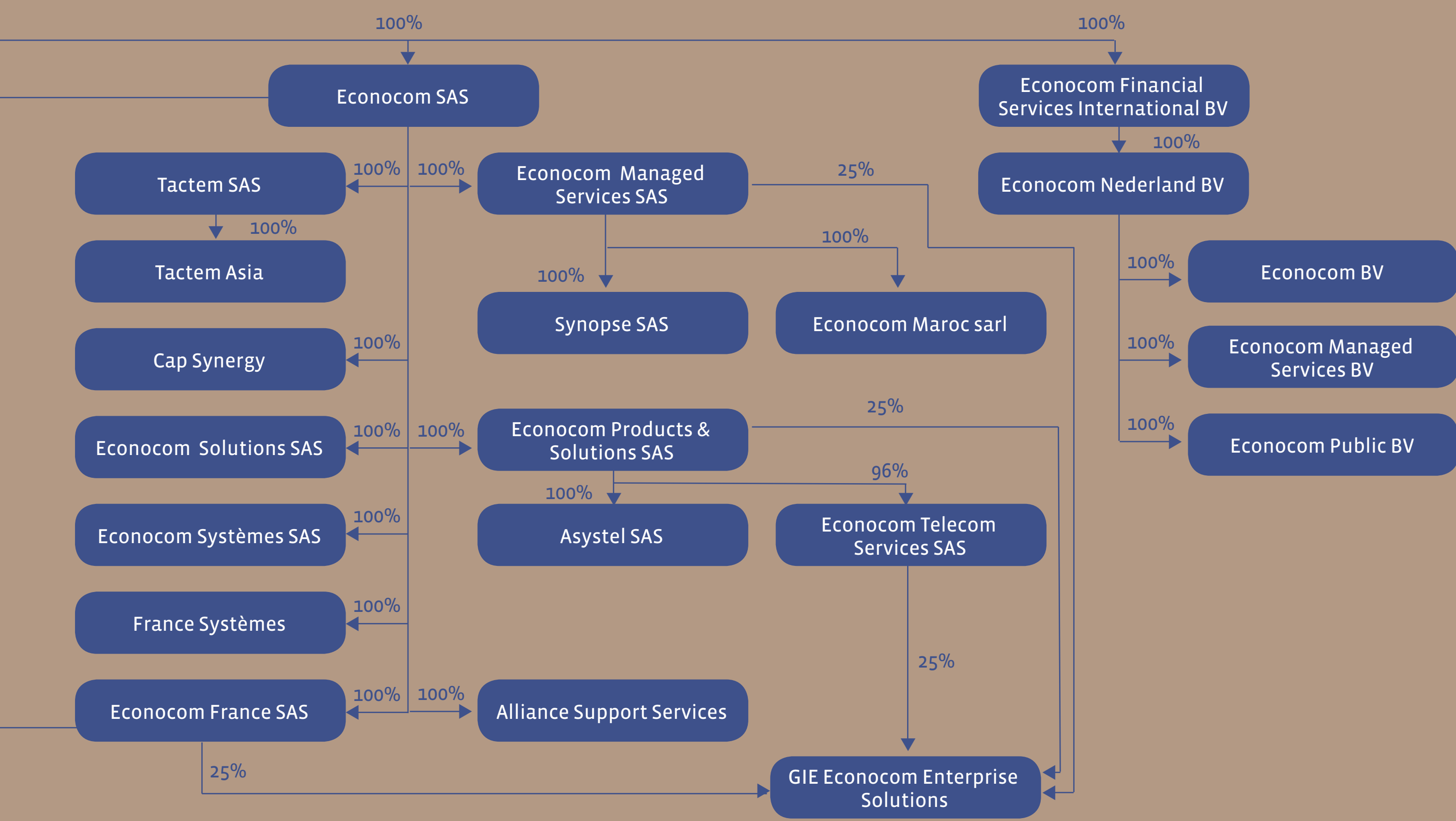
Charles De Stoop

Galliane Touze

GROUP STRUCTURE

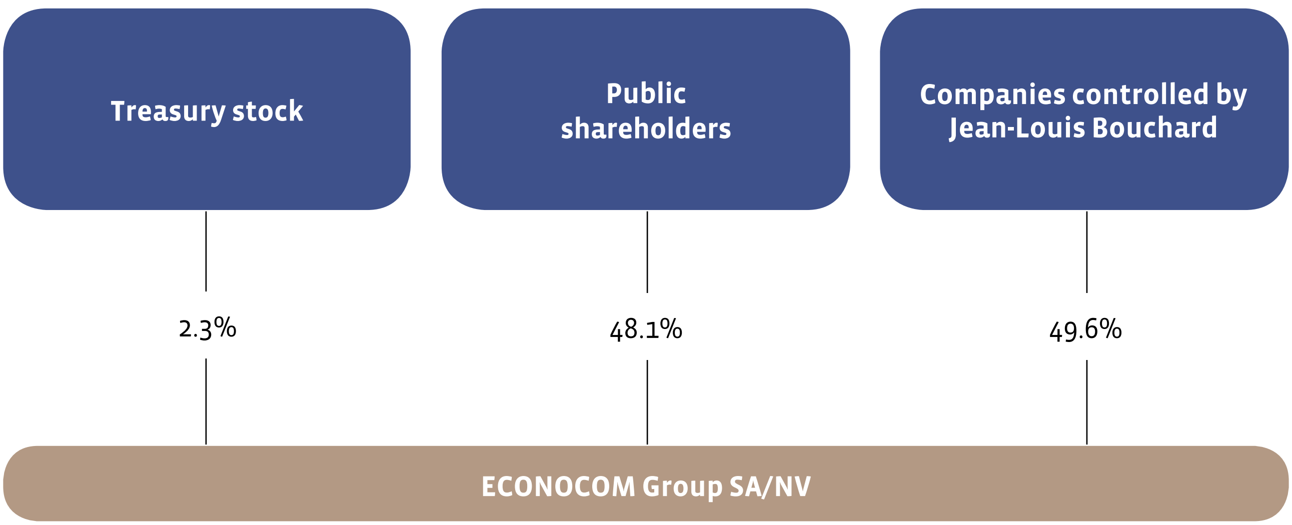
as of 31 December 2012




100%
100%
Econocom SAS
Econocom Financial Services International BV
100%
Tactem SAS
100%
100%
Econocom Managed Services SAS
25%
Econocom Nederland BV
100%
Tactem Asia
100%
100%
Synopse SAS
Econocom Maroc sarl
100%
Econocom BV
100%
Cap Synergy
100%
Econocom Managed Services BV
25%
100%
Econocom Solutions SAS
100%
Econocom Products & Solutions SAS
100%
Econocom Public BV
96%
100%
100%
Econocom Systèmes SAS
Asystel SAS
Econocom Telecom Services SAS
100%
France Systèmes
25%
100%
Econocom France SAS
100%
Alliance Support Services
25%
GIE Econocom Enterprise Solutions

OWNERSHIP STRUCTURE

as of 31 December 2012



ECONOCOM GROUP HAS FOUR AREAS OF EXPERTISE:

LEASING: Innovative, tailored financing solutions to ensure more effective administrative and financial management of a business' ICT and digital assets.

DISTRIBUTION: Services ranging from designing architecture solutions to rollout, and from selling hardware and software (PCs, tablets, servers, printers, licences, digital devices, etc.) to systems integration.

IT SERVICES: Assisting businesses in the transition to the new digital world by applying its expertise in consultancy, infrastructure management, application development and cloud solution integration.

TELECOM SERVICES: Integration of mobile solutions to address companies' changing needs, from devising solutions (engineering, imaging) to implementation (mobile device management, liaising with telecom providers, user support and maintenance of mobile devices).

With this expertise and its range of innovative enterprise solutions, Econocom assists businesses in transforming their IT systems.

2012 HIGHLIGHTS

JANUARY 2012

• Econocom increases its expertise in the cloud and virtualisation market **by acquiring a 40% stake in Centix,** a Belgian company specialising in desktop and server virtualisation solutions.

FEBRUARY 2012

• **Econocom joins IPSO Alliance (IP for Smart Objects),** the leading international organisation promoting the use of the new generation Internet Protocol V6 for connected objects.

MARCH 2012

• Econocom reports **annual consolidated revenue of €1.584 billion,** significantly exceeding its annual guidance (€1.4 billion), and recurring operating profit of €66.6 million.

MAY 2012

• **Econocom continues its acquisitions policy by acquiring Tactem,** a provider of Telecom Expense Management (TEM) solutions.

JUNE 2012

• Dividend payment (€0.10).
• Reclassification of Société Générale's stake in the Group as a private placement (7% of capital).

SEPTEMBER 2012

• Cancellation of treasury stock (8% of capital).
• Four-for-one split of the Econocom Group share.

OCTOBER 2012

• Econocom finalises the **acquisition of Ermestel**, a leader in the Spanish virtualisation solutions market, and **Cap Synergy**, a French systems integrator specialising in network and IT system security.
• Econocom sets up a dedicated smart solutions (Internet of Things) R&D programme.
• After viCUBE, Econocom announces the launch of its **WaaS* offering,** an innovative cloud-based workplace solution.

DECEMBER 2012

• Econocom finalises the **acquisition of France Systèmes**, France's leading Apple reseller in the enterprise and government market.
• Treasury stock up to 2%.

* Workplace as a Service

2012 KEY FIGURES

Consolidated condensed income statement

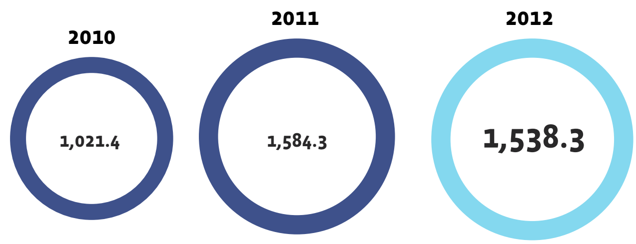
in € millions

	2010	2011	2012
Consolidated revenue	1,021.4	1,584.3	**1,538.3**
Recurring operating profit(1)	47.5	66.6	**74.1**
Net profit Group share	28.8	21.5	**47.4**

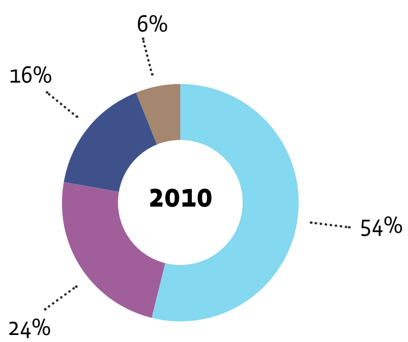
(1) Before amortisation of the ECS customer portfolio (€2 million/year).

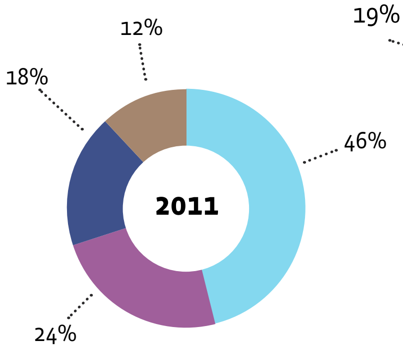
Consolidated revenue

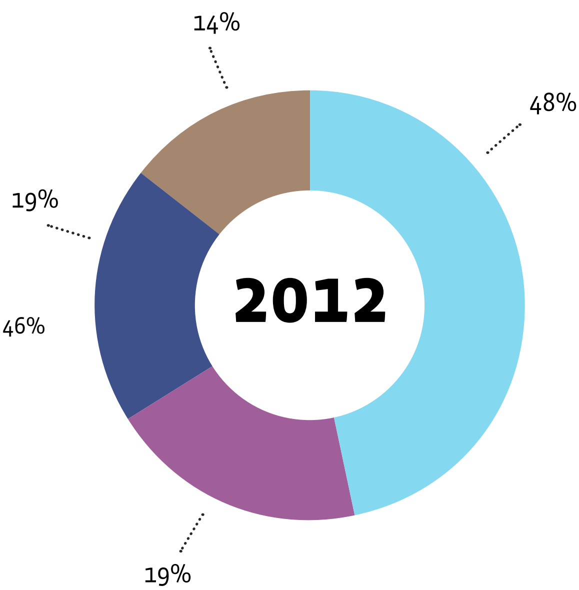
in € millions



Revenue by geographical area





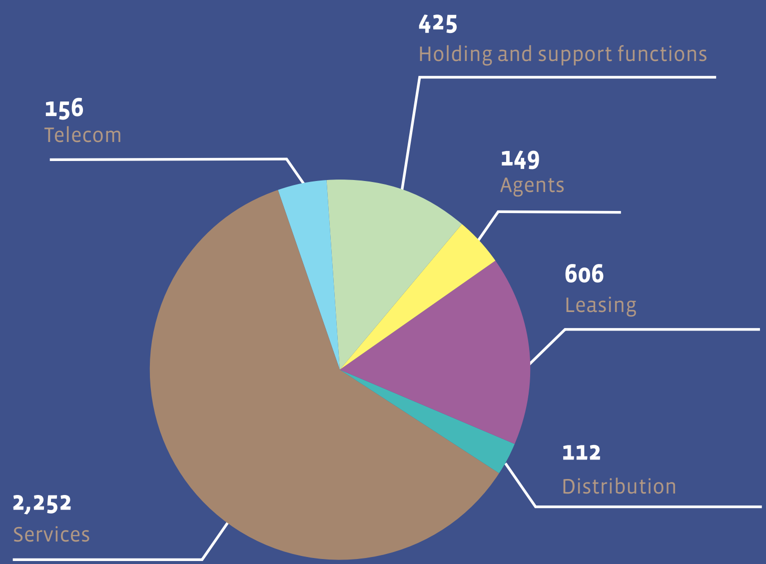


France · Benelux · Southern Europe · Northern and Eastern Europe

€1,538.3m
revenue

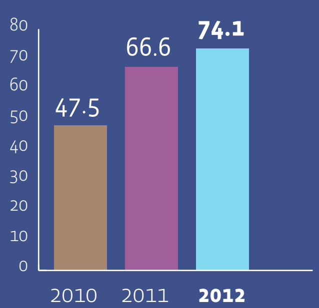
3,700
employees
as of 28 February 2013

Breakdown of staff as of 31 December 2012



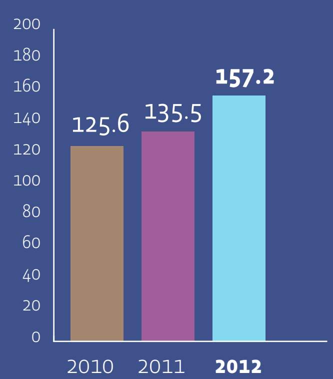
Recurring operating profit(1)

in € millions



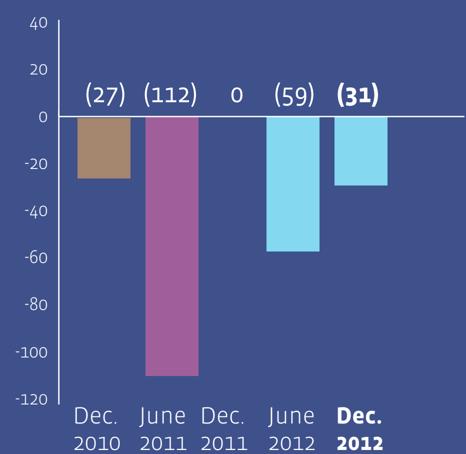
Shareholders' equity as of 31 December

in € millions



Net debt as of 31 December

in € millions



(1) Before amortisation of the ECS customer portfolio (€2M/year).

ECONOCOM GROUP SHARE PERFORMANCE

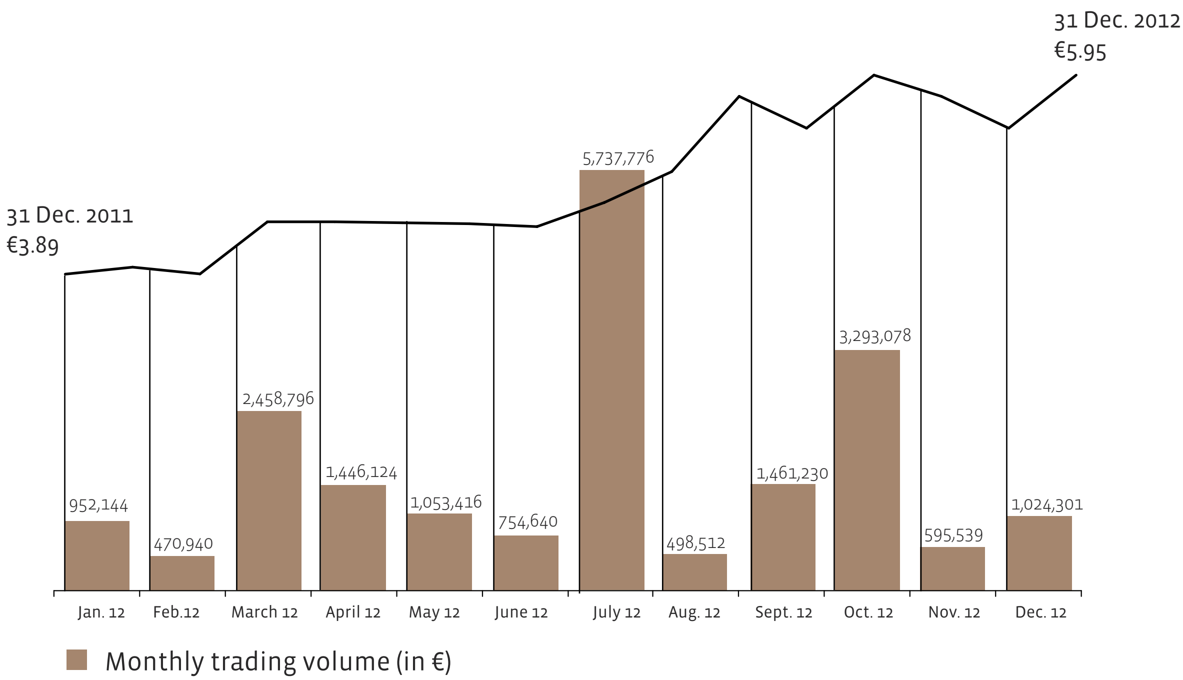
The Econocom Group share is listed on the Eurolist (Compartment B) of Euronext Brussels and is listed on the Bel Mid index.

ISIN Code: BE0974266950

Average daily trading volume in Brussels in 2012: **77,437**

Market capitalisation as of 31 December 2012: **€575 million**

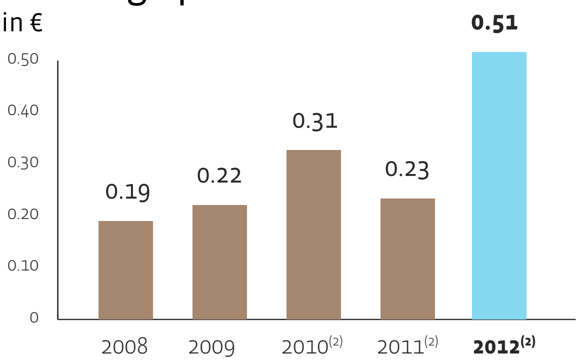
Share performance[1]



	2007	2008	2009	2010	2011	**2012**
High (in €)	2.48	2.18	2.66	3.06	4.29	**5.95**
Low (in €)	1.67	1.26	1.15	2.25	2.51	**3.56**
Closing price as of 31 December (in €)	1.88	1.61	2.59	2.5	3.89	**5.95**
Market capitalisation as of 31 December (in € millions)	194	160	257	262	440	**575**
Average daily trading volume	91,836	47,400	64,120	48,984	56,616	**77,437**
Number of shares as of 31 December (in millions)	103.2	99.2	99.2	104.8	104.8	**96.7**

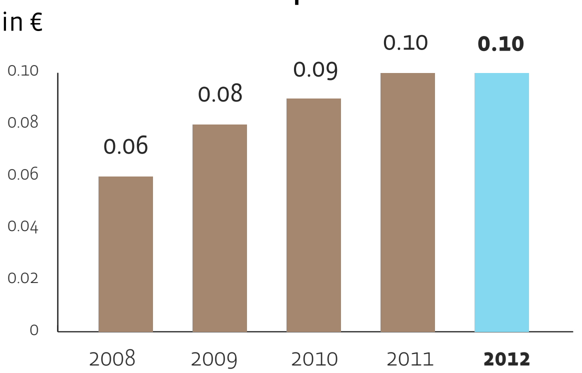
(1) After the Econocom Group share four-way split (in September 2012).

Earnings per share[1]



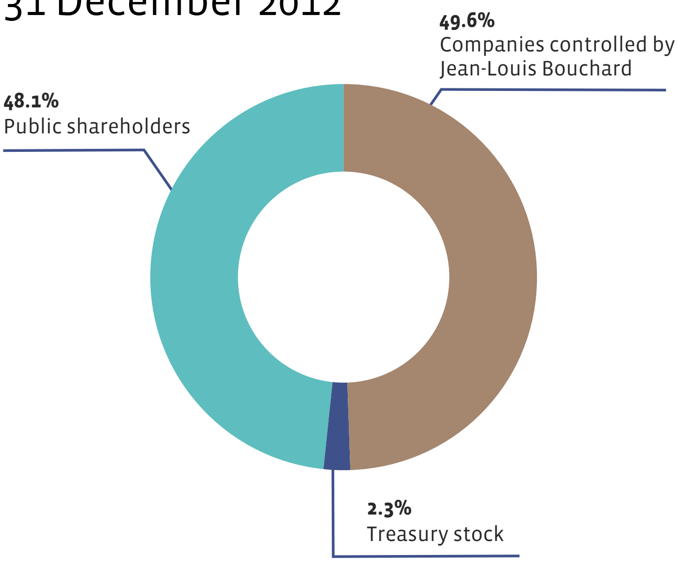
(1) After the Econocom Group share four-way split (in September 2012).
(2) Before amortisation of the ECS customer portfolio.

Gross dividend per share[1]



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

Ownership structure as of 31 December 2012



Real-time financial information:

www.econocom.com

Dividend

At the Annual General Meeting to be held on 21 May 2013, the Board of Directors will recommend a gross dividend per share of €0.10. This dividend will be paid in early June 2013.

Shareholders' agenda

17 April 2013
First-quarter trading statement (Royal decree of 14 November 2007)

21 May 2013
Annual General Meeting

6 June 2013
Dividend payment date

24 July 2013
Preliminary half-year revenue press release

30 August 2013
Half-year results press release

2 September 2013
Information meeting

17 October 2013
Third-quarter trading statement (Royal decree of 14 November 2007)

27 January 2014
Preliminary full-year results press release

3 March 2014
Audited full-year results press release

4 March 2014
Information meeting

ECONOCOM GROUP SA/NV SHARE PERFORMANCE

On the Brussels stock exchange since 1 January 2010*

	Price (€)				Volume	
Month	High (€)	Low (€)	Closing (€)	Average (€)	Number of shares traded	Value (in € thousands)
January	2.58	2.42	2.44	2.48	1,460,072	3,620.61
February	2.49	2.37	2.38	2.42	945,664	2,288.50
March	2.70	2.25	2.59	2.45	1,387,128	3,394.99
April	2.92	2.55	2.92	2.70	1,465,716	3,954.50
May	3.06	2.80	2.86	2.93	1,763,056	5,156.93
June	2.78	2.58	2.78	2.65	924,508	2,449.94
July	2.86	2.78	2.81	2.82	529,584	1,492.10
August	2.85	2.60	2.73	2.71	1,351,240	3,661.86
September	2.84	2.73	2.75	2.78	300,276	834.76
October	2.72	2.51	2.51	2.62	1,385,428	3,628.09
November	2.51	2.41	2.46	2.46	681,724	1,673.63
December	2.64	2.49	2.50	2.56	465,464	1,190.42
Total 2010	**3.06**	**2.25**	**2.5**	**2.6425**	**12,659,860**	**33,346.38**
January	2.77	2.51	2.91	2.62	1,711,916	4,474.83
February	3.66	3.12	3.50	3.45	2,182,340	7,515.98
March	4.00	3.51	3.88	3.70	2,403,536	8,882.89
April	4.22	3.80	3.98	4.06	1,465,504	5,944.16
May	4.29	3.94	4.19	4.13	1,054,728	4,359.74
June	4.15	3.63	3.80	3.82	601,940	2,298.11
July	4.03	3.65	3.83	3.79	540,392	2,044.87
August	3.75	3.24	3.65	3.39	794,804	2,689.81
September	3.65	3.19	3.28	3.33	576,828	1,919.72
October	3.48	3.18	3.20	3.30	651,800	2,153.19
November	3.23	2.85	2.95	3.05	2,636,344	8,036.06
December	3.89	3.00	3.89	3.42	754,312	2,578.94
Total 2011	**4.29**	**2.51**	**3.89**	**3.59**	**15,374,444**	**52,898.30**
January	3.96	3.56	3.85	3.75	952,144	3,567.73
February	3.89	3.58	3.81	3.77	470,940	1,774.43
March	4.43	3.78	4.20	4.17	2,458,796	10,241.16
April	4.43	4.20	4.31	4.30	1,446,124	6,224.42
May	4.42	4.06	4.31	4.25	1,053,416	4,475.46
June	4.41	3.75	4.17	4.10	754,640	3,093.22
July	4.38	4.11	4.24	4.30	5,737,776	24,648.31
August	4.63	4.23	4.53	4.35	498,512	2,167.00
September	4.95	4.38	4.69	4.68	1,461,230	6,836.55
October	5.73	4.75	5.36	5.25	3,293,078	17,282.93
November	5.40	5.02	5.14	5.24	595,539	3,119.81
December	5.95	4.95	5.95	5.4	1,024,301	5,526.37
Total 2012	**5.95**	**3.56**	**5.95**	**4.55**	**19,746,496**	**88,957.40**

** Information updated following the four way split of the Econocom Group share as decided at the extraordinary General Meeting of 14 September 2012.*

INFORMATION ABOUT THE COMPANY

1. GENERAL INFORMATION

- Company name: Econocom Group SA/NV
- Registered office: 5 Place du Champ de Mars, 1050 Brussels
- Legal form, constitution, published documents.

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

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

The company is registered with the Brussels corporate register under number 0422.646.816.

- Term: indefinite
- Financial year: 1 January to 31 December.
- Consultation of legal documents:

The parent company and consolidated financial statements and related reports may be consulted at the Banque Nationale de Belgique.

The bylaws and above-mentioned financial statements and related reports may be consulted at the registry of the commercial court.

All of the above-mentioned documents may be consulted at the company's registered office at 5 Place du Champ de Mars, 1050 Brussels, Belgium.

2. CORPORATE PURPOSE (ARTICLE 3 OF THE BYLAWS)

The company's purpose, in Belgium and abroad, is:

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

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

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

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

COMPETITION AND RECRUITMENT

COMPETITION

Econocom Group stands out from its competitors thanks to its:

- nearly 40 years' experience in business-to-business infrastructure management;
- dual IT and telecommunications expertise;
- combination of financing experience and technological know-how;
- independence from IT hardware manufacturers, telecom providers, software vendors and financial companies.

Econocom Group has four independent and complementary businesses which include administrative and financial management of ICT assets (Leasing), procurement of IT products and solutions (Distribution), IT management services (Services) and telecoms (Telecom). The Group has no competitor capable of presenting such a range of offers in the areas of IT and telecoms. The Group's ability to propose these four offerings and package them in cross-disciplinary enterprise solutions that draw on all four of its skill sets reinforces its unparalleled ability to meet market expectations.

A diverse offering

Econocom is currently the only independent provider in Europe that can supply, manage, administrate and finance corporate IT and telecommunications infrastructures.
The Group launched a telecommunications offering as early as 2000, well before its main competitors, and intends to draw on these strengths to leverage the expected sharp growth in the market for mobile services and voice/data convergence solutions. It has the required capabilities to meet strong future demand for mobile solutions and for managing telecommunications fleets.
Econocom has also launched cross-disciplinary offerings, involving several of its businesses, to address companies' growing need for comprehensive solutions. These new offerings allow companies to optimise and control the entire lifecycle of their company resources, including their:

- Distributed and centralised IT assets
- Telecom fleet
- Printer estate
- Procurement lead times and costs
- Licence agreement portfolio
- Tablet integration
- Virtual workspace
- Tailored data centre in virtual, private cloud mode.

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

Geographical presence

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

The Group now operates directly in eighteen countries, in Europe, Morocco, the United States, Mexico and Canada. This extended geographical scope, combined with international partnerships concluded, will enable the Group to meet the requirements of its key account customers.

Main competitors

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

- Services: Capgemini, Atos, Steria, CGI, GFI, Devoteam and Osiatis, which have an international presence but do not offer distribution or flexible leasing services. However, many services companies develop application software (accounting, inventory management, sales management, etc.), which is not currently part of Econocom's current offering.
- Distribution: Computacenter (France, Belgium, Germany and the United Kingdom), SCC (France and the United Kingdom), and RealDolmen (Belgium and Luxembourg).
- Leasing: the financial subsidiaries of manufacturers such as IBM, HP and Dell, and banks' leasing subsidiaries (Arius, BNP Paribas Rental Solutions, Etica – Crédit Agricole Leasing) do not offer the same degree of independence or IT specialisation as Econocom Group. Neither CHG nor Grenke Leasing (Germany) carry out distribution or services activities.
- Telecom: Econocom Group has few competitors in the telecommunications field. The major IT services companies such as CSC, Atos and Capgemini already have specific outsourced telephone services offerings, mainly in the network sector of the market. Econocom on the other hand manages entire telephone fleets (mobile handsets, smartphones, PDAs, tablets, etc.) along with the corresponding subscriptions. Lastly, the operators' distribution conduits are primarily specialists in selling mobile phone hardware and voice and data subscriptions. While some – such as LCO (Orange) and Mobilitys and Coriolis (SFR) – are beginning to develop services, none benefits from the expertise acquired by Econocom in the

business-to-business computer services sector over the past 35 years.

RECRUITMENT AND TRAINING

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

Every year several hundred people join Econocom Group, which has specialised recruitment units in each major country.

The Group's European presence, reputation, broad business base and stock market listing, combined with its dynamism and corporate values, such as the one promoting entrepreneurship and innovation, all serve to attract young graduates and experienced staff alike.

The Group seeks committed, innovative employees who are enthusiastic about sharing Econocom's corporate values: Be Enterprising, Bounce back, Face reality, Share and Proud to be Responsible.

On 31 December 2012, the Group had 3,613 employees and sales agents, compared with 3,610 at the end of 2011. The staff departures, resulting from the typical turnover rate in the IT industry, were completely offset by the recruitment operations and the acquisitions made during the year.

Furthermore, with 600 sales and pre-sales staff, the Group can look forward to another year of growth in 2013. To that end, Econocom is launching a significant recruitment scheme for engineers in France in 2013, which should result in 300 people joining the French subsidiaries.

Econocom's growth is taking place in a constantly-changing environment. The Group is therefore patently aware of the importance of enhancing its employees' technical and managerial skills. This is a major focus of its human resources policy, and in conjunction with partners, the Group has implemented various diploma courses and e-learning programs. These are particularly suited to employees working on-site at clients' premises. In France, where over 60% of the Group's staff is based, training expenses came in at over 2.5% of total payroll and are set to continue to rise to around 3% in 2013.

In order to support the Group's expansion and changes, Econocom set up an in-house management training facility in 2012 in partnership with industry-recognised partners. The Econocom Management Academy ("EMA") trained 125 managers in 2012, and a further 265 managers will attend courses in 2013.

Career development is one of the Group's primary objectives. Employees are individually monitored, especially through their annual appraisals, which touch on achievements, objectives and training.

Econocom Group's new five-year strategic plan, which was launched in 2013, is highly ambitious and places considerable emphasis on human capital and career development.

CSR STRATEGY

Ecoresponsible scheme

Econocom is also keen to develop its business responsibly and build sustainable relationships with all its stakeholders. To that end, the Group's Corporate Social Responsibility scheme, Ecoresponsible, was launched in 2012 on Management's initiative, in order to address all the environmental and social issues the Group is faced with. As part of this scheme, the Group has undertaken a number of initiatives with the aim of limiting its carbon footprint, improving employee well-being, promoting equal opportunities and diversity, a better work-life balance, etc.

In line with these commitments and in order to involve employees actively in its CSR approach, Econocom Group has drafted its first ethical charter, whereby each employee undertakes to observe the principles of integrity, respect, compliance, exemplarity, equity and responsibility.

Econocom's membership of the United Nations Global Compact is a vital addition to this approach. Along with over 10,000 organisations in 145 countries, Econocom undertakes to comply with and promote sustainable development by applying the ten principles of the Global Compact. In January 2013 Econocom published its first annual report on its commitments and objectives, and the actions implemented within its sphere of influence.

Furthermore, the Group is committed to implementing a number of concrete initiatives:

Limiting its CO_2 emissions, measuring its carbon footprint via an annual greenhouse gas emission assessment for all the countries it operates in and recommending short- and long-term improvements.

Econocom manages substantial volumes of ICT equipment and strives to reuse its end-of-life equipment by auditing and subsequently recycling it in compliance with WEEE or reselling it.

Furthermore, Econocom also designs responsible offerings and monitors the environmental and social impacts of its offerings.

The Purchasing Department plays a vital role in the Group's sustainable development approach: when launching tenders, the specifications issued to prospective suppliers now include selection criteria with respect to sustainable development and the department chooses companies which hire disabled staff whenever possible.

Since 2006, Econocom has supported the NGO Passerelles numériques in its efforts to give young people from impoverished backgrounds in Cambodia, Vietnam and the Philippines access to training and skilled employment in the ICT sector. In addition to providing funding and donating IT equipment, Econocom has set up a corporate volunteering scheme whereby employees can lend their time and skills to the organisation. So far, 21 Econocom Group employees have gone on volunteer schemes for Passerelles numériques in Cambodia, Vietnam and the Philippines and over 100 students from disadvantaged backgrounds have received IT training.

Lastly, as part of its commitment to improving employees' well-being, Econocom launched the SHARE programme, which is designed to promote well-being in the workplace, a better work-life balance and equal opportunities. The scheme was implemented in France, where more than half the Group's employees are based, in early 2012.

Econocom intends to modernise and reorganise work schedules by giving its employees the opportunity to work from home or from the office of their choice. In addition, the Share programme offers a range of employee services via the "Share Services Club", such as emergency childcare services in the event of a problem with employees' usual childcare arrangements, and a number of other services designed to ensure a better work-life balance.

Financial assistance is also available for employees with serious temporary difficulties. Econocom believes it has a duty to be attentive to its employees' needs and problems.

Above all, Share is the result of a team effort involving the group's Senior Management and staff. A number of new initiatives are due to be introduced in 2013, including an employee profit-sharing/employee savings scheme, in order to allow employees to benefit from the company's good performance, and a diversity programme involving employing disabled staff, ensuring gender parity and a better mix of generations.

In light of the success of the scheme in France, Econocom plans to roll it out in other countries within the Group so that as many employees as possible may benefit from it.

RECENT DEVELOPMENTS AND OUTLOOK

Econocom Group's development strategy combines both organic and external growth objectives.

1. PRINCIPAL INVESTMENTS

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

The Group's main investments over the last three years have been as follows:

2010

In 2010, Econocom seized upon a strategic external growth opportunity, thereby making decisive headway in the highly concentrated IT service market, where size is of strategic importance. On 28 October 2010, Econocom acquired the entire share capital of ECS Group. This acquisition represented an investment of €180 million.

The acquisition of ECS and associated costs were financed by giving €30 million worth of Econocom Group shares to the seller and a through bank loan and a bridge loan for the remaining balance.

The cash flow generated by the Group's satisfactory performance, combined with optimised management of ECS Group's cash meant that the Group was able to repay both part of the loan secured for the acquisition and the €50 million bridge loan, without resorting to an increase in share capital, as originally planned. Lastly, the successful issue of €84 million worth of convertible bonds enabled Econocom Group to repay the balance of the acquisition loan during the first half of 2011.

In addition to this major acquisition, Econocom also acquired two sales agencies in France during the first half of 2010: IDS and Finedya. IDS sells Econocom Managed Services' operational management services (outsourcing and support), whilst Finedya sells Econocom Location's financing and asset management services. These transactions represent an equity finance of €3 million.

2011

In 2011, Econocom expanded its Distribution business in Belgium, by focusing on the medical sector. On 31 March 2011, Econocom acquired the entire share capital of Systèmes & Supplies, a company specialising in selling products and solutions to the medical industry. This company was merged with EPS Belux, which opened its own dedicated Medical Business unit.

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

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

2012

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

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

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

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

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

Furthermore, Econocom increased its stake in French company Synopse from 84.66% to 100%, and from 88% to 96% in French company Econocom Télécom Services, by buying the shares held by certain managers of these subsidiaries. These purchases represent an investment of around €1 million.

2. CHANGES IN CAPITAL

As of 31 December 2012, the company's share capital stood at €17,076,677.70 and was composed of 96,691,588[(1)] ordinary shares with no stated par value, held in registered, bearer or dematerialised form. The capital is fully paid-up.

In compliance with the Belgian law of 14 December 2005 on the elimination of bearer shares, on 7 December 2007 Econocom Group's Board of Directors amended the company's bylaws to inform holders of Econocom Group bearer shares that they had until 1 January 2014 to convert such shares into dematerialised shares through registration in a share account. Bearer shares registered in a share account as of 31 December 2007, automatically became dematerialised shares on 1 January 2008.

As of 31 December 2012, authorised unissued capital stood at €15,285,166.46. The Board of Directors decided, subject to the condition precedent that the convertibles bonds be converted on 1 June 2016, to increase within the authorised capital, the subscribed and paid-up share capital for a maximum amount of the equivalent of the conversion of all the convertible bonds into new shares, i.e. €2,825,756. The Board of Directors reserved the right, when it receives a conversion request from a bondholder, to issue the existing ordinary shares.

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

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

In 2011, Econocom Group SA/NV issued 4,000,000 bonds, worth €84 million, which can either be converted or exchanged for new or existing shares until 1 June 2016, with a 4% coupon rate, paid annually in arrears. Following the four-for-one split of the Econocom Group share in September 2012, each bond now entitles the bearer to four Econocom Group shares at a conversion rate of €5.25 (€21 before the share split). In the event that all the bonds are converted, 16,000,000[(1)] new shares will be issued, resulting in a 16.55% dilution of the company's share capital.

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

The number of Econocom Group SA/NV shares and voting rights (denominator) both stand at 96,691,588 as of 31 December 2012.

(1) After the four-for-one split of the Econocom Group share, as decided at the Extraordinary General Meeting on 14 September 2012.

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

Date of transaction	Type of issue	Change in the number of shares	Change in capital (€)	Issue premium (€)	Total amount of the transaction (€)	Number of shares	Share capital (€)
01/01/2002						8,149,105	16,018,319.08
30/04/2002	Exercise of stock options	9,900	19,503.00	96,087.36	115,590.36	8,159,005	16,037,822.08
27/06/2002	Four-for-one share split					36,636,020	16,037,822.08
18 /12/2002	Cancellation of treasury shares	(1,136,020)				31,500,000	16,037,822.08
22/12/2004	Cancellation of treasury shares	(1,500,000)				30,000,000	
20/7/2005	Exercise of stock options	265,000	143,100.00	966,650.00	1,109,750.00	30,265,000	16,180,922.08
22/12/2005	Cancellation of treasury shares	(1,265,000)				29,000,000	16,180,922.08
15/05/2007	Cancellation of treasury shares	(2,200,000)				26,800,000	16,180,922.08
20/12/2007	Cancellation of treasury shares	(1,000,000)				25,800,000	16,180,922.08
22/12/2008	Cancellation of treasury shares	(1,000,000)				24,800,000	16,180,922.08
28/10/2010	Capital increase as payment for an acquisition	1,372,897	895,755.62	14,206,111.38	15.101,867.00	26,172,897	17,076,677.70
14/09/2012	Cancellation of treasury shares	(2,000,000)				24,172,897	17,076,677.70
14/09/2012	Four-for-one share split	72,518,691				96,691,588	17,076,677.70
31/12/2012						96,691,588	17,076,677.70

The Extraordinary General Meeting of 18 May 2010 renewed for a five-year period authorisation given to the Board of Directors to increase the company's capital, in accordance with article 603 of the Belgian Companies Code, on one or several occasions, for a maximum amount of €16,180,922.08. After the Board of Directors exercised this authorisation on 28 October 2010, the amount of authorised capital stood at €15,285,166.46.

The Extraordinary General Meeting of 18 May 2010 also authorised the Board of Directors to increase the share capital, in accordance with article 607 of the Belgian Companies Code, in the event of a takeover bid on the companies' shares, and for a three-year period.

The Extraordinary General Meeting of 28 September 2011 renewed for a five-year period authorisation given to the Board of Directors to buyback treasury stock. The minimum purchase price was set at €1.50 and the maximum price was €9, after the four-for-one share split which occurred in September 2012. The maximum number of shares to be purchased throughout the five-year period was set at 19,338,317 (after the share split).

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

As of 31 December 2012, Econocom Group SA/NV held 2,019,584 Econocom Group SA/NV shares, as part of the share buyback scheme and 182,927 Econocom Group shares acquired as part of the liquidity contract with Exane BNP Paribas, i.e. 2,202,511 Econocom Group treasury shares, representing 2.28% of the total number of shares in issue.

3. OUTLOOK

2012 marked the end of the Horizon 2012 strategic plan which resulted in revenue doubling and recurring operating profit increasing threefold in five years.

The contracts signed during the past few months, sustained productivity and a refocusing on its strategic businesses, combined with the external growth opportunities currently under negotiation mean the Group can expect growth, both organic and via external growth, in revenue and recurring operating profit in 2013.

2013 will also be devoted to launching the new five-year strategic plan which should enable Econocom to enter into a new cycle of profitable mixed growth.

After two years of substantial increases in the dividend (over 33% in two years), the Econocom Board of Directors will invite shareholders to vote, at the Annual General Meeting, to maintain the payment of a gross dividend of €0.10 per share. The Group is opting to use its cash for strategic investments as part of its new five-year plan and continue its share buyback policy.

MANAGEMENT REPORT ON THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

MANAGEMENT REPORT ON THE FINANCIAL STATEMENTS

for the year ended 31 December 2012 presented to the Annual General Meeting of 21 May 2013

In accordance with prevailing legislation and the company's bylaws, we submit to you for approval our report on the company's operations and the financial statements for the year ended 31 December 2012, as well as the compensation report.

1. SCOPE OF CONSOLIDATION

In 2012, Econocom Group, whilst continuing to integrate ECS and its subsidiaries, made five targeted external growth transactions.

These acquisitions have enabled the Group to build on its expertise in strategic areas such as virtualisation and cloud computing (Centix and Ermestel), IT security (Cap Synergy), telecom services (Tactem) and Apple product distribution (France Systèmes). Furthermore, the acquisition of Ermestel enabled the Group to consolidate its presence in Spain and establish itself in Mexico in order to serve its international clients.

2. RESULTS

2.1. Consolidated results

(in € millions)	**2012**	**2011**
Revenue from continuing operations	1,538.3	1,584.3
Recurring operating profit (before amortisation of the ECS customer portfolio)	74.1	66.6
Recurring operating profit	72.1	64.6
Operating profit	68.6	46.0
Net financial expense	(4.6)	(11.9)
Profit before tax	64.0	34.1
Income tax	(16.4)	(12.8)
Profit for the year excluding non-controlling interests (before amortisation of the ECS customer portfolio)	48.8	22.9
Profit for the year excluding non-controlling interests	47.4	21.5

NB: The amortisation of the ECS customer portfolio is the result of the allocation of ECS goodwill for the amount of €40 million to the value represented by the portfolio of clients acquired. This intangible asset will be amortised over 20 years.

Econocom Group posted revenue of €1,538 million in 2012, versus €1,584 million in 2011 (down 2.9%). Given the date on which the various acquisitions were integrated, their contribution to 2012 consolidated revenue is negligible (€12 million).

The Group's recurring operating profit (before amortisation of the ECS customer portfolio and net of Research and Development expenses) stood at €74.1 million, rising 11.3% from €66.6 million in the previous year. Within the scope of its Services and Telecom businesses, the Group treats the company's ICT system as a whole, by designing and implementing innovative solutions to address the various issues associated with ICT architecture, interoperability, mobility and security. As of 31 December 2012, the Group had 2,200 engineers and technicians.

Operating profit rose sharply to €68.6 million, versus €46.0 million in 2011, thanks to improved recurring operating profit, controlling of the costs incurred by the integration of ECS Group, and the positive impact of the research tax credit *(Crédit d'Impôt Recherche)*. During the second half of the year, the company received the tax credits for 2008 and 2009, amounting to €9.3 million.

Net financial expense of €4.6 million consists mainly of interest charges on a bond loan taken out in 2011.

Profit for the year (excluding non-controlling interests) stood at €47.4 million.

The Group's gross cash position stood at €80 million at the end of 2012. Net debt stood at €31 million and includes €81 million of bond debts convertible into shares and €14 million of lease contacts refinanced with recourse and considered as debt under IFRS.

2.2. Breakdown of revenue by business sector and geographical area

(in € millions)	**2012**	**2011**
France	744	731
Benelux	288	373
Southern Europe	290	293
Northern and Eastern Europe	216	187
Total	**1,538**	**1,584**

Northern and Eastern Europe reported strong growth, driven mainly by good business trends in the United Kingdom, and Southern Europe (Spain and Italy) reported satisfactory performances. France reported slight growth whilst the Benelux suffered from a negative base effect following a particularly successful year in 2011 in which a number of substantial deals were signed.

The Group's revenue breaks down as follows by business:

(in € millions)	**2012**	**2011**
Services	264	249
Distribution	214	212
Leasing	1,003	1,080
Telecom	57	43
Total	**1,538**	**1,584**

2.2.1. Services (revenue of €264 million)

Services recorded €264 million in revenue in 2012, compared with €249 million in 2011, representing a rise of 6% (2% on a like-for-like basis).
The reorganisation and business investments which began in 2011 and continued in 2012 confirmed the positive profitability trend for the Services business and bode well for business in 2013.

2.2.2. Distribution (revenue of €214 million)

The Distribution business posted €214 million in revenue, rising slightly from the €212 million recorded in 2011. This result is a testament to the business' ability to withstand conditions in the global IT equipment market, which has shrunk by more than 10%, thanks to its diversification into business-to-business distribution of Apple and multimedia products.

2.2.3. Leasing (revenue of €1,003 million)

The decline in revenue recorded by the Leasing business is due to a particularly unfavourable base effect in Belgium and the Netherlands (following a particularly successful year in 2011 in which a number of substantial deals were signed) and a reorganisation of the sales force in France.

These factors were offset on the one hand by significant growth in Northern Europe, and in particular thanks to some major deals signed in the United Kingdom, and on the other hand by the success of the multi-business enterprise solutions, which posted growth of over 80% in 2012.

2.2.4. Telecom (revenue of €57 million)

The Telecom business posted revenue of €57 million in 2012 compared with €43 million in 2011. Organic growth of over 30% is largely due to the success of the mobile and tablet fleet outsourcing offering.

2.3. 2012 individual financial statements of Econocom Group SA/NV

Econocom Group SA/NV, as the Group's holding company, manages a portfolio of securities, receives dividends from its subsidiaries and oversees the Group's development.

It also provides services to the Group's subsidiaries in the areas of management, IT, cash guarantees, provision of staff, consulting, communication and marketing. These services are billed according to normal market terms.

The revenue stated hereafter refers to Econocom Group SA/NV's individual financial statements, prepared in accordance with Belgian legislation.

2.3.1. Income statement of Econocom Group SA/NV

Sales of services (non-consolidated) for the year stood at €14.1 million compared with €16.5 million in the previous year.

Operating loss came out at €16.7 million compared with a loss of €0.5 million in 2011. This is due to the recognition of a stock option provision specific to Belgian accounting rules.

Net financial income came to €67.1 million compared with income of €71.7 million in 2011. This consists mainly of the dividends received from subsidiaries, worth €65.1 million, €4.3 million of interest expense on the convertible bonds and a €1.8 million reversal in the reduction in the value of the Alliance Support Services current account. The remaining amount was attributable to transactions of subsidiaries.

Net non-recurring expenses amounted to €0.1 million compared with income of €1.9 million in 2011.

Net profit amounted to €50.2 million compared with €73.2 million in 2011.

2.3.2. Balance sheet of Econocom Group SA/NV

As of 31 December 2012, Econocom Group SA/NV's equity stood at €205 million, compared with €191.8 million as of 31 December 2011. The Board of Directors' recommendation to the Annual General Meeting to pay a dividend of €0.10 per share will have an impact of €9.7 million on the company's reserves.

Econocom Group SA/NV's debt still consists of convertibles bonds (OCEANE). If all the bonds were converted into new shares, 16 million new shares would be issued, representing a 16.5% dilution of the company's share capital.

Investments in related companies increased by €39.6 million due to three acquisitions made on the one hand and the reorganisation of the Group's legal structure on the other hand.

2.3.3. Business overview

2.3.3.1. Investments in other companies and creation of subsidiaries

In 2012, Econocom Group resumed its targeted external growth strategy, making three acquisitions. In February the company acquired a 40% stake in Centix, a Belgian company specialising in virtualisation, with a three-year option to purchase the company's remaining stake. In October, Econocom Group acquired the entire share capital of Spanish company Ermestel and its Mexican subsidiary Ermestel Mexico. This transaction will allow the Group to strengthen its Services business in Spain whilst establishing itself in Central America.

In addition, in order to serve the Group's international clients, Econocom invested in a new company in Canada, Econocom Canada Inc, of which it owns the entire share capital.

The company also acquired a minority stake (40%) in Ecofinance Technologies, a refinancing company which completes the Group's portfolio of financial partners.

2.3.3.2. Legal reorganisation

Since the acquisition of ECS Group in October 2010, Econocom Group has over 55 companies in 19 countries. On 28 May 2012, the Board of Directors decided to implement a plan to streamline and simplify the Group's legal organisation over two years (2012 and 2013).

The main objectives of the plan are to:

- Merge companies with similar activities operating in the same country. Thus, the Group's two Italian subsidiaries were merged in November 2012, as were the Group's leasing divisions in Belgium which have been combined into Econocom Lease. In France, the two main leasing entities (Econocom Location and Econocom France) were merged at the end of December 2012.
- Separate the Group's businesses into separate subsidiaries in each country, if the business in question is substantial enough. In France, the services divisions Alliance Support Services, Econocom Managed Services and Econocom France were therefore combined into a single legal entity, renamed Econocom Services, in early January 2013.
- Simplify the company organisation and reduce levels of ownership by bringing the subsidiaries closer to the Group's parent company. To that end, Econocom Group SA/NV bought from Econocom France SAS the shares in Econocom Polska, Econocom Plc, Econocom Corporation USA, Econocom Slovakia and Econocom Switzerland for a total value of €21.5 million. Since August 2012, the company also owns the entire share capital of Econocom Belgium's share capital following the payment in kind of a dividend from its subsidiary Econocom SAS.

2.3.3.3. Treasury shares

Econocom Group SA/NV has a share buyback programme, which allows it to:

- issue shares to avoid potential dilution of shareholders' interests due to the exercise of options;
- pay for external growth transactions, if any;
- cancel shares acquired.

The Extraordinary General Meeting of 28 September 2011 renewed for a five-year period the authorisation given to the Board of Directors to buy back treasury shares. The minimum purchase price was set at €6 and the maximum price was €36. Following the four-for-one share split decided at the Extraordinary General Meeting on 14 September 2012, the minimum purchase price has been reduced to €1.50 and the maximum price to €9.

The maximum number of shares to be purchased throughout the five-year period was increased to 19,338,317.

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

In 2012, the following treasury share movements took place:

- Econocom Group acquired treasury shares for an acquisition price of €16.6 million representing, after the share split in September 2012, 3,976,012 Econocom Group shares;
- Econocom Group cancelled 2,000,000 Econocom Group shares (8,000,000 after the share split) at the Extraordinary General Meeting on 14 September 2012.

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

As of 31 December 2012, Econocom Group SA/NV held 2,019,584 treasury shares, as part of the share buyback programme, and 182,927 Econocom Group shares, as part of its liquidity agreement with Exane, representing a total of 2,202,511 shares or 2.28% of the total number of shares in issue.

The voting rights associated with the shares held by the company have been suspended. The shares held by the company do not give entitlement to dividends.

Econocom Group SA/NV's distributable reserves (non-consolidated data) stand at €75.4 million, to which is added profit carried forward in the amount of €100.9 million.

Econocom Group SA/NV's non-distributable reserves decreased by €11.4 million to €9.8 million following the cancellation of treasury shares in September 2012.

2.3.3.4. Share capital

As of 31 December 2012, Econocom Group SA/NV's share capital was made up of 96,691,588 shares with no stated par value.

In 2011, Econocom Group SA/NV issued €84 million worth of convertible bonds. The bonds were issued at a par value of €21 per bond, with a 4% coupon rate, paid annually in arrears. In the event that all the bonds are converted, and after the split of the Econocom share in September 2012, 16,000,000 new shares will be issued, resulting in a 16.55% dilution of the company's share capital.

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

As of 31 December 2012, authorised unissued capital stood at €15,285,166.46.

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

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

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

3. RISK FACTORS

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

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

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

The Group does not have a high liquidity risk as it has a net cash surplus.

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

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

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

4. OUTLOOK FOR 2013 AND DIVIDENDS IN 2012

2012 marked the end of the Horizon 2012 strategic plan which resulted in revenue doubling and recurring operating profit increasing threefold in five years.

The contracts signed during the past few months, sustained productivity and a refocusing on its strategic businesses, combined with the external growth opportunities currently under negotiation, mean the Group can expect growth, both organic and external, in revenue and recurring operating profit in 2013.

2013 will also be devoted to launching the new five-year strategic plan which should enable Econocom to enter into a new cycle of profitable mixed growth.

After two years of substantial increases in the dividend (over 33% in two years), the Econocom Board of Directors will invite shareholders to vote, at the Annual General Meeting, to maintain the payment of a gross dividend of €0.10 per share. The Group is opting to use its cash for strategic investments as part of its new five-year plan and continue its share buyback policy.

5. CORPORATE GOVERNANCE STATEMENT

5.1. Applicable corporate governance code

Econocom Group confirms that it adheres to the principles of the Belgian Corporate Governance Code which came into force in 2009 (the 2009 Code). This is available on www.corporategovernance-committee.be. Econocom publishes its Corporate Governance charter (in French only) on its website: www.econocom.com, under Financial Information/Legal Information/Corporate Governance.

During its meeting on 22 November 2012, the Board of Directors formally renewed its commitment to the Corporate Governance Code and updated the Group's Corporate Governance Charter, in particular the Internal Rules of the Board and Committees, to include the new provisions in force.

5.2. Exemptions from the 2009 Code

Econocom Group applies the recommendations of the 2009 Code, except for those which the Board has deemed ill-suited to Econocom Group's size, or that it intends to implement over the long term. The principles which Econocom Group SA/NV does not yet adhere to, in whole or in part, are described below.

The Group currently only partially applies the recommendations of Principle 1 of the 2009 Code.

For reasons relating to Econocom Group SA/NV's ownership structure, Jean-Louis Bouchard performs the duties of Chairman of the Board, Chief Executive Officer and Chairman of the Executive Committee. As such, the Group does not fully adhere to the principle of segregating the Board of Directors' powers of control and executive powers. As of 31 December 2012, Jean-Louis Bouchard indirectly held 49.64% of Econocom Group SA/NV's capital.

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

Econocom Group SA/NV complies with Principle 2 of the Belgian Corporate Governance Code, which recommends that at least half of the members of the Board of Directors should be non-executive. As of 31 December 2012, the Board of Directors had six non-executive directors out of eleven.

However, the Board has not appointed a Secretary to advise it on governance and report to it on compliance with the applicable procedures and rules. This role is nevertheless informally fulfilled by Galliane Touze, the Group's Company Secretary.

To date, Econocom Group does not have a Board of Directors of which at least a third of the members are of a different gender, as stipulated in article 518 bis of the Belgian Companies Code. The Board of Directors only has two female directors, Véronique di Benedetto and Chantal De Vrieze, who were appointed in 2011. In accordance with paragraph 3 of article 518 bis, Econocom Group has five years to comply with this requirement (i.e., until the end of 2017).

In order to comply with the recommendations in Principle 3 of the 2009 Code, Econocom Group SA/NV drew up and implemented a procedure relating to transactions and other contractual relations between the companies making up Econocom Group and its directors and senior managers.

The Board of Directors has not drafted specific procedures on insider trading but keeps an updated list of insiders. These people have been formally notified of the law regarding market malpractices.

Econocom Group SA/NV does not currently apply the recommendations in Principle 4 of the 2009 Belgian Corporate Governance Code, which state that the Board should draw up nomination procedures and selection criteria for Board members and that a "Nomination Committee" should recommend suitable directorship candidates. This principle also recommends a periodic assessment of each director and of the Board of Directors, in accordance with procedures set by the Board.

To date, the Board of Directors has not set up a Nomination Committee or any formal procedures for nominating members of the Board of Directors and the Executive Committee. Management considers that this recommendation of the Code is not suitable for the Econocom Group in view of its size.

Although the Group has no specific formal procedures for assessing the Board of Directors, its members and its Committees, such assessments take place on a continuous basis.

In order to comply with the changes to Corporate Governance rules, and in particular the law of 6 April 2010, in 2011 the Econocom Board of Directors set up a Compensation Committee, consisting of three non-executive directors, one of whom is an independent board member. The composition of the Compensation Committee will have to change so that at least 50% of its members are independent.

The Chairman of the Board of Directors does not systematically attend Annual General Meetings as recommended by Principle 8 of the 2009 Code, but he ensures that the Board of Directors is always represented by at least one Chief Executive Officer.

5.3. Description of internal control and risk management procedures in the context of the preparation of the financial information

The financial information communicated by the Group refers to its consolidated financial statements and to aspects of managing financial statements published in compliance with IFRS as adopted by the European Union and approved by the Board of Directors.

This financial information is, at every reporting date, presented to the Group's Audit Committee, and explained to all the directors.

5.3.1. Financial organisation

The Group's financial organisation is both local and global. The Group is made up of various businesses and countries, and the financial processes are implemented by finance teams, finance directors and financial controllers in each entity, all of whom report to the Group Chief Financial Officer. The Business Finance Directors ensure that the reporting rules and practices are applied consistently across the business line, irrespective of the country.

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

5.3.2. Reporting and consolidation coordination

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

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

The Group's Finance Department draws up schedules and specific instructions for the various budgets, reports and the items needed for the purpose of consolidation.

5.3.3. Accounting standards

The Group's accounting principles are set out in an accounting principles manual which is used as the basis for preparing financial information. This manual can be consulted via the IT system by all the account teams and describes the method for recording transactions and presenting financial information.

The team in charge of consolidation is also responsible for keeping abreast of changes to IFRS. As such, the team, in conjunction with the Group Finance Department and the Business Finance Directors, decides which changes in Group accounting principles should be implemented, informs the relevant people and arranges training accordingly.

5.3.4. IT tools

As a result of the acquisition of ECS Group and, more recently, five other companies, the IT systems used by the Group for preparing financial information are currently being harmonised and aligned.

5.3.5. Risk factors, surveillance and monitoring

The monthly reports enable the various operational and financial managers and the Group's Management to verify that the Group's results are accurate and consistent with the targets set. These reports contain a comparison between the management data and the Group's consolidated financial statements in order to ensure that the financial information is reliable.

The Group's Internal Audit department is in charge of risk management, and is in charge inter alia of drawing up a risk map. It also reviews the subsidiaries' financial statements in order to ensure that they comply with Group rules and verify that the reporting is accurate and that risks are adequately covered.

The Group has internal auditors who report to the Chief Financial Officer and an Internal Audit Director who reports to the Company Secretary.

5.3.5.1. Risks associated with IT accounting systems

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

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

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

5.3.5.2. Risks associated with accounting standards

The consolidation department, in conjunction with the Group Finance Department and the Business Finance Departments, monitors changes in IFRS and adapts the Group's accounting principles accordingly. It also organises training for finance staff whenever necessary.

5.3.5.3. Main transaction control procedures

In order to ensure the reliability of the financial information on transactions, Management Control verifies each month that the revenue and costs reported are in line with the flows expected at the time the transactions were approved.

The Finance Department draws up regular statistical analyses to ensure that the assumptions made when the lease contracts were recorded are conservative and appropriate.

The subsidiaries' finance teams also carry out monthly verifications for each business line.

5.3.6. Persons responsible for the preparation of financial information

The financial information is prepared under the supervision and responsibility of the Board of Directors which, since 2004, has had an Audit Committee, the role of which is set forth in section 5.5.3. below.

5.4. Share capital and share ownership

As of 31 December 2012, Econocom Group SA/NV's share capital consisted of 96,691,588 shares, held as indicated below:

Ownership structure	**31 Dec.2012**
Companies controlled by Jean-Louis Bouchard	49.64%
Public shareholders	48.08%
Treasury stock	2.28%
Total	**100.00%**

In addition, Econocom Group was notified that as from 31 December 2012 two shareholders – Spanish investment fund Bestinver Gestion SA SGIIC and French company AXA SA – had exceeded 5% of the shares.

There are no shareholders with special controlling rights.

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

In 2012, the company split each Econocom Group share into four and cancelled 2,000,000 shares (the equivalent of 8,000,000 shares after the split).

5.5. Composition and function of the administrative bodies and committees

5.5.1. Composition of the Board of Directors

Jean-Louis Bouchard,
(term of office expiring at the May 2016 Annual General Meeting)
38, avenue Gabriel 75008 Paris (France)
Chairman of the Board of Directors and Chief Executive Officer of Econocom Group SA/NV, Chairman of Econocom International NV

Jean-Philippe Roesch,
(term of office expiring at the May 2014 Annual General Meeting)
21, avenue de la Criolla 92150 Suresnes (France)
Chief Executive Officer of Econocom Group SA/NV

Bruno Lemaistre,
(term of office expiring at the May 2014 Annual General Meeting)
Avenue des Éperons d'Or 15, 1050 Brussels (Belgium)
Chief Executive Officer of Econocom Group SA/NV

Véronique di Benedetto,
(term of office expiring at the May 2017 Annual General Meeting)
86, rue Miromesnil 75008 Paris (France)
Executive director of Econocom Group SA/NV

Chantal De Vrieze,
(term of office expiring at the May 2017 Annual General Meeting)
Drève du Mereault, 241410 Waterloo (Belgium)
Executive director of Econocom Group SA/NV

Robert Bouchard,
(term of office expiring at the May 2015 Annual General Meeting)
1 bis, rue Clément Marot 75008 Paris (France)
Non-executive director of Econocom Group SA/NV

Christian Bret,
(term of office expiring at the May 2016 Annual General Meeting)
7, rue Pérignon 75015 Paris (France)
Independent director of Econocom Group SA/NV

Charles de Water,
(term of office expiring at the May 2017 Annual General Meeting)
Korte Veersteeg, 4D 4157 GR Enspijk (Netherlands)
Non-executive director of Econocom Group SA/NV and director of Econocom International NV

Gaspard Dürrleman,
(term of office expiring at the May 2017 Annual General Meeting)
50, avenue Bosquet 75007 Paris (France)
Non-executive director of Econocom Group SA/NV

Rafi Kouyoumdjian,
(term of office expiring at the May 2013 Annual General Meeting)
25, rue de Lubeck 75016 Paris (France)
Non-executive director of Econocom Group SA/NV

Jean Mounet,
(term of office expiring at the May 2017 Annual General Meeting)
60, quai du Parc 94100 Saint-Maur-des-Fossés (France)
Independent director of Econocom Group SA/NV

Five of the members of the Board of Directors held executive roles in 2012: Jean-Louis Bouchard, Jean-Philippe Roesch, Bruno Lemaistre, Véronique di Benedetto and Chantal De Vrieze. Gaspard Dürrleman, Rafi Kouyoumdjian, Charles de Water and Robert Bouchard are non-executive directors. Christian Bret and Jean Mounet are independent directors, as defined by article 526 ter of the Belgian Companies Code.

The Chairman of the Board of Directors has controlling interests in a number of companies outside Econocom Group and serves as director or Chairman within them. Jean-Louis Bouchard is Chairman of Ecofinance Nederland BV, Econocom International NV, Château Fontainebleau du Var, Audevard and Manager of SCI Orphée, SCI de Dion Bouton and SNC Ecurie Jean-Louis Bouchard. He is also a director of APL France.

Jean-Philippe Roesch and Bruno Lemaistre do not serve on any other boards outside those of Econocom Group SA/NV and its subsidiaries.

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

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

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

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

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

Robert Bouchard serves as Chairman of APL France and Ecofinance SAS, and manager of SCI Maillot Pergolèse, SCI Taillis des Aigles, GMPC and Ecojet Leasing SNC.

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

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

Aside from the length of the term of office (maximum of six years) and the renewable nature of the term of office, the bylaws do not stipulate any specific rules with respect to the appointment of directors or the renewing of their term of office, nor do they stipulate any age limit for Board membership.

5.5.2. Role of the Board of Directors

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

In 2012 the Board met on five occasions, including two meetings to approve the interim and annual financial statements. The overall attendance rate for the year was 94.50%.

The Board of Directors is responsible for approving the company's overall strategy proposed by the Chairman, authorising significant projects and ensuring that there are adequate resources to attain the Group's objectives. It is entrusted with decision-making outside the scope of day-to-day management.

The Group's operational management is entrusted to the Chief Executive Officers and the Executive Committee (management board as defined in article 524 bis of the Belgian Companies Code *[Code des societies]* and article 20 bis of the bylaws). The Board appoints the members of the Executive Committee, as well as the Chief Executive Officer(s). It also oversees the quality of the management duties performed and ensures that they are consistent with the Group's strategic objectives. To that end, it receives information every quarter including the budget and revisions thereto, a consolidated summary of the quarterly report and any other information it deems useful.

The Board is validly constituted only if at least half of its members are present or represented. A director may represent one or more other members of the Board. Decisions are adopted on the basis of a majority of votes. In the event of a split decision, the person chairing the meeting has the deciding vote. In exceptional circumstances, when urgency and the best interests of the company so dictate, decisions may be adopted pursuant to the unanimous consent of the directors, expressed in writing. However, this procedure may not apply in relation to approving the annual financial statements and the issuance of authorised capital.

5.5.3. Committees set up by the Board of Directors

Pursuant to the bylaws, the Board of Directors is authorised to set up specific committees and to determine their tasks and operating rules.

5.5.3.1. The Executive Committee (management board as defined in article 524 bis of the Belgian Companies Code)

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

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

The Executive Committee was reviewed at the Board Meetings on 16 March and 26 May 2011. It is chaired by Jean-Louis Bouchard and its members are Bruno Lemaistre (term of office renewed at the Board Meeting on 7 March 2012) and Jean-Philippe Roesch, both Group Managing Directors, and Véronique di Benedetto, Group Deputy Managing Director. Galliane Touze, Company Secretary, also attends Executive Committee meetings. The Executive Board meets at least ten times a year and met twelve times in 2012.

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

Three of the Executive Committee members are Chief Executive Officers. Jean-Philippe Roesch was appointed Chief Executive Officer at the Board of Directors' meeting on 3 July 2006 and

Bruno Lemaistre at the Board of Directors' meeting on 20 November 2008, effective as of 22 December 2008, when his appointment as director by the shareholders became effective.

5.5.3.2. The Compensation Committee

On 31 August 2011, the Board of Directors set up a Compensation Committee.

The role of the Compensation Committee is to advise and assist the Board of Directors with respect to its compensation policy and it is in charge of implementing plans for granting financial instruments (free shares, stock options, etc.). It drafts the compensation report, in accordance with article 96 section 3 of the Belgian Companies Code, which is subsequently added to the corporate governance statement. One of its members will comment on the report during the Ordinary General Shareholders' Meeting.

The Board of Directors has also granted the Compensation Committee, in accordance with article 20 of the bylaws, decision-making powers on behalf of the Board of Directors with respect to stock option plans or any other plans for granting financial instruments. In this respect, the Compensation Committee replaces the Stock Option Committee set up in February 2003.

The Committee has three members, Christian Bret, Gaspard Dürrleman and Rafi Kouyoumdjian, who were appointed for a three-year term which cannot exceed the length of their term as directors. The Committee met twice in 2012.

5.5.3.3. The Audit Committee

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

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

The Audit Committee meets as often as required; it met four times in 2012, with all Committee members in attendance, as well as Jean-Philippe Roesch, Chief Executive Officer, the Company Secretary, the Group Chief Financial Officer, and the head of Internal Audit. The members of the Audit Committee invite the Statutory Auditor and any other person deemed useful by the Committee as required by the agenda.

The Audit Committee is responsible for helping the Board of Directors perform its duty of controlling the Econocom Group's operations. In particular, it examines the quality and relevance of internal and external audit engagements, monitors internal control and risk management procedures, ensures that the accounting methods used are appropriate, and that the Group's financial data are complete and accurate.

Article 96 of the Belgian Companies Code stipulates that companies must prove the independence and audit and accounting expertise of at least one of the members of the Audit Committee. Econocom complies with this requirement.

5.5.4. Day-to-day management

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

All major decisions regarding the subsidiaries are made by the relevant body, with the assent of a member of the Executive Committee in charge of the issue or activity in question. The subsidiaries generally do not have any major decision-making powers other than those concerning day-to-day management. The powers of the Group's subsidiaries' managers and the limits to these powers are set forth in an internal document.

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

Not applicable.

5.6. Composition of advisory bodies

Econocom Group SA/NV's Statutory Auditor is Pricewaterhouse-Coopers Reviseurs d'Entreprises SCCRL (Woluwe Garden, Woluwedal, 18 1932 Sint-Stevens-Woluwe, Belgium), whose term expires at the May 2013 Annual General Meeting. Econocom Group SA/NV's Statutory Auditor is represented by Emmanuèle Attout.

5.7. 2012 compensation report

This report was drafted in accordance with the provisions of articles 526 quater and 96 section 3 of the Belgian Companies Code. Its purpose is to describe in detail the policy for compensating directors (in charge of day-to-day management, executive and non-executive), as well as members of the Executive Committee of Econocom Group (management committee as defined in article 554 bis of the Belgian Companies Code).

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

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

On 31 August 2011, the Board of Directors set up a Compensation Committee. In 2012, the Committee comprised three non-executive directors, one of which is independent as defined in article 526 ter of the Belgian Companies Code.

The role of the Compensation Committee is to advise and assist the Board of Directors with respect to its compensation policy and it is in charge of implementing plans for granting financial instruments (free shares, stock options, etc.).

More specifically, the Compensation Committee is in charge of:

1°) Upon recommendations of the Chairman:

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

b) Making suggestions and recommendations to the Board of Directors with respect to the individual compensation of directors and members of the Executive Committee, including the variable part and long-term bonuses (long-term share ownership) – whether or not shared-based – granted as stock options or other financial instruments, termination benefits and, if required by law, any resulting recommendations which the Board of Directors must submit to the shareholders for approval.

c) Making suggestions and recommendations to the Board of Directors with respect to setting and assessing performance targets linked to the directors' and Executive Committee members' individual compensation.

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

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

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

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

The Board of Directors has also granted the Compensation Committee, in accordance with article 20 of the bylaws, decision-making powers on behalf of the Board of Directors with respect to stock option plans or any other plans for granting financial instruments such as warrants, existing or future plans, i.e., issuing stock options or any other financial instruments within the limits authorised by the Board of Directors, to whom the Compensation Board is accountable.

The Compensation Committee met twice in 2012.

5.7.1.2. 2012 compensation policy

Since 1999, the bylaws have provided for the compensation of offices held. The Annual General Meeting of 18 May 2004 set the attendance fees of non-executive directors at €2,500 per director per Board meeting, subject to actual attendance at the meetings.

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

Non-executive directors who are members of the Audit Committee receive €1,000 per meeting, subject to actual attendance. Members of the Compensation Committee receive €2,000 per meeting, subject to actual attendance.

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

The compensation of executive directors is set by the Chairman.

The compensation of executive directors includes a significant variable part which accounts for more than 40% of the total compensation. At the Extraordinary General Meeting on 28 September 2011, the Board of Directors was granted exemption from article 520 ter, paragraph 2 of the Belgian Companies Code pertaining to the rules governing the distribution of the variable part of compensation for 2011 and 2012. The variable portion of compensation paid to executive directors and Executive Committee members was set in 2012 based on annual performance.

Variable compensation paid to executive directors in respect of 2012 is based on (i) the profit before tax of the activity for which they are responsible, (ii) Econocom Group's consolidated profit before tax, (iii) savings objectives and (iv) measurable quality-based targets. With the exception of the quality-based targets, the objectives are the results as published either in the Group's management report, or in its audited financial statements. These objectives are set for the calendar year.

As is the case with all Econocom Group employees, the executive directors and Executive Committee members' salaries are assessed on a continuous basis throughout the year by their managers at the annual appraisal which is held at the beginning of the following year.

The compensation policy for 2013 is consistent with the policy for 2012. Variable compensation paid to executive directors and members of the Executive Committee is subject to the achievement of objectives, both quality- and quantity-based, over the year, in particular the annual growth in pre-tax earnings within the scope of each director's responsibility.

The basis for compensation for members of the Executive Committee and executive directors in 2014 has not yet been discussed.

At the Annual General Meeting on 21 May 2013, an item will be added to the agenda in order to allow the Board of Directors exemption from article 520 ter, paragraph 2 of the Belgian Companies Code pertaining to the rules governing the distribution of the variable part of compensation for 2013 and subsequent years.

The Board of Directors did not deem it necessary, given the reliability of the Group's financial information, to implement a system for retrieving variable compensation granted on the basis of incorrect financial information.

5.7.2. Compensation paid in 2012

5.7.2.1. Non-executive directors

This section sets forth the individual compensation and benefits paid directly or indirectly to non-executive directors by Econocom Group SA/NV or any of the Group's other companies in 2012.

Christian Bret	€20,500
Robert Bouchard	€10,000
Gaspard Dürrleman	€20,500
Charles de Water	€12,500
Rafi Kouyoumdjian	€18,000
Jean Mounet	€12,500
Total	**€94,000**

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

Jean-Louis Bouchard performs the duties of Chairman of the Board, Chief Executive Officer and Chairman of the Group's Executive Committee. He receives no compensation whatsoever, and does not benefit from any special pension or insurance, or any other benefits paid either directly or indirectly from either Econocom Group SA/NV or any companies in the scope of consolidation for these duties. Econocom International NV – whose Chairman is Jean-Louis Bouchard – bills fees to Econocom Group SA/NV and its subsidiaries for managing and coordinating the Group. These fees amounted to €2,084,000 in 2012, compared with €2,099,000 in 2011.

5.7.2.3. Total compensation paid to executive directors and members of the Executive Committee in 2012

This section shows the overall amount of compensation and benefits paid directly or indirectly to executive directors by Econocom Group SA/NV or any of the Group's other companies in 2012.

Total compensation paid in 2012

Fixed portion	€1,527,139
Variable portion	€1,956,550
Pension	-
Other, including benefits in kind	€142,000
Total	**€3,625,689**

This information refers to the executive members of the Board of Directors and members of the Executive Committee, i.e. Bruno Lemaistre, Jean-Philippe Roesch, Véronique di Benedetto and Chantal De Vrieze. The compensation paid to Jean-Louis Bouchard, Chairman of the Board, Chief Executive Officer and Chairman of the Group's Executive Committee, is set out in section 5.7.2.2. Two of the four executive directors have a company car but do not receive any other kind of compensation.

5.7.2.4. Stock options and shares issued and exercised, expiring in 2012

The executive directors received no stock options or shares in 2012. None of the options granted to executive directors expired in 2012.

Executive Director	2012		Shares expiring in 2012		Balance	
	Type	Number	Type	Number	Type	Number[2]
Jean-Louis Bouchard [1][3]	-	-	-	-	Options	100,000
Bruno Lemaistre[1]	-	-	-	-	Options	753,000
Jean-Philippe Roesch[1]	-	-	-	-	Options	400,000
Véronique di Benedetto[1]	-	-	-	-	Options	200,000
Total	**-**	**-**	**-**	**-**	**Options**	**1,453,000**

(1) Member of the Executive Committee

(2) Each option entitles the bearer to four Econocom Group shares

(3) Stock options held indirectly via EINV

5.7.2.5. Termination benefits and other contractual obligations

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

Jean-Philippe Roesch has a termination benefit of one month's salary for each year of service. This contractual obligation is fully accrued in the accounts.

5.8. Appropriation of net profit and dividend policy

After two years of substantial increase in the dividend (over 33% in two years), the Econocom Board of Directors will invite shareholders to vote, at the Annual General Meeting, to maintain the payment of a gross dividend of €0.10 per share. This compensation represents a payout of 17.3%.

The Group opts to use its cash for strategic investments as part of its new five-year plan and continue its share buyback policy.

5.9. Relations with major shareholders

The transparency-related disclosures made to the company designate Econocom International NV as the majority shareholder.

In accordance with Article 74 section 6 of the Belgian law of 1 April 2007 on takeover bids, on 4 December 2007, Econocom Group SA/NV received notification from Econocom International NV, which is controlled by Jean-Louis Bouchard, indicating that as of 1 September 2007, Econocom International NV held 12,857,760 Econocom Group shares, representing 47.97% of the capital.

As of 31 December 2012, Jean-Louis Bouchard directly and indirectly held 47,999,456 Econocom Group SA/NV shares, representing 49.64% of the capital. Jean-Louis Bouchard is the only shareholder who controls more than 30% of the Group and does not need to launch a takeover bid as he acquired his 30% interest prior to 1 September 2007, and duly carried out all the legally-required disclosures and publications about his interests.

On 19 March 2012 Econocom Group received notification from Bestinver Gestion SA SGIIC stating that the 10% threshold of voting rights had not been reached and that, as of 16 March 2012, it held 2,583,569 Econocom Group shares[1], i.e., 9.97% of the shares carrying voting rights and share capital.

On 13 June 2012, Econocom Group received notification from Société Générale SA stating that the 5% threshold of voting rights had not been reached and that, as of 8 June 2012, it no longer held any Econocom Group shares.

On 28 December 2012, Econocom Group received notification from AXA SA stating that it had exceeded the 5% threshold of voting rights and that, as of 24 December 2012, it held 4,863,916 Econocom Group shares, i.e., 5.03% of the shares carrying voting rights and share capital.

Relations with the majority shareholder, Econocom International NV, correspond to loans granted or received and the provision of standard services on arm's-length terms. In October 2012, Econocom France signed a lease with SCI Dion Bouton, which is owned by Econocom International NV, in order to locate all the Greater Paris area-based employees on the same premises in Puteaux, as of 2013. This lease was signed in accordance with standard market terms.

(1) Before the four-for-one share split decided at the Extraordinary General Meeting on 14 September 2012

5.10. Employee share ownership

Since November 1997, Econocom Group SA/NV and various subsidiaries and sub-subsidiaries have set up several stock option plans for their employees, managers and executives. An updated summary of the Group's related commitments as of 31 December 2012 is provided below.

	Number of outstanding options(1)	Expiry date	Exercise price (in €)
2010	353,000	August 2015	10.97
	550,000	December 2014	9.91
2011	30,000	December 2015	12.93
	790,000	December 2016	12.25
Total	**1,723,000**		

(1) Each option entitles the holder to four Econocom Group shares

These plans cover Econocom Group SA/NV shares listed on the futures market of the Brussels stock exchange. Upon the exercise of options, Econocom Group SA/NV may either transfer existing shares or issue new shares by way of a capital increase.

The options are granted with a view to involving employees, managers and executives more closely in the Group's operations and business development.

Part of the options is contingent on their beneficiaries achieving individual performance goals.

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

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

The text of the standard stock option contract was amended to take into account the changes in legislation. This amendment was approved by the Stock Option Committee (now called the Compensation Committee) on 8 December 2010.

The strike price is set in accordance with Article 43 of the Belgian law dated 26 March 1999, and corresponds to the average price quoted for the Econocom Group SA/NV share over the 30 days preceding the grant date.

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

In 2012, 10,000 stock options were exercised. No new stock options were granted or forfeited.

In relation to the stock options exercised, the Board of Directors transferred 10,000 existing shares held in treasury and did not issue any new shares.

As of 31 December 2012, 1,723,000 options had not yet been exercised. Following the four-way share-split in September 2012, each option is exercisable for four Econocom Group shares, i.e., a total of 6,892,000 shares representing 7.13% of the number of outstanding shares. The exercise of all these options would result in a capital of €19.4 million.

5.11. Statutory Auditor's fees

In 2012, the PricewaterhouseCoopers network provided audit services (reviewing the Group's consolidated and individual financial statements) and non audit-related services to Econocom Group SA/NV and its subsidiaries. Below is a table indicating the type of services provided and the related fees:

(in €)	**2012**	**2011**
Consolidated Statutory Auditor's fees for auditing the financial statements	**357,539**	**367,955**
Fees linked to the functions of the Statutory Auditor and the related functions performed in the Group by individuals linked to the Statutory Auditor	**637,461**	**620,866**
Fees for non audit-related engagements or specific assessments carried out by the Statutory Auditor for Econocom Group		
Non-audit certification engagements	52,000	111,221
Tax advisory work	157,651	
Other	125,697	
Fees for non audit-related engagements or specific assessments performed in the Group by individuals linked to the Statutory Auditor		
Non-audit certification engagements	180,600	89,250
Tax advisory work	469,746	251,214
Other	169,697	129,870
Total	**1,867,043**	**1,570,376**

5.12. Treasury shares

See section 2.3.3.3.

6. POST-YEAR-END EVENTS

On 22 February 2013, Econocom Group announced it had acquired the entire share capital of French company Exaprobe.

Founded in 2001, Exaprobe offers security, unified communications, IP infrastructure, virtualisation and data centre solutions for IT infrastructures.

The company's revenue has more than doubled in five years to stand at €16 million in 2012. Exaprobe currently employs over 60 people and operates in the Rhône-Alpes, Greater Paris, Provence-Alpes-Cote d'Azur and western regions of France.

By acquiring Exaprobe, a few months after buying out Cap Synergy, Econocom will be able to expand its security, network and communications division which now employs over one hundred people in France and generates revenue of around €30 million.

CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2012

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as of 31 December 2012

ASSETS

(in € thousands)	*Notes*	**31 Dec. 2012**	**31 Dec. 2011**
Non-current assets		-	-
Intangible assets, net	6	47,790	48,639
Goodwill	*7*	149,207	134,222
Property, plant and equipment, net	8	13,330	13,364
Financial assets	9	53,839	45,058
Long-term receivables	10	1,740	2,201
Deferred tax assets	*30*	14,656	13,104
Total non-current assets		**280,562**	**256,588**
Current assets		**-**	**-**
Inventories	*11*	25,626	14,858
Trade and other receivables	*12*	683,521	596,752
Current tax assets		7,318	9,524
Other current assets	*12*	21,437	21,151
Cash and cash equivalents	*13*	79,850	144,772
Total current assets		**817,752**	**787,057**
Non-current assets held for sale		**-**	**-**
Total assets		**1,098,314**	**1,043,645**

EQUITY AND LIABILITIES

(in € thousands)	Notes	31 Dec. 2012	31 Dec. 2011
Share capital		17,077	17,077
Additional paid-in capital and reserves		92,455	97,033
Profit for the year		47,448	21,512
Shareholders' equity	*15*	**156,980**	**135,622**
Non-controlling interests	*15*	192	(119)
Total equity		**157,172**	**135,503**
Non-current liabilities		-	-
Financial liabilities	*18*	14,943	11,520
Bonds	*18*	77,771	76,520
Non-current provisions	*16*	424	448
Provisions for pensions and other commitments	*17*	14,064	11,714
Other non-current liabilities		6,590	2,675
Deferred tax liabilities	*30*	14,186	9,299
Total non-current liabilities		**127,978**	**112,176**
Current liabilities		-	-
Financial liabilities	*18*	27,237	63,904
Bonds	*18*	3,360	3,360
Current provisions	*16*	36,906	29,125
Current tax liabilities		4,600	3,097
Trade and other payables	*19*	599,906	596,300
Other current liabilities	*19*	141,155	100,180
Total current liabilities		**813,164**	**795,966**
Liabilities related to assets held for sale		**-**	**-**
Total equity and liabilities		**1,098,314**	**1,043,645**

CONSOLIDATED INCOME STATEMENT

for the years ended 31 December 2012 and 31 December 2011

(in € thousands)	*Notes*	**31 Dec. 2012**	**31 Dec. 2011**
Revenue form continuing operations	*21*	**1,538,340**	**1,584,289**
Operating expenses		**(1,466,207)**	**(1,519,721)**
Cost of sales		(1,123,292)	(1,182,381)
Personnel costs	*22*	(215,393)	(216,825)
External expenses	*23*	(104,173)	(97,406)
Depreciation, amortisation and impairment losses	*24*	(5,767)	(11,646)
Taxes (other than income taxes)		(10,608)	(11,218)
Impairment losses on current assets, net	*25*	(2,885)	2,898
Other operating income and expenses	*26*	(473)	338
Financial expense, operating activities	*27*	(3,616)	(3,481)
Recurring operating profit		**72,133**	**64,568**
Other non-recurring operating income and expenses	*28*	(3,531)	(18,588)
Operating profit		**68,602**	**45,980**
Net financial expense	*29*	(4,649)	(11,875)
Profit before tax		**63,953**	**34,105**
Income tax	*30*	(16,411)	(12,847)
Profit from continuing operations		**47,542**	**21,258**
Share of profit of associates		**32**	**40**
Profit including non-controlling interests		**47,574**	**21,298**
Non-controlling interests		**126**	**(214)**
Profit for the year excluding non-controlling interests		**47,448**	**21,512**
Basic earnings per share – continuing operations	*31*	0.493	0.215
Basic earnings per share – discontinued operations		-	-
Basic earnings per share		**0.493**	**0.215**
Diluted earnings per share – continuing operations		0.440	0.209
Diluted earnings per share – discontinued operations		-	-
Diluted earnings per share		**0.440**	**0.209**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the years ended 31 December 2012 and 2011

(in € thousands)	**2012**	**2011**
Profit for the year including non-controlling interests	**47,574**	**21,298**
Adjustments to the fair value of financial instruments and other financial assets	19	89
Exchange differences on translation of foreign operations	494	205
Actuarial gains(losses) on employee benefits	(2,352)	80
Income tax relating to elements directly recognised in other comprehensive income	649	(24)
Other comprehensive income	**(1,190)**	**350**
Total comprehensive income for the year	46,384	21,648
Attributable to owners of the parent	*46,258*	*21,862*
Attributable to non-controlling interests	*126*	*(214)*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as of 31 December 2012 and 31 December 2011

(in € thousands)	Number of shares*	Share capital	Additional paid-in capital
Balance as of 31 December 2011	**104,691,588**	**17,077**	**72,530**
Cancellation of shares	(8,000,000)		
Share-based payments			
Acquisition of treasury shares			
Sale of treasury shares			
Dividends paid			
Convertible bonds - items of equity			
Other transactions with owners			
Sub-total – transactions with owners		**-**	**-**
Profit including non-controlling interests			
Other comprehensive income items			
Sub-total – total comprehensive income		**-**	**-**
Balance as of 31 December 2012	**96,691,588**	**17,077**	**72,530**
Balance as of 31 December 2010	**104,691,588**	**17,077**	**69,244**
Capital increase			
Share-based payments			
Acquisition of treasury shares			
Sale of treasury shares			
Dividends paid			
Convertible bonds - items of equity			3,286
Other transactions with owners			
Sub-total – transactions with owners		**-**	**3,286**
Profit including non-controlling interests			
Other comprehensive income items			
Sub-total – total comprehensive income		**-**	**-**
Balance as of 31 December 2011	**104,691,588**	**17,077**	**72,530**

(After the four-for-one split of the number of shares)*

Treasury share	Reserves	Other comprehensive income items	Equity attributable to owners of the parent	Non-controlling interests	Total equity
(22,642)	**69,744**	**(1,087)**	**135,622**	**(119)**	**135,503**
29,489	(29,489)		-		-
	1,104		1,104		1,104
(19,213)			(19,213)		(19,213)
2,472	534		3,006		3,006
	(9,762)		(9,762)	(2)	(9,764)
			-	188	188
	(36)		(36)		(36)
12,748	**(37,649)**	**-**	**(24,901)**	**186**	**(24,715)**
	47,448		47,448	126	47,574
		(1,190)	(1,190)		(1,190)
-	**47,448**	**(1,190)**	**46,258**	**126**	**46,384**
(9,894)	**79,544**	**(2,277)**	**156,980**	**192**	**157,172**
(16,011)	**56,718**	**(1,437)**	**125,591**	**66**	**125,657**
			-		-
	287		287		287
(12,995)			(12,995)		(12,995)
6,364			6,364		6,364
	(8,812)		(8,812)		(8,812)
			3,286		3,286
	39		39	29	68
(6,631)	**(8,486)**	**-**	**(11,831)**	**29**	**(11,802)**
	21,512		21,512	(214)	21,298
		350	350		350
-	**21,512**	**350**	**21,862**	**(214)**	**21,648**
(22,642)	**69,744**	**(1,087)**	**135,622**	**(119)**	**135,503**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the years ended 31 December 2012 and 31 December 2011

(in € thousands)	2012	2011
Profit including non-controlling interests	47,574	21,298
Elimination of the share of profit of associates	(32)	(40)
Depreciation of property, plant and equipment/amortisation of intangible assets	9,647	9,998
Impairment of goodwill	-	3,650
Impairment of financial assets	(23)	8
Impairment of trade receivables, inventories and other current assets	(1,665)	(5,396)
(Gains)/losses on the disposal of property, plant and equipment and intangible assets	59	314
Fair value adjustment on financial instruments	(124)	-
Change in provisions	4,962	430
Income and expenses related to share-based payment	1,104	959
Cash flows from operating activities after cost of net debt and income tax	**61,501**	**31,221**
Income tax expense	16,411	12,848
Cost of net debt	8,196	15,388
Cash flows from operating activities before cost of net debt and income tax (a)	**86,108**	**59,457**
Change in working capital (b)	**(44,957)**	**28,547**
Income tax paid (c)	(8,481)	(19,105)
Net cash provided by operating activities (a+b+c=d)	**32,670**	**68,899**
Acquisition of property, plant and equipment and intangible assets, excluding the Leasing business	(7,312)	(7,859)
Disposal of property, plant and equipment and intangible assets, excluding the Leasing business	40	789
Acquisition/disposal of property, plant and equipment allocated to the Leasing business	(56)	107
Acquisition of financial assets	(13,910)	(14,019)
Disposal of financial assets	5,558	2,106
Acquisition of companies and businesses, net of cash acquired	(10,876)	(488)

(in € thousands)	2012	2011
Net cash used in investing activities (e)	**(26,556)**	**(19,364)**
Convertible bonds – items of equity	-	3,286
Convertible bonds – issue of convertible bonds	-	79,880
Increase in non-current financial liabilities	7,412	6,936
Repayment of non-current financial liabilities	(4,676)	(118,791)
Increase in current financial liabilities	17,741	25,569
Repayment of current financial liabilities	(57,806)	(88,535)
Interest paid	(8,196)	(15,388)
Acquisition and sale of treasury shares	(16,244)	(6,748)
Dividends paid during the year	(9,733)	(8,772)
Net cash used in financing activities (f)	**(71,502)**	**(122,563)**
Impact of changes in exchange rates (g)	466	(73)
Change in cash and cash equivalents (d+e+f+g)	**(64,922)**	**(73,101)**
Cash and cash equivalents as of 1 January	**144,772**	**217,873**
Change in cash and cash equivalents	(64,922)	(73,101)
Cash and cash equivalents as of 31 December	**79,850**	**144,772**

Notes to the consolidated financial statements

for the year ended 31 December 2012

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1. INFORMATION ABOUT ECONOCOM GROUP

Econocom Group SA/NV, the Group's parent company, is a *société anonyme* governed by the laws of Belgium with a Board of Directors, whose registered office is located at Place du Champ de Mars, 5, 1050 Brussels.

The company is registered with the Brussels corporate register under number BE0422 646,816 and is listed on the Brussels Euronext stock exchange.

The consolidated financial statements for the year ended 31 December 2012 reflect the accounting situation of Econocom Group and its subsidiaries.

On 28 February 2013, the Board of Directors finalised the consolidated financial statements for the year ended 31 December 2012 and authorised the publication thereof. These financial statements shall only be deemed final after they have been approved by the shareholders at the Annual General Meeting on 21 May 2013.

The financial statements were submitted to the shareholders on 12 April 2013.

In 2012, Econocom Group, in addition to continuing the integration of ECS and its subsidiaries, also made five further external growth transactions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. General principles and statement of compliance

The financial statements for Econocom Group for 2012 were prepared in compliance with the International Financial Reporting Standards (IFRS) and interpretations, as adopted by the European Union (regulation 1606/2002 of 19 July 2002) at the end of the financial year. These financial statements compare the data from 2012 with that of 2011, which was prepared in compliance with the same standard.

As of 31 December 2012, the financial reporting standards and interpretations adopted by the European Union were similar to the mandatory financial reporting standards and interpretations published by the IASB (International Accounting Standards Board).

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

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

All the standards applied by the European Union are available on the European Commission website at the following address: http://ec.europa.eu/internal_market/accounting/ias/index_en.htm.

2.2. Adoption of IFRS

2.2.1. Standards, amendments and interpretations applicable as from 1 January 2012

The Group has adopted all the new standards, amendments and interpretations which were applicable as of 1 January 2012 and approved by the European Union.

Standard/Interpretation		Application date		Impact on the Group
		EU (1)	Group	
IFRS 7	Disclosures - Transfers of financial assets	1 July 2011	1 January 2012	Information required by the new standard is presented in Note 35

(1) Unless otherwise stated, these are applicable for accounting periods beginning on or after the date indicated here.

2.2.2. Standards, amendments and interpretations approved by the European Union but not yet applicable as from 1 January 2012

Standard/Interpretation		Mandatory application date in Europe	Expected impact on the Group
IAS 19 Amendment	Employee Benefits	1 January 2013	As Econocom Group already applies the SoRIE method, the amendment will require few changes. The Group expects a negative impact of €0.9 million as a result of the retrospective change in the recognition of commitments for future services. Further details are provided in Note 17
IAS 1 Presentation of Financial Statements	Presentation of Items of Other Comprehensive Income	1 July 2012	No impact on the financial statements

The Group has elected not to early adopt these standards as of 1 January 2012.

2.2.3. Standards, amendments and interpretations published by the IASB, not yet approved by the European Union but eligible for early adoption

Standard/Interpretation		IASB application date[1]	Expected impact on the Group
IFRS 1 Amendment	Amendments: Government Loans, Repeated application of IFRS 1, application of IAS 23	1 January 2013	No impact on the financial statements
Improvements to IFRS	Amendments to IAS 1, IAS 16, IAS 32 and IAS 34	1 January 2013	Under assessment
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013	No impact on the financial statements

(1) Unless otherwise stated, these are applicable for accounting periods beginning on or after the date indicated here.

The Group has elected not to early adopt these standards as of 1 January 2012.

2.2.4. Main standards, amendments and interpretations published by the IASB but not yet applicable

Standard/Interpretation		Expected impact on the Group
IAS 12	Deferred Tax: Recovery of Underlying Assets	Under assessment
IFRS 9	Financial Instruments : classification & measurement	Under assessment
IFRS 10	Consolidated Financial Statements	Under assessment
IFRS 11	Joint Arrangements	Under assessment
IFRS 12	Disclosure of Interests in Other Entities	Under assessment
IFRS 13	Fair Value Measurement	Under assessment
IAS 32	Amendment : Income taxes arising from distributions to equity holders and transaction cost	Under assessment

(1) Unless otherwise stated, these are applicable for accounting periods beginning on or after the date indicated here.

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

2.3.1. Basis for reporting

The consolidated financial statements were prepared in accordance with the historical cost accounting method, with the following exceptions:

- Certain financial assets and liabilities at fair value.
- Non-current assets held for sale, recorded at whichever is the lowest amount – either the carrying amount or the fair value less the costs to sell once the sale is deemed highly probable. These assets cease to be amortised when they are recognised as assets (or a Group of assets) held for sale.

2.3.2. Changes to the presentation

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

There have been no material changes in the presentation of the consolidated financial statements.

2.3.3. Estimates used and judgement

The preparation of Econocom Group's consolidated financial statements requires the use of a certain number of estimates and assumptions by Management which may affect the carrying amount of certain items in assets and liabilities, income and expenses, and the information disclosed in the notes.

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

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

The main estimates made by Management for the preparation of the financial statements concern the valuing and useful life of operating assets, property, plant and equipment, intangible assets, goodwill, provisions for risks and other provisions related to business, and the methods used for calculating commitments relating to employee benefits, share-based payments, deferred taxes and financial instruments. The Group has used the adjustment rate method, based on market data, to estimate assets and liabilities.

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

- Note 2.11 – Impairment of assets
- Note 2.12 – Financial assets and liabilities
- Note 2.14 – Share-based payments
- Note 2.15 – Income tax
- Note 2.16 – Provisions and contingent liabilities
- Note 2.17 – Post-employment benefits and other commitments
- Note 2.21 – Government grants
- Note 3 – Changes in the scope of consolidation

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

Moreover, apart from the use of estimates, the Group's Management also relies on its own judgement in order to determine the appropriate accounting treatment for certain operations, whilst awaiting clarification from certain IFRS standards or when the standards used do not deal with the issues concerned. This is the case for the sale options granted to minority shareholders.

Sales options granted to minority shareholders

The Group has granted minority shareholders in some of its subsidiaries a buyout option of their shares. The price of these transactions may be either fixed or determined according to a predefined calculation. Furthermore, they may be conducted at any time in some cases, or on a specific date in others.

The Group records financial liabilities for the sale options granted to minority shareholders of the entities in question. The related non-controlled interests are reclassified in financial liabilities. The difference between the debt from buyout option and the carrying amount of the reclassified non-controlled interests is recorded as a deduction from equity.

Liabilities are initially recorded for the present value of the strike price and then, for subsequent reporting, based on the fair value of potentially purchased shares if the strike price is based on fair value. Any later changes in fair value of the obligation are recorded in the income statement.

2.4. Consolidation methods

The consolidated financial statements include the financial statements of companies acquired as from the acquisition date and of sold companies up until the disposal date.

2.4.1. Subsidiaries

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

Exclusively-controlled entities are fully consolidated by the Group: the assets, liabilities, income and expenses of the subsidiary are fully consolidated, line by line in the consolidated financial statements and the share of equity and net profit attributable to minority shareholders is presented under the separate item of non-controlling interests in the consolidated statement of financial position and income statement.

2.4.2. Associates

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

Such investments in associates are consolidated under the equity method: investment in an associate is initially stated at cost of acquisition, and then its carrying amount is increased or decreased to recognise the Group's share in the fair value of the held company's assets and liabilities.

2.4.3. Business combinations and goodwill

Business combinations are recognised under the acquisition method, in accordance with IFRS 3. This standard was revised, applicable as from 1 January 2010, without retroactive effect. The main consequences of the revised standard are greater control in the accounting treatment of the business combination and greater use of fair value.

As of 1 January 2010, business combinations are treated as follows:

The cost of the business combination approximates the fair value of the assets provided, the liabilities incurred or assumed and the equity instruments issued by the Group on the acquisition date, in exchange for control of the acquiree.

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

The difference between the cost of the business combination and the acquirer's share in the carrying amount of the identifiable assets and liabilities and contingent liabilities at the acquisition date is recognised in goodwill. For each business combination, non-controlling interests may be measured at fair value, resulting in the recognition of additional goodwill ("full" goodwill option).

As any subsequent changes in the percentage of interest, without affecting the control of the acquiree, are regarded as transactions between shareholders, the difference between the purchase (or sale) value and the carrying amount of the share acquired (or sold) is recognised in equity.

For business combinations which take place in several stages, the shares owned prior to the control of the aquiree being taken will be revaluated to fair value against profit. The same applies to shares retained after loss of control.

Moreover, the amount of costs directly attributable to the business combination is recognised in the income statment.

When goodwill is determined on a temporary basis at the end of the year during which the acquisition took place, the Group must account for the adjustments of these temporary amounts within a year of the acquisition date. If the differences between the temporary and final amounts have a material impact on the presentation of the financial statements, the comparative information presented for the period before fair value was finalised is restated as if the amounts had been finalised at the acquisition date.

When the difference between the cost of the business combination and the share of the fair value of identifiable assets and liabilities and contingent liabilities is negative, it is immediately recognised in the income statment.

Subsequently, goodwill is measured at its cost less any impairment losses, determined in accordance with the method described in Note 2.11. In the event of impairment, the impairment loss is recorded under "Other non-current operating income and expenses" in the income statement included in the Group's operating profit.

2.5. Translation of foreign currencies

2.5.1. Functional currency and reporting currency

The items in the financial statements for each entity are estimated using the currency of the primary economic environment (or "functional currency") in which the entity operates. The Group's consolidated financial statements are reported in euros, which is the Group's reporting currency.

2.5.2. Recognition of foreign currency transactions

Foreign currency transactions of subsidiaries are initially recorded in their functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary items in foreign currencies are translated at the reporting date at the year-end rate. Any foreign exchange gains or losses resulting or arising from the payment of these monetary elements are recorded in the income statement for the period.

Non-monetary items in foreign currencies recognised at historical cost are translated at the historical transaction rate and non-monetary items in foreign currencies recognised at fair value are translated at the rate at the time fair value was determined. When profit or loss for a non-monetary item is recognised directly in equity, the "change" component of this profit or loss is also recognised in equity. Otherwise, this component is recognised as income for the period.

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

2.5.3. Translation of the financial statements of foreign entities

The results and financial positions of the Group's entities with functional currencies other than the reporting currency are translated into euros as follows:

- Statement of financial position items other than equity are translated at the year-end exchange rate.
- Income statement and statement of cash flow items are translated at the average exchange rate for the year.
- Exchange differences are recognised in currency translation adjustments in the statement of comprehensive income, within other items of the comprehensive income, and in particular the currency translation adjustments arising from borrowings in foreign currencies covering an investment in a foreign currency or a permanent advance to the subsidiaries.

	2012		2011		2010	
	Year-end rate	Average rate	Year-end rate	Average rate	Year-end rate	Average rate
GBP	1.225	1.232	1.197	1.149	1.162	1.165
MAD	0.090	0.090	0.09	0.089	0.089	0.09
CHF	0.828	0.830	0.823	0.811	0.762	0.80
USD	0.758	0.773	0.773	0.717	0.748	0.743
CZK	0.040	0.040	0.039	0.04	0.04	0.04
PLN	0.245	0.240	0.224	0.242	0.252	0.25
RON	0.225	0.224	0.231	0.236	0.235	0.234
CNY	0.122	0.123	0.123	0.111	0.113	0.112
MXN	0.058	0.059				
CAD	0.761	0.779				

2.6. Intangible assets

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

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

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

Intangible assets with indefinite useful lives are not amortised.

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

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

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

2.7. Property, plant and equipment

2.7.1. Property, plant and equipment held directly

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

Additions to depreciation are recognised according to the straight line method over the scheduled service life of the assets taking into account any residual value.

Useful lives (in years)	
Buildings	20-50
Fixtures	10
IT equipment	3-7
Vehicles	4-7
Furniture	10

Land is not depreciated.

The spare equipment supplied to clients as part of additional services under certain lease contracts is recognised under property, plant and equipment and depreciated over the duration of the contract.

When an item of property, plant and equipment comprises components with different useful lives, such components are recognised and depreciated as separate items under property, plant and equipment.

The profits or losses from the sale of an item of property, plant and equipment are determined by the difference between the income from the sale and the net carrying amount of the sold asset and are included in "Other operating income and expenses".

2.7.2. Property, plant and equipment held under finance leases

Finance leases that transfer substantially all the risks and rewards of ownership are recognised in the statement of financial position at inception of the lease at the lower of (i) the fair value of the leased item, or (ii) the sum of the future minimum lease payments discounted to present value. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is recognised in the net financial income and expense part of the income statement under "Expenses on non-current liabilities".

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

2.8. Other financial assets

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

2.9. Leases entered into by the Leasing business

Virtually all leases operated by the Leasing business are finance leases although operating leases may also be contracted.

2.9.1. Finance leases

The Group's finance leases are mainly refinanced contracts, whereby equipment and related contracts are sold to refinancing institutions at an all-inclusive price representing the present value of future minimum lease payments receivable and the financial residual value of the equipment. Financial residual value represents the amount for which the Group commits itself to repurchase the equipment upon expiry of the lease. Lease payments due by lessees are paid directly to the refinancing institutions on a non-recourse basis, which means that the Group transfers the risk of payment default. From a legal standpoint, Econocom Group relinquishes ownership of the equipment on the date of sale and recovers ownership at the end of the lease term by repurchasing the equipment. In some cases, the Group asks refinancing institutions to grant it invoicing and payment agency on their behalf. This does not compromise alter the transfer of the risk of payment default from the clients to the refinancing institutions.

Revenue, cost of sales and residual interest are recognised progressively as assets are delivered, pro rata to the amount of each delivery.

IAS 17 states that initial recognition of a lease must take place at the commencement of the lease, i.e., the date from which the lessee is entitled to exercise its right to use the leased asset. Article 5.1 of the Group's General Sales Conditions defines this date as the date on which the leased asset is delivered, which is officially confirmed when the Statement of Acceptance is signed.

Refinanced contracts are accounted for as follows:

In the statement of financial position

• For each lease contract, any difference between the residual interest in the leased assets (as defined in section 2.9.3 below) and their financial residual value (the Group's repurchase commitment under the finance lease, defined in the introductory paragraph) is recognised in assets if it is positive, or in liabilities if it is negative.

In the income statement

- Related revenue corresponds to the present value of future minimum lease payments (corresponding to the payments that the lessee is required to make throughout the realisation period and the lease term).
- The cost of sales represents the purchase cost of the asset.
- The Group's residual interest in the leased assets is deducted from the cost of sales for its present value.

Specific cases of bridges on roll out facility (ROF) and Technology Refresh Option (TRO) contracts

These contracts systematically start with an investment period – termed a "realisation period" – which precedes the start of the initial lease period.

In order to finance investments made during the realisation period, a non-recourse sale may be made (so that there is no longer any client credit risk) to a refinancing institution. Econocom Group accounts for this financing operation as a sale, resulting in the replacement of "revenue accruals" in the statement of financial position by a receivable owed by the refinancing institution.

These operations, which for administrative reasons are dealt with in two phases – a bridge during the realisation period followed by subsequent refinancing at the beginning of the initial lease period – should be considered in substance as a single transaction, provided that the bridge and the subsequent refinancing are carried out with the same refinancing institution and if the refinancing conditions are defined at the time of the bridge.

Specific cases of lease extensions

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

- If the initial contract qualifies as an operating lease, revenue from the extension of the lease will be recognised on a straight-line basis over the period of the lease extension.
- If the initial contract qualifies as a finance lease, revenue from the extension of the lease will be recognised in full on the last day of the initial lease.

2.9.2. Operating leases

Econocom Group retains all the risks relating to operating leases as the significant risks and rewards incidental to ownership of the assets concerned are not transferred.

In the statement of financial position

The leased equipment is recorded as an asset in the statement of financial position and depreciated on a straight-line basis over the duration of the contract to write it down to its residual value, which represents the company's residual interest in the asset at the end of the lease term.

In the income statement

Income statement entries are made on a periodic basis with the invoiced lease payment recorded as revenue and the depreciation described above recorded as an expense.

2.9.3. Residual value

As stated above, leased equipment is repurchased from refinancing institutions at the end of the lease term. This repurchase price is called "financial residual value".

The financial residual value of these assets represents a liability – which is generally long-term – and is discounted using the same method as for the related lease contract.

Econocom Group's residual interest in the transferred assets corresponds to an estimated market value.

This residual interest is calculated as follows:

- For all contract types except Technology Refresh Option (TRO) contracts, the estimated market value is calculated using an accelerated diminishing balance method of depreciation, based on the amortisation of the original purchase cost of each item of equipment. This residual interest represents a long-term asset which is discounted using the same method as for the related lease contract. This method does not apply to non-standard cases, which are nevertheless rare.
- Due to the specific nature of Technology Refresh Option contracts, the accelerated diminishing balance method of depreciation is not applicable. The estimated market value for these contracts is calculated by using a fixed percentage of the original purchase cost of the equipment.

The positive or negative differences between the future value of equipment and the financial residual value are recognised on a contract-by-contract basis as financial assets or liabilities, respectively. In order to reflect the economic reality and ensure consistent accounting treatment, the financial residual value is excluded from net debt (see Note 2.12.5).

2.10. Inventories

For the Distribution and Leasing businesses, inventories are measured either at the lower of their cost price or at net realisable value. Cost is measured using the weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

For the Services business, inventories are accounted for at the cost price and impaired in line with the economic life of the infrastructures for which they are intended.

2.11. Impairment of assets

Fixed assets with an indefinite useful life (such as goodwill) in cash-generating units (CGUs) or groups of CGUs undergo impairment tests every year at 31 December.

A CGU is described as the smallest Group of assets with cash flow that is independent of that generated by other assets or Groups of assets.

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

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

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

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

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

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

Fair value is the amount that could be obtained from the sale of the assets tested under normal competitive conditions between well-informed, consenting parties, less the disposal cost. These amounts are calculated based on market information.

If the carrying amount of the assets, CGU or Group of CGUs exceeds its recoverable amount, an impairment loss is recognised.

Impairment losses are allocated in priority against goodwill. In this case, it would be recorded under "Other non-recurring operating income and expenses" in the income statement.

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

2.12. Financial assets and liabilities

2.12.1. Financial assets

In accordance with IAS 39, financial assets are broken down into the following four categories:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity financial assets;
- available-for-sale financial assets.

The classification determines the accounting treatment of these instruments. The classification is decided by the Group at the initial accounting date, depending on the objective in view of which the assets were acquired. Acquisitions and sales of financial assets are accounted for at the transaction date on which the Group undertook the purchase or sale.

1. Financial assets at fair value through profit and loss

These financial assets are measured at fair value; any changes in fair value are recognised in the income statement.

This category includes:

- financial assets held for trading, i.e., assets that the Group intends to sell in the near term for the purpose of generating gains that are managed as part of a portfolio of financial instruments and for which there exists a past practice of selling in the near term;
- assets designated by the Group upon initial recognition as financial assets at fair value through profit or loss.

2. Loans and receivables

These financial assets are initially recognised at fair value plus any directly attributable transaction costs; they are subsequently recognised at amortised cost at each reporting date using the effective interest method.

This category includes trade receivables and other debtors, loans and security guarantees, receivables from controlled entities, cash and cash equivalents and advances given to associates or non-consolidated entities.

Loans and receivables are assessed on an individual basis for objective evidence of impairment and an impairment loss is recognised if their carrying value is greater than their estimated recoverable amount. Impairment losses are recognised in the income statement and may be reversed in subsequent periods if there is an increase in the estimated recoverable amount of the assets in question.

3. Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. They are measured and recognised at amortised cost using the effective interest method.

Held-to-maturity financial assets are assessed on an individual basis for objective evidence of impairment and an impairment loss is recognised in the income statement if their carrying value is higher than their estimated recoverable amount.

4. Available-for-sale financial assets

Available-for-sale financial assets are initially recognised at fair value which corresponds to their acquisition cost plus any transaction costs. After initial recognition, they are remeasured at market value on the reporting date, which Econocom Group deems to be their fair value. Any changes in market value are recorded in equity.

Available-for-sale financial assets are tested for impairment on an individual basis and if there is objective evidence of impairment, an impairment loss is recorded in the income statement (impairment losses recognised on equity instruments are irreversible).

2.12.2. Derecognition of financial assets and liabilities

The Group derecognises all or part of a financial asset (or Group of similar assets) when the contractual rights to the cash flows on the asset expire or when the Group has transferred the contractual rights to receive the cash flows of the financial asset and almost all the risks and rewards of owning the asset.

When the Group has transferred the cash flows of a financial asset but has neither transferred nor retained substantially all the risks and rewards of its ownership and has not retained control of the financial asset, the Group derecognises it and recognises separately as an asset or liability any rights and obligations created or retained as a result of the asset's transfer.

If the Group has retained control of the financial asset, it continues to recognise it on the balance sheet to the extent of its continuing involvement in that asset.

When a financial asset is derecognised in its entirety, a gain or loss on disposal is recorded in the income statement for the difference between the carrying amount of the asset and the payment received for it, adjusted where necessary for any unrealised profit or loss previously recognised directly in equity.

The Group only derecognises all or part of a financial liability when it is extinguished, i.e., when the obligation specified in the contract is discharged, cancelled or expires.

2.12.3. Financial liabilities

Financial liabilities are split into two categories: financial liabilities at fair value through profit or loss and financial liabilities at amortised cost.

Financial liabilities at fair value through profit or loss comprise:

- financial liabilities held for trading which include liabilities incurred mainly for the purpose of being sold or repurchased in the near term;

- liabilities designated by the Group upon initial recognition as financial liabilities at fair value through profit or loss.

The Group's financial liabilities mainly consist of borrowings convertible into new or existing shares issued in May 2011; current accounts in debit, current bank overdraft facilities, and debt recorded against finance leases and factored debt. They are recorded at amortised cost.

Factoring

Certain subsidiaries of Econocom Group use factoring to diversify financing sources and reduce credit risk. Factoring involves the transfer of title of trade receivables and all associated rights to the factor, including the right to receive the related cash inflows.

According to IAS 39 – Financial Instruments: Recognition and Measurement (where substantially all the risks and rewards of ownership relating to trade receivables are transferred) the receivables are derecognised. Where this is not the case they are maintained in the statement of financial position after the transfer and a financial liability is recorded to reflect the cash received.

2.12.4. Derivative financial instruments

The Group uses the financial markets for hedging the exposure related to its business activities and not for trading operations purposes.

For hedge accounting purposes hedges qualify as:

- fair value hedges if they hedge exposure to changes in the fair value of a recognised asset or liability or a firm commitment such as a fixed-rate loan or an asset or liability denominated in a foreign currency;

- cash flow hedges if they hedge the exposure to variability in cash flows attributable to:
  - an asset or liability such as a variable-rate loan,
  - a highly probable future transaction, or
  - a firm commitment in relation to a foreign currency hedge.

As of the date of inception of the hedge, the Group formally documents the financial instrument to be used for hedge accounting purposes as well as:

- the hedging relationship;
- the effectiveness of the hedging relationship by testing the effectiveness of the hedge at inception and on an ongoing basis throughout the financial reporting periods for which the hedge has been designated.

Hedging instruments that qualify for hedge accounting are accounted for as follows:

- fair value hedges: changes in the fair value of the hedging instrument and the hedged item are recorded on a symmetrical basis as a loss or gain in the income statement for the period. The hedging instrument and hedged item are marked to market in the statement of financial position;
- cash flow hedges: the net after-tax gain or loss on the effective portion and the ineffective portion of the hedging instrument are recognised in equity and profit or loss respectively. The amounts taken to equity are written back to profit or loss in the period in which the transaction impacts the income statement.

2.12.5. Cash and cash equivalents

These include cash on hand and demand deposits, other highly-liquid investments with maturities of three months or less from the date of acquisition and bank overdrafts. Bank overdrafts are posted under current liabilities in the statement of financial position, within financial liabilities.

IAS 7 defines cash equivalents as short-term, highly-liquid investments that are readily convertible to a known amount of cash, and that are subject to an insignificant risk of changes in value.

Cash equivalents are booked at fair value; changes in fair value are recognised through profit or loss under "Financial income and expense, operating activities".

2.12.6. Definition of net debt

The concept of net debt as used by the Group represents gross debt excluding debts related to financial residual values, less net cash.

2.13. Treasury shares

Treasury shares and the related transaction costs are recorded as a deduction from equity. When they are sold, the consideration received in exchange for the shares net of the transaction costs is recorded in equity.

2.14. Share-based payments

Shares grants and stock option plans are offered by the Group and settled paid as shares. In accordance with IFRS 2 – Share-based Payment, the fair value of these plans, representing the fair value of services rendered by the beneficiaries, is measured on the options' grant date, using the Black-Scholes-Merton model.

The final total expense for stock option plans is measured on the options' grant date and distributed through profit and loss over the vesting period.

2.15. Income tax

Income tax expenses for the year include current taxes due and deferred taxes.

Deferred taxes are accounted for using the liability method for all temporary differences existing between the carrying amount between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, except for non-tax-deductible goodwill. Deferred taxes are determined according to the way in which the Group expects to recover or settle the carrying amount of the assets and liabilities using the tax rates and laws that have been enacted or substantially enacted by the reporting.

Deferred tax assets and liabilities are not adjusted and are classified in the statement of financial position as non-current assets and liabilities.

Deferred tax assets are only recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences or tax loss and tax credit carryforwards can be utilised.

2.16. Provisions and contingent liabilities

A provision is recognised when the Group has a present (legal or constructive) obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

A restructuring provision is recorded when an entity has a detailed formal plan for the restructuring and has announced its main features to those affected by it or has started to implement the plan.

The amount recognised represents the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date. The discount rate reflects current market assessments of the time value of money and the risks specific to the liability.

A contingent liability is (i) a possible obligation that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not under the Group's control, or (ii) a present obligation that is not recognised because the amount of the obligation cannot be measured with sufficient reliability. No provision is recorded for contingent liabilities.

2.16.1. Long-term provisions

Long-term provisions mainly include the following:

- Restructuring provisions:

- reorganisation measures taken at the time of a business combination;

- the discontinuation of a business line or measures implemented to turn around the financial situation of an entity;

- steps taken to improve productivity.

Restructuring provisions reflect the company's obligations at the reporting date due to commitments made to third parties.

- Provisions for contingencies and litigations:

These provisions cover long-term claims or contingencies which may be settled after the operating cycle.

They are measured by reference to the amount of the probable outflow of resources that will be required to settle lawsuits or claims in progress where an obligating event exists on the reporting date: provisions for litigation and claims comprise the estimated amount required to settle litigations, disputes and claims filed by third parties, including the expenses linked to social or tax-related disputes. With respect to tax and social issues, a provision is booked for tax reassessments notified by the tax authorities if the company concerned has contested or intends to contest the reassessment and does not consider that it is highly probable that the outcome of the appeal procedure will be favourable.

2.16.2. Short-term provisions

Short-term provisions primarily correspond to provisions for claims linked to the normal operating cycle and which are expected to be settled within the next 12 months. They are determined according to the same methods as long-term provisions (see above).

2.17. Post-employment benefits and other commitments

The Group's companies offer, in accordance with the labour laws of each country, various types of employee benefits.

Employees of the Group's French subsidiaries contribute to the French general and complementary pension plans: these plans are defined-contribution plans for which the Group's commitments are limited to the payment of periodic contributions, based on a percentage specified under employee costs. Contributions to these defined-benefit pension plans are recognised in employee costs in earnings for the period.

For defined-benefit plans, pension liabilities are determined according to the projected unit credit method on the expected retirement date, with an end-of-career salary, taking specifically into account:

- statutory rights depending on the seniority acquired by the different staff categories;
- turnover rate calculated according to the average of recognised exits;
- salaries and fringe benefits including a ratio of the applicable employer social charges;
- an annual salary increase rate;
- the life expectancy of employees on the basis of statistical tables;
- a discount rate for pension liability, revised every year and in accordance with the long-term commitments of the top-category private sector.

The actuarial gains or losses relating to the post-employment defined benefit plans stem from changes in actuarial assumptions retained from one year to another in the measurement of commitments. Since 1 January 2007, these gains or losses are immediately recorded in the period in which they are recognised against equity, net of deferred tax according to the option of the amendment to IAS 19.

2.18. Non-current assets held for sale and discontinued operations

IFRS 5 – Non-current Assets held for Sale and Discontinued Operations, requires a specific accounting treatment and presentation of assets or Group of assets held for sale and operations discontinued, sold, or held for sale.

A non-current asset (or disposal Group) is classified as "held for sale" if its carrying amount will be recovered principally through a sale transaction rather than through continuing use, and if the sale is highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell. These assets cease to be amortised when they are recognised as assets (or Group of assets) held for sale. These are presented separately on the Group statement of financial position, without restatement of prior periods.

An operation discontinued, sold, or held for sale is defined as a component of an entity with cash flows that can be clearly distinguished from the rest of the entity and which represents a major, separate line of business or area. Income and expense relating to discontinued operations are presented separately in the income statement under "Discontinued Operations" and are restated in the cash flow statement.

2.19. Income from continuing operations

Income from continuing operations is reported where:

- it is probable that the economic benefits resulting from the transaction will be beneficial to the Group;
- the amount of revenues can be reliably measured;
- it is probable that the amount of the sale will be recovered on the transaction date.

- Sales of goods

Sales of goods correspond to the Group's Distribution and Telecom activities.

Sales of goods are reported at issue of the delivery note, the date of transfer of the risks and rewards of title from the entity to the buyer.

IAS 18 is the standard applied for revenue recognition.

- Finance lease sales

Finance lease sales correspond to the Leasing activity.

IAS 17 is applied for revenue recognition, based on the type of contract as specified in Note 2.9.

- **Sales of services**

Sales of services correspond to the Group's Services and Telecom activities.

The Group recognises revenue from the sale of services when it is probable that future economic benefits will flow to the entity concerned and these benefits can be measured reliably.

Revenue generated from the rendering of services over several accounting periods is recognised by reference to the stage of completion of the transaction at the reporting date. The percentage of completion is obtained by comparing the amount of costs incurred at the reporting date with the estimated total costs of the transaction. If it seems that total identified costs will exceed the price that the customer is prepared to pay, the expected loss on the transaction is recognised immediately as an expense.

IAS 18 is the standard applied for revenue recognition.

2.20. Operating profit

Operating profit includes all income and expenses directly arising from the Group's business, whether these income and expenses are recurring or the result of one-off decisions or transactions.

Recurring operating profit is an intermediary aggregate which facilitates the understanding of the company's operating performance.

Other non-recurring operating income and expenses, excluded from recurring operating profit, include:

- unusual items representing income and expenses, deemed unusual in terms of their frequency, nature or amount;
- impairment loss of goodwill;
- the results of the disposal of intangible assets or property, plant and equipment, assets or operating investments;
- the cost of restructuring and the costs associated with adjusting staff levels;
- the granting of free shares.

2.21. Government grants

Government grants are recognised in profit or loss when it is deemed likely that they will be received. In accordance with IAS 20, the Group has a different accounting treatment for grants relating to assets and grants relating to profit.

Grants relating to assets are recognised over the useful life of the depreciable asset covered by the grant; deferred income is recognised in liabilities.

Grants relating profit are recognised as income as compensation for costs already incurred.

2.22. Net profit from discontinued operations

A discontinued operation activity is a component which the Group has disposed of or which it has classified as held for sale and which:

- represents a separate major line of business or geographical area;
- is part of a single, coordinated plan to dispose of a major line of business or geographical area;
- or is a subsidiary acquired purely with a view to resale.

Net profit from discontinued operations includes:

- the profit net of income tax from the discontinued activity up until the disposal date or the year-end if the activity had not been disposed of by the year-end;
- the proceeds from the disposal, net of income tax, of the activity if it had been disposed of by year-end.

2.23. Statement of cash flows

The statement of cash flows is presented in line with the method used for the Group's internal cash management and separates the following three elements: cash flows from operating activities, cash flows from investing activities and cash flows from financing activities.

Cash flows from operational activities include the following:

- operating cash flow with non-recurring items after change in income tax and capital gain from disposal of assets;
- incoming and outgoing payments from non-recurring activities;
- changes in working capital requirements.

Cash flows from investing activities include:

- investments in existing assets for the purpose of maintaining or renewing assets existing at the beginning of each year and which are required for the normal running of business;
- development investments, including fixed assets.

Cash flows from financing activities include:

- changes in equity;
- changes in debts and borrowings;
- dividends.

2.24. Basic earnings per share

Basic earnings per share is determined by dividing profit by the weighted average number of ordinary shares outstanding during the year – a calculation that factors in the number of treasury shares held on a pro rata basis.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential financial instruments issued by the Group or one of its subsidiaries. Dilution is calculated separately for each instrument, based on market prices at the year-end and excluding anti-dilutive instruments.

Non-dilutive stock options are not included in the calculation.

2.25. Operating segments

Since 1 January 2009, the Group applies IFRS 8 concerning segment reporting which replaces IAS 14. The segment report presented has been prepared on the basis of internal management data disclosed to the Group Management Committee, the Group's primary operating decision-maker.

The Group's operating activities are organised into four aggregate strategic operating business lines: Leasing, Distribution, Services and Telecom. These can be analysed as follows:

Aggregate strategic operating business segments (4)	Countries (19)
Leasing	Belgium, Canada, China, Czech Republic, France, Germany, Ireland, Italy, Luxembourg, Morocco, Netherlands, Poland, Romania, Slovakia, Spain, Switzerland, United Kingdom, United States
Distribution	Belgium, France, Luxembourg
Services	Belgium, France, Germany, Italy, Luxembourg, Mexico, Morocco, Netherlands, Spain, Switzerland
Telecom	France

The four business segments listed above present long-term financial profitability and share similar features that allow their aggregation.

They are managed according to the nature of the products and services sold in the given economic and geographic environments. This segmentation into business areas serves as a basis for the presentation of the company's internal management data and is used by the Group's operating decision makers to monitor business activity.

The Group's Management Committee measures the performance of these aggregate strategic operating business segments based on operating profit. The results correspond to the items that are directly or indirectly attributable to a business segment.

Sales and transfers between segments are carried out at arm's-length conditions and are eliminated according to the usual consolidation principles.

The Group's aggregate strategic operating business segments are defined as follows:

- **Leasing**
Innovative, tailored financing solutions to ensure more effective administrative and financial management of a business' ICT and digital assets.

- **Distribution**
Services ranging from designing architecture solutions to rollout, and from selling hardware and software (PCs, tablets, servers, printers, licences, digital devices, etc.) to systems integration.

- **IT services**
Assisting businesses in the transition to the new digital world by applying its expertise in consultancy, infrastructure management, application development and cloud solution integration.

- **Telecom services**
Integration of mobile solutions to address companies' changing needs, from devising solutions (engineering, imaging) to implementation (mobile device management, liaising with telecom providers, user support and maintenance of mobile devices).

- **Miscellaneous businesses**
This segment comprises all business activities that do not correspond to the segments defined above.

2.26. Other information

In 2012, the Group did not make any significant changes to its accounting policies other than revisions to IFRSs applicable as of 1 January 2012 as indicated in Note 2.2.1, and which had no impact on the consolidated financial statements.

The information for the comparative periods was prepared in accordance with IFRS.

3. CHANGES IN THE SCOPE OF CONSOLIDATION

The consolidated financial statements of Econocom Group as of 31 December 2012 include the accounts of the companies listed in Note 4 – List of consolidated companies.

The cash flow impacts of major changes in the scope of consolidation are presented in Note 32.

3.1. Additions to the scope of consolidation in 2012

3.1.1. Acquisitions

Acquisitions allocated to the “Services” CGU

CENTIX

On 11 January 2012, the Group finalised the acquisition of 40% of the share capital of Centix for €650,000, with a three-year call option on the remaining 60% shares, exercisable at any time for a strike price of €1,350,000. The option is valued at fair value in profit or loss in the consolidated financial statements (for €102,000 in 2012). Centix, which is headquartered in Belgium, is a recognised specialist in desktop and server virtualisation solutions.

The purchase price allocation resulted in goodwill of €525,000.

The proforma results reflecting the impact of this acquisition are not presented as they had an immaterial impact on the consolidated financial statements.

The acquisition price was allocated to identifiable assets and liabilities acquired at fair value, calculated as follows:

(in € thousands)

Fair value of identifiable assets and liabilities	312
Share (40%)	125
Goodwill	525
Total acquisition price	650

The company has been fully consolidated in the consolidated financial statements, as control is presumed due to the Group’s holding an option for the remaining capital.

CAP SYNERGY

On 1 October 2012, the Group acquired the entire share capital of Cap Synergy, a French systems integrator specialising in IT and network security, for €6,963,000.

The purchase price allocation resulted in goodwill of €5,011,000.

The acquisition price was allocated to identifiable assets and liabilities acquired at fair value, calculated as follows:

(in € thousands)

Fair value of identifiable assets and liabilities	1,952
Goodwill	5,011
Total acquisition price	6,963

ERMESTEL

On 27 September 2012, the Group acquired the entire share capital of Ermestel Group, a company based in Spain and Mexico that specialises in virtualisation solutions, for €4,422,000.

The purchase price allocation resulted in goodwill of €5,470,000.

(in € thousands)

Fair value of identifiable assets and liabilities	(1,048)
Goodwill	5,470
Total acquisition price	4,422

Acquisitions allocated to the “Distribution” CGU

FRANCE SYSTEMES

On 20 December 2012, the Group acquired the entire share capital of France Systèmes, an authorised Apple reseller in France in the field of Education and Research and an accredited Apple service centre, for €8 million.

(in € thousands)

Fair value of identifiable assets and liabilities	4,769
Goodwill	3,231
Total acquisition price	8,000

Acquisitions allocated to the "Telecom" CGU

TACTEM

On 30 May 2012, the Group acquired the entire share capital of Tactem, a French independent software vendor specialising in telecoms management for key accounts, for €519,000.

The allocation of the acquisition price resulted in goodwill of €748,000.

The acquisition price was allocated to identifiable assets and liabilities acquired at fair value, calculated as follows:

(in € thousands)

Fair value of identifiable assets and liabilities	(229)
Goodwill	748
Total acquisition price	519

The variable part of consideration for acquisitions made in 2012 was recorded in goodwill for €4,385,000.

3.1.2. Company formations

Econocom Canada Inc. was created on 17 May 2012 for the purpose of supporting the Group's clients with international operations. Econocom Group SA/NV holds the entire share capital of Econocom Canada Inc.'s share capital.

3.1.3. Internal restructuring operations with no impact on the scope of consolidation

As part of the Group's efforts to streamline its legal structures, the following operations were carried out:

- merger of Econocom Locazione Italia S.P.A with Econocom International Italia S.P.A;
- merger of Econocom Belgium SA/NV's leasing business into Econocom Lease SA/NV;
- merger of Econocom Location SAS with Econocom France SA;
- internal transactions.

Econocom Group SA/NV acquired:

- all of the shares of Econocom Polska, Econocom Plc., Econocom Corporation USA, Econocom Slovakia and Econocom Switzerland from Econocom France SAS.
- all of the shares of Econocom Belgium, following the payment in kind of a dividend by its subsidiary Econocom SAS.

3.2. Additions to the scope of consolidation in 2011

3.2.1. Acquisitions

In March 2011, the Group acquired Systems & Supplies, thereby consolidating its Distribution business in the medical sector in the Benelux, for €200,000. The entire cost of combination was allocated to the customer portfolio.

In November 2011, the Group acquired DB2A Pays de Loire and DB2A Bretagne Normandie, thereby consolidating its Leasing business, for €180,000. The entire cost of combination was allocated to the customer portfolio.

In December 2011, Econocom Group acquired 10% of Econocom GmbH, bringing its interest up to 100%.

3.2.2. Company formations

Econocom Public BV was created on 28 December 2011, as part of the Group's leasing operations in the Netherlands, in order to address the specific operational needs of the Dutch public sector market. It is wholly owned by Econocom Nederland BV.

3.2.3. Internal restructuring operations with no impact on the scope of consolidation

As part of the Group's efforts to streamline the legal structures of its direct and indirect investments, the following operations were carried out:

- merger of DB2A Pays de Loire and DB2A Bretagne Normandie with Econocom Location SAS;
- merger of Systems & Supplies with Econocom Products and Solutions SA/NV;
- merger of Wanlease Italia SPA with Econocom International Italia SPA;
- internal transactions:

- Econocom Group SA/NV acquired all of the shares of Econocom SAS held by EMS SA/NV and EFSI BV.

4. LIST OF CONSOLIDATED COMPANIES

Name	Registered office	VAT No.	% interest 2012	% interest 2011	Immediate holding company
Econocom SAS	Nanterre	FR 653 269 667 77	100%	100%	Econocom Group SA/NV
Atlance France SAS	Nanterre	FR 774 408 146 14		100%	Econocom Location SAS
			100%		Econocom France SAS
G.I.E Econocom Enterprise Solutions France	Nanterre	FR 875 126 167 98	25%	25%	Econocom France SAS
			25%	25%	Econocom Managed services SAS
			25%	25%	Econocom Products and Solutions
			25%	25%	Econocom Telecom Services SAS
G.I.E. Econocom	Nanterre	FR 104 082 368 83	42%	42%	Econocom Group SA/NV
			58%	58%	Econocom SAS
Econocom Managed Services SAS	Nanterre	FR 083 422 331 03	100%		Econocom SAS
				100%	Econocom Products and Solutions SAS
Econocom France SAS	Nanterre	FR 673 013 648 24	100%	100%	Econocom SAS
Synopse SAS	Nanterre	FR 064 009 426 11	100%	100%	Econocom Managed Services SAS
Econocom Products and Solutions SAS	Les Ulis	FR 953 315 664 30	100%	100%	Econocom SAS
Ecofinance Technologies SAS	Paris	FR 457 901 935 36	40%		Econocom Group SA/NV
Alliance Support Services SAS	Les Ulis	FR 464 513 670 72	100%		Econocom SAS
				100%	Econocom Products and Solutions SAS
France Systèmes	Clamart	FR 243 844 741 51	100%		Econocom SAS
Broke System			20%	20%	Atlance France SAS
Tactem SAS	Clichy		100%		Econocom SAS
Tactem Asia	Singapore		100%		Tactem SAS
Econocom Solutions SAS	Nanterre	FR 127 901 462 86	100%		Econocom SAS
Econocom Systèmes SAS	Nanterre	FR 657 901 960 00	100%		Econocom SAS
Econocom Telecom Services SAS	Clichy	FR 503 532 352 45	96%	88%	Econocom Products and Solutions SAS
Cap Synergy SAS	Créteil		100%		Econocom SAS
Asystel SAS	Asnières sur Seine	FR 185 017 211 53	100%	100%	Econocom Products and Solutions SAS
Econocom Products and Solutions Belux SA/NV	Brussels	BE 042 685 15 67	100%	100%	Econocom Group SA/NV
Econocom Managed Services SA/NV	Brussels	BE 043 209 34 28	100%	100%	Econocom Group SA/NV
Atlance SA/NV	Brussels	BE 047 648 96 35	100%	100%	Econocom Lease SA/NV
Centix NV	Sint-Denijs-Westrem		40%		Econocom Group SA/NV
Econocom Lease SA/NV	Brussels	BE 043 132 17 82	100%	100%	Econocom Group SA/NV
Econocom Belgium SA/NV	Brussels	BE 0429 616 166	100%		Econocom Group SA/NV
				100%	Econocom France SAS
A2Z Holding NV	Brussels	BE 044 560 86 94	100%	100%	Econocom Group SA/NV
A2Z Solutions NV	Brussels	BE 044 848 72 20	100%	100%	A2Z Holding NV
Econocom Finance SNC	Brussels	BE 083 043 05 59	19%	19%	Econocom Group SA/NV
			40.5%	40.5%	Econocom Managed Services SA/NV
			40.5%	40.5%	Econocom Lease SA/NV
Econocom PSF SA	Luxembourg	LU 181 844 17	100%	100%	Econocom Group SA/NV

Name	Registered office	VAT No.	% interest		Immediate holding company
			2012	2011	
Econocom Luxembourg SA	Luxembourg	LU 134 543 64	100%	100%	Econocom Lease SA/NV
Econocom Location Luxembourg SA	Luxembourg	LU 187 568 45	100%		Econocom Lease SA/NV
				100%	Econocom Belgium SA/NV
Econocom Nederland BV	Nieuwegein	NL 007 552 506 B01	100%	100%	EFS International BV
Econocom Public BV	Nieuwegein	NL 851 221 658 B01	100%	100%	Econocom Nederland BV
Econocom Expert International Holding BV	Nieuwegein	NL 007 552 506 B02	50%	50%	Econocom Group SA/NV
Econocom Managed Services BV	Nieuwegein	NL 007 552 506 B01	100%	100%	Econocom Nederland BV
Econocom Financial Services International BV	Nieuwegein	NL 817 289 094 B01	100%	100%	Econocom Group SA/NV
Econocom BV	Amersfoort	NL 807 576 359 B01	100%		Econocom Nederland BV
				100%	Econocom France SAS
Econocom GmbH	Frankfurt	DE 225 258 231	100%	100%	Econocom Group SA/NV
Econocom Services GmbH	Frankfurt	DE 266 737 264	100%	100%	Econocom GmbH
Econocom Managed Services AG	Frankfurt	DE 113 58 95 23	100%	100%	Econocom Deutschland Holding GmbH
Econocom Deutschland GmbH	Frankfurt	DE 226 562 411	100%	100%	Econocom Deutschland Holding GmbH
Econocom Deutschland Holding GmbH	Ettlingen	DE 114 143 755	100%	100%	Econocom France SAS
Econocom UK Ltd	Chertsey	GB 386 394 113	100%	100%	Econocom Group SA/NV
Econocom Plc	Richmond	GB 429 820 536	100%		Econocom Group SA/NV
				100%	Econocom France SAS
Econocom SA (Spain)	Madrid	ES A78 017 282	100%	100%	Econocom Group SA/NV
Econocom Spain SAU	Barcelona	ESA 788 369 96	100%	100%	Econocom France SAS
Ermestel Spain SA	Madrid	B-80269327	100%		Econocom Group SA/NV
Econocom International Italia SpA	Milan	IT 079 330 301 52	13%		Econocom Group SA/NV
			87%	100%	Econocom France SAS
Econocom Canada Inc	Montreal	-	100%		Econocom Group SA/NV
Ermestel Latinoamerica	Mexico	-	100%		Econocom Group SA/NV
Econocom Maroc SARL	Rabat	-	100%	100%	Econocom Managed Services SAS
Econocom Location Maroc	Casablanca	-	100%	100%	Econocom France SAS
ECS International Corporation USA	Wilmington New Castle	-	100%		Econocom Group SA/NV
				100%	Econocom France SAS
Econocom Polska Sp.z.o.o	Warsaw	PL 525 218 668 5	100%		Econocom Group SA/NV
				100%	Econocom France SAS
Econocom Technology Finance Ltd	Dublin	IE 951 3453 D	100%	100%	Econocom Plc
Econocom Switzerland SA	Nyon	625 894	100%		Econocom Group SA/NV
				100%	Econocom France SAS
Ficorent SA	Nyon	456 260	100%	100%	Econocom Switzerland SA
Econocom Czech Republic s.r.o	Prague	CZ27382893	100%	100%	Econocom France SAS
Econocom International Romania Srl	Bucharest	RO 223 963 30	100%	100%	Econocom France SAS
ECS Shanghai Co. Ltd	Shanghai	-	100%	100%	Econocom France SAS
Econocom Slovakia, s.r.o (ECS International Slovakia s.r.o)	Bratislava	SK2022858046	100%		Econocom Group SA/NV
				100%	Econocom France SAS

5. SEGMENT REPORTING

As indicated in Note 2.25, the Group's business segments break down into the four aggregate strategic operating business segments:

- Leasing
- Services
- Distribution
- Telecom

Services includes management consultancy, systems integration, deskside support and equipment outsourcing.

The "Other activities" segment includes all other segments for which reporting is not required under IFRS 8.

Revenue and segment results

Internal transactions include:
- sales of goods and services: the Group ensures that these transactions are performed in accordance with market standards and that no significant amounts of internal margin are stored. In most cases, these purchased internal goods and services are in turn sold on to end-clients. Certain services are sold before they are actually performed. In this case, revenue is deferred and recognised in liabilities under "Other current liabilities";
- cross-charging of structuring and personnel costs;
- cross-charging of financial expenses.

The Group's segment results correspond to "Recurring operating profit from activities". This segment result, used for the application of IFRS 8, is the indicator used in-house to measure the performance of non-managerial staff and allocate resources.

"Recurring operating profit from activities" corresponds to Operating profit before restructuring, impairment losses on assets, disposal gains or losses, disputes, and Amortisation of intangible assets (in 2012, amortisation of the ECS customer portfolio only).

5.1. Reporting by operating business segment

The following table presents the contribution of each operating business segment to the Group's results:

(in € thousands)	**Leasing**	**Distribution**	**Services**	**Telecom**	**Total operating segments**	**Other businesses**	**Total**
2012							
Revenue							
Revenue from external clients	1,002,500	214,279	264,028	57,533	1,538,340	-	**1,538,340**
Operating internal revenue	127,611	31,906	16,646	6,013	182,176	-	-
Total – Revenue from operating segments	**1,130,111**	**246,185**	**280,674**	**63,546**	**1,720,516**	**-**	**-**
Recurring operating profit from activities	**63,504**	**3,542**	**4,366**	**4,003**	**75,415**	**(1,282)**	**74,133**
2011							
Revenue							
Revenue from external clients	1,080,100	211,779	249,452	42,769	1,584,100	189	1,584,289
Operating internal revenue	102,308	26,021	13,058	1,313	142,700	-	-
Total – Revenue from operating segments	**1,182,408**	**237,800**	**262,510**	**44,082**	**1,726,800**	**-**	**-**
Recurring operating profit from activities	**56,195**	**4,671**	**(454)**	**2,990**	**63,402**	**(4,276)**	**59,126**

In 2012, part of our new solutions offering was reclassified from Distribution to Services. For comparison purposes, this reclassification was also made in 2011 for an amount of €26,314,000.

5.2. Reconciliation with the consolidated financial statements

(in € thousands)	2012	2011
Revenue from operating segments	1,720,516	1,726,800
Revenue from "Other activities" segment	-	189
Elimination of internal revenue	(182,176)	(142,700)
Total income from continuing operations	**1,538,340**	**1,584,289**
Operating profit from activities	75,415	63,402
Profit/(loss) from "Other activities" segment	(1,282)	(4,276)
Profit from operating segments activity	**74,133**	**59,126**
Amortisation of intangible assets	(2,000)	(1,829)
Additions and reversals of provisions for risks	-	7,271
Operating profit before restructurings, impairment losses on assets, disposal gains or losses and disputes	**72,133**	**64,568**
Non-recurring operating income and expenses	(3,531)	(14,938)
Impairment of goodwill		(3,650)
Operating profit	**68,602**	**45,980**
Net financial expense	(4,649)	(11,875)
Profit before tax	**63,953**	**34,105**

5.3. Geographical areas

Revenue by geographical area

(in € thousands)	2012	2011
France	743,713	731,203
Benelux	288,158	373,123
Southern Europe	289,933	292,613
Northern and Eastern Europe (Germany, Eastern European countries, United Kingdom) and the rest of the world	216,536	187,350
	1,538,340	**1,584,289**

6. 2012 INTANGIBLE ASSETS

(in € thousands)	Customer portfolio and business assets	Franchises, patents, licences, etc.	IT systems	Other	Total
Acquisition cost					
Gross value as of 31 December 2011	**42,690**	**18,830**	**16,335**	**706**	**78,561**
Acquisitions	-	2,477	1,700	-	4,177
Disposals	-	(360)	-	(3)	(363)
Changes in scope of consolidation	(54)	84	1,398	4	1,432
Transfers and other movements	-	121	(108)	-	13
Gross value as of 31 December 2012	**42,636**	**21,152**	**19,325**	**707**	**83,820**
Amortisation and impairment					
Accumulated amortisation and impairment as of 31 December 2011	**(3,355)**	**(15,159)**	**(10,702)**	**(706)**	**(29,922)**
Amortisation expense	(2,538)	(1,746)	(1,891)	(3)	(6,178)
Disposals	-	355	-	3	358
Changes in scope of consolidation	80	(18)	(440)	-	(378)
Transfers and other movements	-	18	72	-	90
Accumulated amortisation and impairment as of 31 December 2012	**(5,813)**	**(16,550)**	**(12,961)**	**(706)**	**(36,030)**
Carrying amount as of 31 December 2011	**39,335**	**3,671**	**5,633**	**-**	**48,639**
Carrying amount as of 31 December 2012	**36,823**	**4,602**	**6,364**	**1**	**47,790**

The Group has no intangible assets with indefinite useful lives and thus amortises all its intangible assets according to the straight-line method.
Customer portfolio and business assets are intangible assets which are recognised in the event of business combinations. With the exception of the clients acquired through the acquisition of ECS Group, which were amortised over 20 years, these items are amortised over periods of three to seven years.
Franchises, patents, licences, etc. consist mainly of licences acquired and amortised over their useful life.
IT systems are the result of developments made by the Group and the companies incorporated into it. These are amortised over periods ranging from three to seven years.

2011 INTANGIBLE ASSETS

(in € thousands)	Customer portfolio and business assets	Franchises, patents, licences, etc.	IT systems	Other	Total
Acquisition cost					
Gross value as of 31 December 2010	**42,370**	**17,923**	**14,386**	**706**	**75,385**
Acquisitions	320	898	2,120	-	3,338
Disposals	-	(124)	(17)	-	(140)
Transfers and other movements	-	132	(155)	-	(22)
Gross value as of 31 December 2011	**42,690**	**18,838**	**16,335**	**706**	**78,561**
Amortisation and impairment					
Accumulated amortisation and impairment as of 31 December 2010	**(854)**	**(13,392)**	**(8,772)**	**(706)**	**(23,724)**
Amortisation expense	(2,501)	(1,767)	(1,930)	-	(6,198)
Disposals	-	-	-	-	**-**
Transfers and other movements	-	-	-	-	**-**
Accumulated amortisation and impairment as of 31 December 2011	**(3,355)**	**(15,159)**	**(10,702)**	**(706)**	**(29,922)**
Carrying amount as of 31 December 2010	**41,516**	**4,531**	**5,614**	**-**	**51,661**
Carrying amount as of 31 December 2011	**39,335**	**3,679**	**5,633**	**-**	**48,639**

7. GOODWILL

For the purposes of impairment testing, consolidated goodwill is allocated to cash generating units (CGUs) as follows:

2012 (in € thousands)	Leasing	Distribution	Services	Telecom	Total
Goodwill as of 1 January 2012	**108,686**	**1,211**	**14,019**	**10,306**	**134,222**
Acquisitions	-	3,231	11,006	748	14,985
Impairment	-	-	-	-	
Goodwill as of 31 December 2012	**108,686**	**4,442**	**25,025**	**11,054**	**149,207**
of which gross	*108,686*	*4,442*	*29,286*	*11,054*	*153,468*
of which accumulated impairment	-	-	*(4,261)*	-	*(4,261)*

In 2012, the acquisitions of Centix, Cap Synergy and Ermestel were incorporated into the Services business.
The acquisition of France Systèmes was incorporated into the Distribution business.
The acquisition of Tactem was incorporated into the Telecom business.

2011 (in € thousands)	Leasing	Distribution	Services	Telecom	Total
Goodwill as of 1 January 2011	**108,686**	**1,211**	**17,670**	**10,306**	**137,873**
Acquisitions	-	-	-	-	-
Impairment	-	-	(3,650)	-	(3,650)
Goodwill as of 31 December 2011	**108,686**	**1,211**	**14,019**	**10,306**	**134,222**
of which gross	*108,686*	*1,211*	*18,281*	*10,306*	*138,484*
of which accumulated impairment	-	-	*(4,261)*	-	*(4,261)*

In 2011 the Group recorded an impairment loss of €3,650,000 in respect of Alliance Support Services (before the regrouping of the CGUs).

7.1. Definition of cash-generating units

The growth of the Group, combined with the international expansion of our client companies and the sharing of resources among business lines have led the Group to redefine the scope of its CGUs representing the Group's four areas of business: Leasing, Distribution, Services, and Telecom.

7.2 Impairment tests and impairment of goodwill

Goodwill was tested for impairment in accordance with the methods outlined in Note 2.11 – Impairment of assets. The Group has tested the value in use of its CGUs, as these are the easiest to establish reliably as the Group's subsidiaries are not listed on the stock exchange and the comparable market data are limited.

The recoverable amount of the CGUs was determined by calculating the value in use using the discounted cash flow method. The calculation was performed using four-year cash flow projections based on business plans and forecasts approved by Management. The discount rate used was set at 8.9%. Cash flow projections beyond the projected timeframe were extrapolated using a perpetual growth rate of 1%. These growth rates are consistent with the development potential of the markets on which the CGUs entities operate and with the competitive positions on those markets.

In the context of a sensitivity analysis, a differential assumption using a discount rate which is two percentage points higher than the base rate of 8.9% would not change the conclusions of the analysis. The same would be true if cash flows over the last four years of the business plan were reduced by 10%. Lastly, no impairment would be required if the perpetual growth rate were reduced to 0%.

8. 2012 PROPERTY PLANT & EQUIPMENT

Changes in the gross value of property, plant and equipment as well as the related depreciation expense are presented below for 2012:

(in € thousands)	Land and buildings	Plant and IT equipment	Furniture and vehicles	Other items of property, plant & equipment	Property, plant & equipment held under finance leases[1]	Total
Acquisition cost						
Gross value as of 31 December 2011	**10,608**	**26,652**	**6,182**	**61**	**1,475**	**44,978**
Acquisitions	31	2,477	347	281	57	3,193
Disposals	-	(1,519)	(967)	-	(5)	(2,491)
Changes in the scope of consolidation	-	628	337	243	257	1,465
Translation adjustments	-	46	7	-	(2)	51
Transfers and other movements	(32)	(229)	(1)	(476)	420	(318)
Gross value as of 31 December 2012	**10,607**	**28,055**	**5,905**	**109**	**2,202**	**46,878**
Depreciation and impairment						-
Accumulated depreciation and impairment as of 31 December 2011	**(5,532)**	**(19,255)**	**(5,352)**	**-**	**(1,475)**	**(31,614)**
Additions	(479)	(2,600)	(340)	(5)	(47)	(3,471)
Reversals	-	-	-	-	-	-
Disposals	-	1,461	931	-	4	2,396
Changes in the scope of consolidation	-	(436)	(258)	(183)	(151)	(1,028)
Translation adjustments	-	(42)	(6)		2	(46)
Transfers and other movements	-	234	4		(295)	(57)
Accumulated depreciation and impairment as of 31 December 2012	**(6,011)**	**(20,638)**	**(5,021)**	**(188)**	**(1,962)**	**(33,820)**
Carrying amount as of 31 December 2011	**5,076**	**7,397**	**830**	**61**	**-**	**13,364**
Carrying amount as of 31 December 2012	**4,868**	**7,417**	**884**	**(79)**	**240**	**13,330**

2011 PROPERTY, PLANT AND EQUIPMENT

Changes in the gross value of property, plant and equipment as well as the related depreciation expense are presented below for 2011:

(in € thousands)	Land and buildings	Plant and IT equipment	Furniture and vehicles	Other items of property, plant & equipment	Property, plant & equipment held under finance leases[1]	Total
Acquisition cost						
Gross value as of 31 December 2010	**10,583**	**24,884**	**7,204**	**61**	**2,196**	**44,928**
Acquisitions	133	4,534	191	-	-	4,858
Disposals	-	(3,452)	(541)	-	(721)	(4,714)
Changes in the scope of consolidation	-	-	-	-	-	-
Translation adjustments	-	58	(13)	-	-	45
Transfers and other movements	(108)	628	(659)	-	-	(139)
Gross value as of 31 December 2011	**10,608**	**26,652**	**6,182**	**61**	**1,475**	**44,978**
Depreciation and impairment						
Accumulated depreciation and impairment as of 31 December 2010	**(5,093)**	**(19,039)**	**(5,842)**	**-**	**(1,485)**	**(31,459)**
Additions	(498)	(2,307)	(393)	-	(656)	(3,854)
Reversals	-	-	-	-	54	54
Disposals	-	2,647	365	-	612	3,624
Changes in the scope of consolidation	-	-	-	-	-	-
Translation adjustments	-	(49)	9	-	-	(40)
Transfers and other movements	59	(507)	509	-	-	61
Accumulated depreciation and impairment as of 31 December 2011	**(5,532)**	**(19,255)**	**(5,352)**	**-**	**(1,475)**	**(31,614)**
Carrying amount as of 31 December 2010	**5,490**	**5,845**	**1,362**	**61**	**711**	**13,469**
Carrying amount as of 31 December 2011	**5,076**	**7,397**	**830**	**61**	**-**	**13,364**

(1) Assets held under finance leases solely comprise IT equipment leased to clients which is classified under furniture and vehicles and owned by the Group for its own purposes, i.e., not refinanced via a refinancing institution.

9. FINANCIAL ASSETS

The following table presents a breakdown of financial assets:

(in € thousands)	Investments in non-consolidated companies	Investments accounted for under the equity method	Residual value of leased assets	Other financial assets	Total
Balance as of 31 December 2010	**2**	**62**	**23,790**	**9,259**	**33,113**
Increases	-	40	10,875	3,136	14,051
Repayments	-	-	(1,016)	(1,091)	(2,107)
Changes in scope of consolidation	-	-	-	-	-
Translation adjustments	-	-	-	1	1
Fair value adjustments	-	-	-	-	-
Other movements	-	-	-	-	-
Balance as of 31 December 2011	**2**	**102**	**33,649**	**11,305**	**45,058**
Increases	-	32	11,200	2,710	13,942
Repayments	-		(3,451)	(2,084)	(5,535)
Changes in scope of consolidation	-	40	-	308	348
Translation adjustments	-	-	24	2	26
Fair value adjustments	-	-	-	-	-
Other movements	-	-	-	-	-
Balance as of 31 December 2012	**2**	**174**	**41,422**	**12,241**	**53,839**

Other financial assets correspond to guarantees and deposits.

Maturities of financial assets

2012	< 1 year	Due in 1 to 5 years	> 5 years	Total
Investments in non-consolidated companies	-	-	2	2
Investments accounted for under the equity method	40	-	134	174
Residual interest in leased assets	-	41,417	5	41,422
Guarantees given to factors	-	1,763	2,252	4,015
Other guarantees and deposits	-	1,994	6,232	8,226
Total	**40**	**45,174**	**8,625**	**53,839**

2011	< 1 year	Due in 1 to 5 years	> 5 years	Total
Investments in non-consolidated companies	-	-	2	2
Investments accounted for under the equity method	-	102	-	102
Residual interest in leased assets	-	33,646	3	33,649
Guarantees given to factors	9,389	-	-	9,389
Other guarantees and deposits	-	1,422	494	1,916
Total	**9,389**	**35,170**	**499**	**45,058**

Analysis of "residual interest in leased assets"

The positive difference, calculated on a contract-by-contract basis, between the long- and short-term future value of the equipment and the financial residual value is recognised in financial assets due in more than one year, and in other receivables for assets due in less than one year.

(in € thousands)	2012	2011
Long-term	41,422	33,649
Short-term	11,058	3,911
Residual interest in leased assets	**52,480**	**37,560**

Gross and net residual interest of leased assets by maturity is as follows:

2012	< 1 year	Due in 1 to 5 years	> 5 years	Total
Future value of leased assets, gross	25,020	63,572	6	88,598
Netting by contract with financial residual value	(13,962)	(22,155)	(1)	(36,118)
Residual interest in leased assets	**11,058**	**41,417**	**5**	**52,480**

2011	< 1 year	Due in 1 to 5 years	> 5 years	Total
Future value of leased assets, gross	20,774	63,965	4	84,744
Netting by contract with financial residual value	(16,863)	(30,320)	(1)	(47,184)
Residual interest in leased assets	**3,911**	**33,646**	**3**	**37,560**

10. LONG-TERM RECEIVABLES

Long-term receivables *(in € thousands)*	**31 Dec. 2012**	**31 Dec. 2011**
Long-term tax receivables	35	35
Other long-term receivables	1,705	2,166
Total	**1,740**	**2,201**

By maturity	**31 Dec. 2012**	**31 Dec. 2011**
1 to 5 years	85	944
> 5 years	1,655	1,257
Total	**1,740**	**2,201**

Other long-term receivables mainly relate to loans to institutions providing regulated housing loans and loans to personnel.

11. INVENTORIES

(in € thousands)	31 Dec. 2012			31 Dec. 2011		
	Gross	Provision	Net	Gross	Provision	Net
Equipment in the process of being refinanced	10,923	(2,115)	8,808	6,457	(1,696)	4,761
Other inventories	22,649	(5,831)	16,818	15,314	(5,217)	10,097
ICT equipment	*11,910*	*(658)*	*11,252*	*4,879*	*(243)*	*4,636*
Spare parts	*10,739*	*(5,173)*	*5,566*	*10,435*	*(4,974)*	*5,461*
Total	**33,572**	**(7,946)**	**25,626**	**21,771**	**(6,913)**	**14,858**

Gross value

(in € thousands)	As of 31 Dec. 2011	Changes in inventories	As of 31 Dec. 2012
Equipment in the process of being refinanced	6,458	4,465	10,923
Other inventories	15,314	7,335	22,649
ICT equipment	*4,879*	*7,031*	*11,910*
Spare parts	*10,435*	*304*	*10,739*
Total	**21,771**	**11,801**	**33,572**

Impairment of inventories

(in € thousands)	As of 31 Dec. 2011	Additions	Reversals	Changes in the scope of consolidation	Other changes (reclassification)	As of 31 Dec. 2012
Equipment in the process of being refinanced	(1,696)	(450)	33	-	(1)	(2,115)
Other inventories	(5,217)	(722)	170	(63)	-	(5,831)
ICT equipment	*(243)*	*(372)*	*19*	*(63)*	-	*(658)*
Spare parts	*(4,974)*	*(350)*	*151*	-	-	*(5,173)*
Total	**(6,913)**	**(1,173)**	**203**	**(63)**	**(1)**	**(7,946)**

12. TRADE AND OTHER RECEIVABLES AND OTHER CURRENT ASSETS

(in € thousands)	31 Dec. 2012	31 Dec. 2011
Trade receivables	628,909	546,522
Other receivables	54,612	50,230
Trade receivables and other receivables	**683,521**	**596,752**

Trade receivables

(in € thousands)	31 Dec. 2012	31 Dec. 2011
Trade receivables – gross	**657,712**	**577,464**
Refinancing institutions	217,819	158,839
Other	439,893	418,625
Impairment losses on doubtful debts	**(28,803)**	**(30,942)**
Net value	**628,909**	**546,522**

Refinancing institutions correspond to financial institutions which are subsidiaries of banks.

Impairment losses on doubtful debts

(in € thousands)	As of 31 Dec. 2011	Additions	Reversals	Changes in the scope of consolidation	Other movements	As of 31 Dec. 2012
Impairment losses on doubtful debts	(30,942)	(9,640)	11,673	(530)	636	(28,803)

A provision for impairment is recognised when there is a major doubt as to whether the Group will be able to collect the debt in question.

Other receivables

(in € thousands)	31 Dec. 2012	31 Dec. 2011
Recoverable VAT	18,213	15,656
Due from suppliers	6,721	21,533
Current portion of the residual value of leased assets	11,058	3,911
Advances to agents	1,350	1,166
Factoring receivables	15,805	4,017
Other receivables	1,465	3,947
Trade and other receivables	**54,612**	**50,230**

VAT receivables should be analysed in light of VAT payables. Other receivables represent advances to employees as well as miscellaneous receivables owed by third parties (including tax receivables, amounts due from suppliers, etc.).

Other current assets

(in € thousands)	31 Dec. 2012	31 Dec. 2011
Prepaid expenses	19,598	19,957
Miscellaneous current assets	1,839	1,193
Other current assets	**21,437**	**21,151**

13. CASH AND CASH EQUIVALENTS

(in € thousands)	31 Dec. 2012	31 Dec. 2011
Cash	**76,087**	**120,460**
Cash in hand	57	17
Demand accounts	76,030	120,443
Cash equivalents	**3,763**	**24,312**
Term accounts	1,084	3,357
Marketable securities	2,679	20,955
Cash and cash equivalents	**79,850**	**144,772**

Cash equivalents consist of investments with maturities of less than three months that are readily convertible into cash and which are subject to an insignificant risk of changes in value.

None of the Group's cash or cash equivalents is subject to any restrictions.

The accounting treatment of bridges on lease contracts mentioned in Note 2.9.1 contributed €24.9 million to net cash and cash equivalents as of 31 December 2012, compared with €85.6 million as of 31 December 2011.

14. FAIR VALUE OF FINANCIAL ASSETS

Financial instruments are measured using market prices resulting from trades on a national stock market or over-the-counter markets. If listed market prices are not available, fair value is measured using other valuation methods including, inter alia, discounted future cash flows.

In any event, estimated market values are based on certain market interpretations required for measurement purposes.

As such, these estimates do not necessarily reflect the amounts that the Group would actually receive or pay out if the financial instruments were to be traded on the market. The use of different estimates, methods and assumptions may have a material impact on estimated fair values.

In view of their short-term nature, the carrying amount of trade and other receivables, and cash and cash equivalents is an estimate of their fair value.

The Group's financial assets as of 31 December 2012 can be analysed as follows:

Notes

(in € thousands)	**Statement of financial position headings**	**Loans and receivables**	**Financial instruments at fair value through profit or loss**	**Carrying amount**
9	Financial assets	12,417	-	12,417
	Guarantees and deposits	*12,417*	-	*12,417*
10	Long-term receivables	1,740	-	1,740
12	Trade receivables	628,909	-	628,909
12	Other receivables	43,448	106	43,554
13	*Cash and cash equivalents*	*79,850*	-	*79,850*
	Total financial assets	**766,364**	**106**	**766,470**

Based on available information, the fair value of the Group's financial assets approximates their carrying amount.

15. EQUITY

15.1. Share capital

	Number of shares			Value (in € thousands)		
	Total	Treasury stock	Outstanding	Share capital	Paid-in capital	Treasury stock
As of 31 December 2010	**26,172,897**	**1,065,828**	**25,107,069**	**17,077**	**69,244**	**(16,011)**
Issue	0					
Purchases of treasury stock	-	595,104	(595,104)	-	-	(7,563)
Sales of treasury stock						
Convertible bonds – equity items[1]	-	-	-	-	3,286	-
Options exercised	-	(80,000)	80,000	-	-	932
As of 31 December 2011	**26,172,897**	**1,580,932**	**24,591,965**	**17,077**	**72,530**	**(22,642)**
Four-for-one share split	78,518,691	4,742,796	73,775,895	-	-	-
As of 31 December 2011 (comparable)	104,691,588	6,323,728	98,367,860	17,077	72,530	(22,642)
Issue						
Purchases of treasury stock	-	4,533,755	(4,533,755)	-	-	(19,212)
Sales of treasury stock	-	(614,972)	614,972	-	-	2,358
Cancellation of shares	(8,000,000)	(8,000,000)	-	-	-	29,489
Options exercised	-	(40,000)	40,000	-	-	113
As of 31 December 2012	**96,691,588**	**2,202,511**	**94,489,077**	**17,077**	**72,530**	**(9,894)**

(1) Equity items were calculated in comparison with the convertible bond debt item calculated at the debt rate without a conversion option, in compliance with IAS 32 sections 29-30 which define equity items as residual.

The change in the number of shares in 2012 is a result of the cancellation of treasury shares and the four-for-one share split decided at the Extraordinary General Meeting on 14 September 2012.
The number of bearer or dematerialised shares stands at 60,585,848.
The number of registered shares is 36,105,740.
As of 31 December 2012, the authorised share capital stood at €15,285,000. This authorisation is valid until 17 May 2015.

15.2. Currency translation reserves

Currency translation reserves are the cumulative effect of the consolidation of subsidiaries with functional currencies other than the euro.
The amount of foreign exchange differences in equity is broken down as follows:

Foreign exchange differences by currency (in € thousands)	31 Dec. 2012	31 Dec. 2011
Canadian dollar (CAD)	(8)	
Swiss franc (CHF)	(585)	(568)
China yuan renminbi (CNY)	(66)	(70)
Czech Republic koruna (CZK)	(27)	(1)
Pound sterling (GBP)	(2,899)	(3,219)
United States dollar (USD)	(10)	(7)
Moroccan dirham (MAD)	(4)	6
Mexican peso (MXN)	12	
Polish zloty (PLN)	(177)	(374)
New Romanian leu (RON)	(87)	(78)
Total	**(3,851)**	**(4,311)**

This amount has therefore been deducted from equity as of 31 December 2012.

15.3. Changes in equity not recognised in profit or loss

15.3.1. Stock option plans

Since 1998, stock options have been granted to some of the Group's members of staff, managers and corporate officers for an agreed unit price. The characteristics of these plans are detailed below:

Stock option plans	Number of options outstanding	Expiry date	Exercise price (in €)
2010	353,000	January 2014	10.97
	550,000	January 2014	9.91
2011	30,000	December 2015	12.93
	790,000	December 2016	12.25
Total	**1,723,000**		

After the four-for-one share split in September 2012, each option entitles the bearer to four Econocom Group shares.

General disclosures		Specific disclosures in accordance with IFRS 2				
Stock option plans	Number of options outstanding	Fair value(1)	Volatility	Duration of the options	Dividend (in €)	RFIR(2)
2010	353,000	2.18	23%	4 years	0.3	4.00%
	550,000	1.8	23%	4 years	0.3	4.00%
2011	30,000	2.69	34%	3 years	0.4	2.00%
	790,000	2.81	34%	4 years	0.4	2.00%

(1) Fair value of the option (in €).
(2) RFIR: risk-free interest rate.

The weighted average price of the option is the same as the exercise price.

The expected volatility is measured by the stockbroker in charge of the share on a daily basis and in line with the duration of the options and the previous changes to the share.

A detailed description of these stock option plans can be found in section 5.10 of the Management Report.

Changes in the number of share purchase options in the year are as follows:

	2012	2011
Options outstanding as of 1 January	1,733,000	1,093,000
Options granted during the year	-	820,000
Options exercised during the year	(10,000)	(80,000)
Options expired during the year and forfeited	-	(100,000)
Options outstanding as of 31 December	**1,723,000**	**1,733,000**

In accordance with IFRS 2 – Share-based Payment, plans granted after 7 November 2002 are measured in a specific way in the Group's statement of financial position.
As of 31 December 2012, stock option plans affect the Group's equity in the amount of €1,104,000.
The impact on the 2012 results share-based payments is an expense of €1,104,000.

15.3.2. Provisions for pensions and other commitments

The impact of provisions for pensions and other commitments on consolidated equity is described in Note 17.

15.3.3. Treasury stock

The Group has a treasury stock buyback plan.
This treasury stock is held by Econocom Group SA/NV. The total number of shares held cannot exceed 20% of the total number of shares issued as part of the share capital.
The net acquisition cost of the shares bought and the income from the sale of the shares have been attributed to decreases and increases in equity respectively.

15.3.4. Dividends

The table below shows the dividend amount per share (after the four-for-one share split) paid by the Group in previous years and the amount the Board of Directors recommended in 2012 subject to approval during the Ordinary General Meeting on 21 May 2013.

	Payable in 2013	Paid in 2012	Paid in 2011
Total dividend (in € thousands)	9,669	9,762	9,161
Dividend per share (in €)	0.1	0.1	0.088

As the dividend price is subject to approval at the Annual General Meeting, it was not recognised as a liability in the financial statements as of 31 December 2012.

15.4. Non-controlling interests

Changes in non-controlling interests are presented as follows:

(in € thousands)	**2012**
As of 31 December 2011	(119)
2012 profit attributable to non-controlling interests	126
Changes in the scope of consolidation	188
Other movements	(2)
As of 31 December 2012	192

16. PROVISIONS

(in € thousands)	Restructuring and employee-related contingencies	Tax and legal risks	Deferred commissions	Other risks	Other risks associated with Leasing business	Total
Balance as of 31 December 2010	**2,282**	**9,272**	**888**	**2,900**	**12,395**	**27,737**
Additions	760	2,857	724	778	1,743	6,863
Reversals	(1,802)	(1,981)	(193)	(509)	(2,052)	(6,536)
Changes in scope of consolidation	-	-	-	3	-	3
Translation adjustments	-	2	1	-	(14)	(12)
Other movements	1	59	1,000	-	457	1,518
Balance as of 31 December 2011	**1,242**	**10,209**	**2,420**	**3,173**	**12,529**	**29,573**
Additions	6,518	3,821	886	4,650	1,351	17,226
Reversals	(640)	(4,292)	(253)	(2,995)	(3,907)	(12,086)
Changes in scope of consolidation	422	586	-	755	-	1,764
Translation adjustments	-	2	1	-	15	18
Other movements	-	933	-	(79)	(18)	835
Balance as of 31 December 2012	**7,541**	**11,259**	**3,055**	**5,504**	**9,971**	**37,330**
Current	7,118	11,259	3,055	5,503	9,971	36,906
Non-current	423	-	-	1	-	424

(in € thousands)	31 Dec. 2012	31 Dec. 2011
Non-current provisions	424	448
Current provisions	36,906	29,125
Total provisions	**37,330**	**29,573**

Impact (net of incurred expenses)

(in € thousands)	Additions	Reversals
Recurring operating profit (loss)	6,785	(10,611)
Non-current operating items	10,441	(403)
Net financial expense	-	(589)
Income tax	-	(483)
Total	**17,226**	**(12,086)**

A provision is recognised when an obligation (legal or constructive) resulting from a past event with regard to a third party will cause, in an unquestionable or probable way, an outflow of resources whose amount can be estimated reliably. Provisions are reviewed at each reporting date and adjusted where appropriate to reflect the best estimate of the obligation at that date.

Non-current provisions

Provisions for non-current personnel-related contingencies relate to a legal dispute concerning Promodata SNC. At the time of the acquisition of this company in October 2002, four managers were beneficiaries under a share purchase plan relating to Promodata SNC's American parent company, Comdisco Inc., using a loan from a US bank. Comdisco Inc. was subsequently declared bankrupt and the shares lost all value, following which one of the managers filed a claim against his employer, Promodata SNC. A settlement was reached in 2008. The other managers concerned by the affair may also file claims. The provision therefore corresponds to an estimate of this risk.

Non-current provisions are not discounted.

Current provisions

Provisions for restructuring and personnel-related contingencies include costs incurred by reorganisations in progress or announced by the Group.

Tax and legal risks refer to litigations in progress with clients, agents or tax authorities.

Provisions for deferred commissions are calculated contract-by-contract based on the unguaranteed residual value of leased assets, less any residual commercial value of the contracts concerned.

Provisions for risks related to the Leasing business represent a provision on outstanding rentals receivable on self-financed contracts.

Contingent liabilities

Other than the general risks described in Note 33, the Group did not identify any material risks in its financial statements for which it had not accrued sufficient provisions.

17. PROVISIONS FOR PENSIONS AND OTHER COMMITTMENTS

17.1. Description of pension plans

The Group's employees are entitled to short-term benefits (paid leave, sick leave, profit-sharing) and defined benefit/contribution post-employment benefits (severance pay and retirement benefits).

The short-term benefits are expensed by the various Group entities that grant them.

Post-employment benefits are granted under defined contribution plans or defined benefit plans.

Defined contribution plans

Defined contribution plans are characterised by periodic contributions to external agencies responsible for the plans' administrative and financial management. The employer is therefore free of any subsequent obligation as the agency is in charge of paying employees the amounts to which they are entitled (basic Social Security pension plan, supplementary pension plans, defined contribution plans).

Defined benefit plans

Defined benefit plans are characterised by the employer's obligation to its employees. Provisions are therefore accrued to meet this obligation.

The defined benefit obligation is calculated using the projected unit credit method which uses actuarial assumptions of salary increases, retirement age, mortality, employee turnover and the discount rate.

Changes to the actuarial assumptions, or the difference between these assumptions and actual data, result in actuarial gains or losses which are recognised in equity for the period in which they occurred in accordance with the Group's accounting principles.

For the Group, defined benefit post-employment plans primarily concern:

- Retirement benefits in France:

- lump-sum benefits calculated according to the employee's years of service and his/her average compensation received over the last 12 months prior to his/her departure. Article 22 of the Agreement states nevertheless that the compensation should not include premiums, bonuses or additional payments for overtime, travelling and secondment;
- the calculation is based on parameters defined by the Human Resources Department in France in November each year;
- the calculated amount is set aside under provisions in the statement of financial position.

In 2012, the Group decided to include all the French employees in the same collective bargaining agreements, which resulted in the Group's having to increase the amount of severance paid to certain employees. As this increase is not for past services performed by the beneficiaries of the plan, the Group will amortise the amount over the average period during which the services are rendered by the employees, in accordance with IAS 19. The amount of this unprovisioned liability is €1,330,000.

- termination benefits in Italy:

- an allowance calculated according to the employee's years of service and his/her annual gross salary, revised every year and paid either in advance or at the time of retirement or termination, whether voluntary or forced;
- the calculated amount is set aside under provisions in the statement of financial position. As any allowances after 1 January 2007 have been transferred to a third-party organisation, provisions only apply to allowances granted up to 31 December 2006, which were still paid for by the employer on 31 December 2012.

The Group does not cover these plans with dedicated resources. The amount expected to be paid out for 2013 is approximately €300,000.

17.2. Actuarial assumptions

Actuarial assumptions depend on a certain number of long-term parameters. These inputs are revised each year.

	France		Italy	
(in € thousands)	**31 Dec. 2012**	**31 Dec. 2011**	**31 Dec. 2012**	**31 Dec. 2011**
Retirement age	62-65 years	62-65 years	64 years	64 years
Salary increase rate (France) or allowance (Italy)	1.4%-3%	1.4%-4%	3%	3%
Rate of payroll expenses	45%	45%	29%	29%
Discount rate	2.90%	4.80%	2.90%	4.80%
Mortality table	INSEE 2008-2010	INSEE 2007-2009	80% SIF 92	80% SIF 92

17.3. Summary of the financial position of defined benefit post-employment plans and other commitments

Summary of movements in 2012

(in € thousands)	**31 Dec. 2011**	**Changes in the scope of consolidation**	**Increases for the year**	**Reversals for the year (utilised provisions)**	**Reversals for the year (surplus provisions)**	**Changes in actuarial gains/ (losses)**	**Other movements**	**31 Dec. 2012**
Provision for pensions	8,748	90	368	(87)	-	2,270	-	11,388
Other commitments	2,966	-	103	(560)	-	81	86	2,676
Total provisions	**11,714**	**90**	**471**	**(647)**	**-**	**2,351**	**86**	**14,064**
Commitment for services defined as part of future services (unprovisioned)							1,330	1,330
Total commitments	**11,714**	**90**	**471**	**(647)**		**2,351**	**1,416**	**15,394**

Summary of movements in 2011

(in € thousands)	**31 Dec. 2010**	**Changes in the scope of consolidation**	**Increases for the year**	**Reversals for the year (utilised provisions)**	**Reversals for the year (surplus provisions)**	**Changes in actuarial gains/ (losses)**	**Other movements**	**31 Dec. 2011**
Provision for pensions	8,785	-	207	(212)	-	(32)	-	8,748
Other commitments	2,904	-	519	(410)	-	(47)	-	2,966
Total	**11,689**	**-**	**726**	**(622)**	**-**	**(79)**	**-**	**11,714**

17.4. Income and expenses recognised in profit and loss

(in € thousands)	**2012**	**2011**
Cost of services	(648)	(666)
Cost of discount	(467)	(460)
Reductions/terminations	994	679
Benefits paid	297	343
Total	**176**	**(104)**

18. FINANCIAL LIABILITIES

(in € thousands)	**31 Dec. 2012**	**31 Dec. 2011**
Finance lease liabilities	13,208	11,520
Finance lease liabilities – real estate	*2,302*	*2,577*
Financial residual value(1)	*10,875*	*8,943*
Other finance lease liabilities	*31*	-
Financial liabilities	735	-
Bond loans	77,771	76,520
Other borrowings	1,000	-
Non-current financial debt	**92,714**	**88,040**
Bank borrowings	806	13,922
Bond loans (short-term portion)	3,360	3,360
Finance lease liabilities	15,653	35,976
Finance lease liabilities – real estate	*275*	*260*
Liabilities from contracts refinanced with recourse(2)	*13,554*	*33,644*
Financial residual value(1)	*1,791*	*2,025*
Other finance lease liabilities	*33*	*46*
Bank overdrafts	4,959	1,743
Other borrowings	5,819	12,263
Factoring payables(3)	*5,819*	*12,189*
Other borrowings and financial liabilities	-	*74*
Current financial debt	**30,597**	**67,264**
Total cost of debt	**123,311**	**155,304**

(1) Econocom compares the future estimated value of equipment (residual interest) and the financial residual value of each contract. The net financial residual value revealed by the comparison on a contract-by-contract basis is recognised as a financial liability. The difference is recognised in financial assets in the absence of any net financial residual value. The netting of this repurchase commitment with the future value of equipment resulted in a €36.1 million decrease in financial liabilities as of 31 December 2012 compared with €47.2 million as of 31 December 2011.
(2) The debt from contracts refinanced with recourse is backed by our clients' rent for contracts which are funded but for which the Group maintains part of the credit risk. The Group therefore incorporated a similar amount of unassigned debts, in accordance with IAS 32.
(3) Factoring payables consist of residual risks arising from our factoring contracts in 2012 and a €9.6 million reverse factoring contract in 2011.

On 18 May 2011, Econocom issued €84 million worth of convertible bonds.

These convertible bonds are listed on the Luxembourg stock exchange and their main characteristics are:

- maturity: five years
- annual coupon rate: 4%
- conversion price: €21, i.e., €5.50 after the four-for-one share split, representing a premium of 25.15% compared with the price on 18 May 2011.

Should there be a request to convert any number of these bonds – which could happen at any time – the same number of newly-issued shares or treasury shares will be brought to the bond holder.

The purpose of this transaction was primarily to repay the bank loan secured for the acquisition of ECS Group in October 2010.

Of the initial amount of €132 million, a balance of €92 million was still due prior to the issue of convertible bonds. As of 31 December 2011, this loan had been completely paid up.

In the consolidated financial statements, the convertible bonds are for the most part recognised in financial liabilities (€81.1 million), except for the derivative included in the bond, the value of which (€3.3 million) is recognised in equity (see Note 15). In accordance with IFRS, the issuance fees were recognised in equal parts in loan capital and equity, after which the interest rate of the "loan capital" component of the bond stood at 5.34%.

Non-current financial debt, analysed by maturity

(in € thousands)	Total 2012	Due in 1 to 5 years	> 5 years
Finance lease liabilities	13,208	12,166	1,042
Finance lease liabilities – real estate	*2,302*	*1,260*	*1,042*
Financial residual value	*10,875*	*10,875*	-
Other finance lease liabilities	*31*	*31*	-
Bond loans	77,771	77,771	-
Other borrowings	1,735	1,735	-
Total	**92,714**	**91,672**	**1,042**

Non-current financial debt, analysed by maturity

(in € thousands)	Total 2011	Due in 1 to 5 years	> 5 years
Finance lease liabilities	11,520	10,137	1,383
Finance lease liabilities – real estate	*2,577*	*1,194*	*1,383*
Financial residual value	*8,943*	*8,943*	-
Other finance lease liabilities	-	-	-
Bond loans	76,520	76,520	-
Other borrowings	-	-	-
Total	**88,040**	**86,657**	**1,383**

Analysis of "Financial residual value"

The negative difference, calculated on a contract-by-contract basis, between the long- and short-term future value of the equipment and the financial residual value is recognised in non-current financial debt due in more than one year, and current financial debt due in less than one year.

(in € thousands)	31 Dec. 2012	31 Dec. 2011
Long-term	10,875	8,943
Short-term	1,791	2,025
Total financial residual value, net	**12,666**	**10,968**

Gross and net financial residual value recognised in financial liabilities can be analysed by maturity as follows:

2012	< 1 year	Due in 1 to 5 years	> 5 years	Total
Total financial residual value, gross	15,754	33,029	1	48,784
Netting per contract with future value of leased assets	(13,963)	(22,154)	(1)	(36,118)
Total financial residual value, net	**1,791**	**10,875**	**-**	**12,666**

2011	< 1 year	Due in 1 to 5 years	> 5 years	Total
Total financial residual value, gross	18,888	39,262	1	58,152
Netting per contract with future value of leased assets	(16,864)	(30,319)	(1)	(47,184)
Total financial residual value, net	**2,025**	**8,943**	**-**	**10,968**

Average effective interest rates can be analysed as follows by type of borrowings:

Average effective interest rate

	2012	2011
Bank borrowings and bond loans	5.34%	5.41%
Average discount rate for financial residual value	4.79%	5.00%
Bank overdrafts	1.37%	2.40%
Factoring payables	1.53%	1.99%

Operating lease liabilities break down as follows:

Analysis of operating lease liabilities by maturity

Minimum future lease payments:

(in € thousands)	< 1 year	Due in 1 to 5 years	> 5 years	31 Dec. 2012	31 Dec. 2011
Operating lease liabilities – Property	6,230	15,056	8,803	30,089	30,631
Operating lease liabilities – Vehicles	7,051	10,930	92	18,073	19,979
Total	**13,281**	**25,986**	**8,895**	**48,162**	**50,610**

Operating lease payments during the year

(in € thousands)	2012	2011
Operating lease expenses – Property	8,158	8,228
Operating lease expenses – Vehicles	8,789	9,137
Total	**16,947**	**17,365**

19. TRADE AND OTHER PAYABLES AND OTHER CURRENT LIABILITIES

(in € thousands)	31 Dec. 2012	31 Dec. 2011
Trade payables	502,774	495,946
Other payables	97,132	100,354
Trade and other payables	**599,906**	**596,300**

Other payables can be analysed as follows:

(in € thousands)	31 Dec. 2012	31 Dec. 2011
Accrued taxes and personnel costs	87,670	91,302
Dividends payable	274	245
Customer prepayments	9,188	8,807
Other payables	**97,132**	**100,354**

Other current liabilities can be analysed as follows:

(in € thousands)	31 Dec. 2012	31 Dec. 2011
Other liabilities	7,486	5,852
Deferred income	124,892	86,464
Miscellaneous current liabilities	8,767	7,864
Other current liabilities	**141,145**	**100,180**

20. FAIR VALUE OF FINANCIAL LIABILITIES

In view of their short-term nature, the carrying amount of trade and other payables approximates fair value.
The market value of financial instruments is measured based on valuations provided by bank counterparties or financial models widely used on financial markets, and on market information available at the reporting date.

Notes	Statement of financial position headings	Financial liabilities at amortised cost	Financial liabilities at fair value through profit or loss	Carrying amount
18	Current and non-current liabilities bearing interest	123,311	-	123,311
	Bank borrowings	*1,541*	-	*1,541*
	Convertible bond	*81,131*	-	*81,131*
	Finance lease liabilities	*28,861*	-	*28,861*
	Bank overdrafts	*4,959*	-	*4,959*
	Other borrowings	*6,819*	-	*6,819*
	Non-current liabilities not bearing interest	1,805	4,785	6,590
19	Trade payables	502,774	-	502,774
19	Other payables	113,340	45	113,385
	Total financial liabilities	**741,230**	**4,830**	**746,060**

Non-current liabilities not bearing interest estimated at fair value through profit or loss are acquisition-related debts (variable part of consideration) and compensation of certain managers as part of incentive plans.

Other payables at fair value through profit or loss refer to financial derivatives used as hedges for exchange rate risks arising on operations.

Based on available information, the carrying amount of the Group's financial liabilities approximates fair value.

21. REVENUE FROM CONTINUING OPERATIONS

Revenue from continuing operations can be analysed as follows:

(in € thousands)	2012	2011
Leasing	1,002,500	1,080,100
Distribution	214,219	211,779
Services	264,028	249,452
Telecom	57,533	42,769
Other revenue from operations	-	189
Total revenue from continuing operations	**1,538,280**	**1,584,289**

22. PERSONNEL COSTS

The following table presents a breakdown of personnel costs:

(in € thousands)	2012	2011
Wages and salaries	(148,766)	(150,882)
Payroll costs	(59,363)	(59,010)
Provision expense for pension and other post-employment benefit obligations	177	(104)
Employee profit-sharing	(1,466)	(2,088)
Other	(5,975)	(4,740)
Total	**(215,393)**	**(216,825)**

Expenses relating to defined benefit pension plans only concern the Group's French and Italian subsidiaries. Further details about these plans are provided in Note 17.

The impact of share-based payment plans can be analysed as follows:

(in € thousands)	2012	2011
Stock options	(1,104)	(587)
Total	**(1,104)**	**(587)**

23. EXTERNAL EXPENSES

The following table presents a breakdown of external expenses:

(in € thousands)	2012	2011
External services (rent, maintenance, insurance, etc.)	(23,791)	(21,609)
Agents' commissions	(20,911)	(21,413)
Fees paid to intermediaries and other professionals	(28,522)	(20,482)
Other services and sundry goods (sub-contracting, public relations, transport, etc.)	(30,949)	(33,902)
Total	**(104,173)**	**(97,406)**

24. ADDITIONS TO AND REVERSALS OF DEPRECIATION, AMORTISATION AND PROVISIONS

Additions to and reversals of depreciation, amortisation and provisions can be analysed as follows:

(in € thousands)	2012	2011
Intangible assets – Franchises, patents, licences, business assets, etc.	(6,178)	(6,198)
Property, plant and equipment – Finance leases	(33)	(602)
Other items of property, plant and equipment	(3,382)	(3,198)
Provisions for operating contingencies and expenses	3,826	(1,648)
Net additions to depreciation, amortisation and provisions	**(5,767)**	**(11,646)**

Additions to and reversals of provisions for restructuring are included in operating profit.

25. IMPAIRMENT LOSSES ON CURRENT ASSETS, NET

The following table breaks down impairment losses on current assets by category.

(in € thousands)	2012	2011
Impairment of inventories	(1,173)	(754)
Reversals of impairment of inventories	203	984
Impairment losses on doubtful debts	(15,941)	(8,573)
Reversals of impairment losses on doubtful receivables	12,001	11,528
Total	**(4,910)**	**3,185**

26. OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses can be broken down as follows:

(in € thousands)	2012	2011
Cross-charging and miscellaneous indemnifications	1,742	1,408
Capital losses on sales of property, plant and equipment and intangible assets – recurring operating activities	(71)	(314)
Capital losses on sales of trade receivables	(9)	(51)
Cross-charging and indemnifications paid	(2,135)	(705)
Other operating income and expenses	**(473)**	**338**

27. FINANCIAL EXPENSE, OPERATING ACTIVITIES

The following table breaks down net financial expense from operating activities by type of income/expense:

(in € thousands)	2012	2011
Financial income related to the leasing business	6,887	1,649
Income from current assets	215	153
Miscellaneous financial income from operating activities	196	504
Exchange gains	1,628	1,765
Total financial income from operating activities	**8,926**	**4,071**
Financial expenses related to the leasing business	(6,873)	(598)
Financial expenses related to bank overdrafts	(1,692)	(3,036)
Financial expenses related to factoring	(1,307)	(1,317)
Financial expenses related to miscellaneous operating activities	(656)	(707)
Exchange losses	(2,014)	(1,894)
Total financial expenses from operating activities	**(12,542)**	**(7,552)**
Financial expense, operating activities	**(3,616)**	**(3,481)**

Net exchange gains/(losses) recorded in the income statement

(in € thousands)	2012	2011
CHF	(14)	105
CZK	(29)	1
EUR (€)	(257)	12
GBP (£)	39	(150)
MAD	(41)	(51)
MXN	(18)	
PLN	(31)	(45)
RON	(35)	
Total	**(386)**	**(129)**

28. OTHER NON-RECURRING OPERATING INCOME AND EXPENSES

(in € thousands)	2012	2011
Restructuring costs	(13,132)	(14,938)
Impairment of goodwill	-	(3,650)
Other expenses	(750)	-
Total other operating expenses	**(13,882)**	**(18,588)**
Other income	299	-
R&D grants credit from previous years	10,052	-
Total other operating income	10,351	-
Total	**(3,531)**	**(18,588)**

Other non-recurring operating expenses consist mainly of the costs incurred by the integration of ECS Group, which the Group acquired in October 2010, and costs incurred by reorganising the Group's Services business.

Other non-recurring income is due mainly to Econocom's recognition of net income for the research R&D grants *(Crédit Impôt Recherche)* for 2008-2011.

29. NET FINANCIAL EXPENSE

(in € thousands)	2012	2011
Capital gains on disposals of financial assets	24	-
Other financial income	260	322
Financial income	**284**	**322**
Convertible bonds – Expenses on liabilities	(4,612)	(2,663)
Expenses on non-recurring liabilities	-	(6,142)
Expenses on non-current liabilities	(165)	(2,845)
Other financial expense	(156)	(547)
Financial expense	**(4,933)**	**(12,197)**
Net financial expense	**(4,649)**	**(11,875)**

The drop in financial expenses in 2012 is due to the considerable amount spent on changing the Group's financing in 2011, involving paying off loans and issuing convertible bonds.

30. INCOME TAXES

30.1. Recognition of current and deferred taxes

30.1.1. Income statement

(in € thousands)	2012	2011
Current tax	(11,775)	(9,565)
Deferred tax	(4,636)	(3,282)
Income tax expense – continuing operations	**(16,411)**	**(12,847)**
Income tax related to discontinued operations	-	-
Total income tax expense	**(16,411)**	**(12,847)**

30.1.2. Reconciliation of actual tax charge and theoretical tax charge

(in € thousands)	2012	2011
Profit before tax including profit from discontinued operations	63 953	34,105
Income tax expense	(16,411)	(12,847)
Group theoretical tax rate as a percentage of profit before tax	**25.66%**	**37.67%**

The following table provides a reconciliation between profit before tax and income tax expense

(in € thousands)	2012	2011
Profit for the year excluding non-controlling interests	47,416	21,471
Non-controlling interests	126	(214)
Income tax expense	16,411	12,847
Impairment of goodwill	-	3,650
Profit before tax, impairment of goodwill on an equity basis	**63,953**	**37,755**
Theoretical tax expense calculated at the Belgian standard tax rate (2012: 33.99%; 2011: 33.99%)	(21,738)	(12,833)
Tax proof:		
Permanent differences	(4,058)	(5,232)
Unrecognised tax losses incurred in the year	(222)	(552)
Previously unrecognised tax losses used in the year	1,030	174
Adjustment to previously unrecognised deferred tax	(40)	1,553
Items taxed at a reduced rate	-	-
Additional tax expense	(115)	581
Effect of foreign income tax rates	1,625	1,209
Tax credits and other taxes	7,105	2,252
Effective income tax expense	**(23,517)**	**(12,847)**

Permanent differences mainly relate to the following items:

(in € thousands)	2012	2011
Goodwill and excess depreciation and amortisation	(186)	(158)
Tax-exempt profit	-	-
Other non-taxable or non-deductible income and expenses	(2,310)	(1,937)
Taxing of internal transactions	(1,562)	(3,137)
Total	**(4,058)**	**(5,232)**

30.2. Deferred tax assets and liabilities

30.2.1. Movements in deferred tax liabilities

(in € thousands)	2012	2011
As of 1 January	**9,299**	**19,790**
Increase/(decrease)	3,248	1,734
Impacts of exchange rate fluctuations, changes in the scope of consolidation and reclassifications	1,639	(12,225)
As of 31 December	**14,186**	**9,299**

30.2.2. Movements in deferred tax assets

(in € thousands)	2012	2 011
As of 1 January	**13,105**	**27,230**
Increase/(decrease)	(1,388)	(1,548)
Tax assets not recorded in profit or loss	649	(25)
Impacts of exchange rate fluctuations, changes in the scope of consolidation and reclassifications	2,290	(12,552)
As of 31 December	**14,656**	**13,104**

30.2.3. Main sources of deferred tax assets and liabilities

(in € thousands)	Assets		Liabilities		Net	
	31 Dec. 12	31 Dec. 11	31 Dec. 12	31 Dec. 11	31 Dec. 12	31 Dec. 11
Business – Leasing	11,931	15,475	(26,452)	(22,894)	(14,521)	(7,419)
Pensions	4,221	3,591			4,221	3,591
Provisions	9,052	8,471			9,052	8,471
Other assets and liabilities	5,431	5,655	(12,273)	(14,077)	(6,842)	(8,422)
Tax loss carry forwards	8,560	7,586			8,560	7,586
Netting of assets – liabilities	(24,539)	(27,673)	24,539	27,673	-	-
Deferred tax assets (liabilities), net	**14,656**	**13,105**	**(14,186)**	**(9,298)**	**470**	**3,807**
Deferred tax assets recognised in the statement of financial position	14,656	13,105			14,656	13,105
Deferred tax liabilities recognised in the statement of financial position			(14,186)	(9,298)	(14,186)	(9,298)
Net balance	**14,656**	**13,105**	**(14,186)**	**(9,298)**	**470**	**3,807**
Recoverable within 12 months, before netting	16,836	17,215	(4,504)	(5,009)	12,332	12,206
Recoverable beyond 12 months, before netting	22,360	23,564	(34,220)	(31,961)	(11,860)	(8,397)

30.2.4. Deferred tax assets on tax loss carryforwards

As of 31 December 2012 and 2011, the Group's tax loss carryforwards can be analysed as follows by due date:

(in € thousands)	2012	2011
2013	-	-
2014	-	-
2015	-	-
2016	1,751	1,783
Beyond	1,984	2,978
Evergreen tax loss carryforwards	35,349	37,994
Total	**39,084**	**42,755**

The Group's unrecognised deferred tax assets at 31 December 2012 and 2011 were related to the following items:

2012	Gross value	Total deferred tax assets	Recognised deferred tax assets	Unrecognised deferred tax assets
Tax loss carryforwards	39,084	12,186	8,560	3,626
Other credits	798	184	184	-
Total	**39,882**	**12,370**	**8,744**	**3,626**

2011	Gross value	Total deferred tax assets	Recognised deferred tax assets	Unrecognised deferred tax assets
Tax loss carryforwards	42,756	15,666	7,586	8,081
Other credits	977	244	244	-
Total	**43,733**	**15,910**	**7,830**	**8,081**

Unrecognised deferred tax assets amount to €3.6 million (versus €8.1 million in 2011) and correspond to tax loss carryforwards whose recovery is not probable and which are not therefore recognised in the statement of financial position.

Deferred tax assets on tax losses carried forward (€1.1 million) in 2012 were recognised mainly for Econocom Lease (€0.7 million) and Econocom Group SA/NV (€0.4 million), in light of the additional revenue it will benefit from in future years, as a result of the consolidation of ECS Group and invoicing of services.

31. EARNINGS PER SHARE

Basic earnings per share

(in € thousands)	2012	2011
Profit for the year excluding non-controlling interests	47,448	21,512
Profit for the year excluding non-controlling interests before amortisation of the ECS customer portfolio	48,798	22,862
Average number of shares outstanding (in units)	96,241,520	100,281,668
Basic earnings per share (in €)	**0.493**	**0.215**
Basic earnings per share before amortisation of the ECS customer portfolio (in €)	**0.507**	**0.228**

Diluted earnings per share

(in € thousands)	2012	2011
Diluted profit excluding non-controlling interests	50,484	23,269
Profit for the year excluding non-controlling interests before amortisation of the ECS customer portfolio	51,834	24,619
Average number of shares outstanding (in units)	96,241,520	100,281,668
Impact of stock options (in units)	2,490,225	1,559,120
Impact of convertible bonds (in units)	16,000,000	9,333,332
Diluted average number of shares outstanding (in units)	114,731,745	111,174,120
Diluted earnings per share (in €)	**0.440**	**0.209**
Diluted earnings per share before amortisation of the ECS customer portfolio (in €)	**0.452**	**0.221**

Earnings per share is calculated based on the weighted average number of outstanding shares during the year.

This number corresponds to the movements of ordinary shares in 2010 adjusted with movements of treasury stock.

Movements on treasury stock are detailed in Note 15.1.

The average diluted number of outstanding shares is a weighted average of ordinary shares in 2011, adjusted by movements on treasury stock and dilutive potential shares.

The dilutive effect is a result of the issue of stock options and the conversion of convertible bonds.

None of the operations on ordinary or potential shares after the reporting date had a material effect on the results published.

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

32.1. Definition of cash flows

The cash flows analysed in the following table include changes in all activities, including continuing activities as well as activities sold or held for sale.

Consolidated cash flows include cash and cash equivalents.

Year-on-year changes in cash and cash equivalents analysed in the statement of cash flows can be broken down as follows:

(in € thousands)	**2012**
Cash and cash equivalents at beginning of year	**144,772**
Change in gross cash and cash equivalents	(64,922)
Cash and cash equivalents at end of year	**79,850**

32.2. Impact of changes in the scope of consolidation

A number of acquisitions took place in 2012; these are described in detail in Note 3.

The related cash flows can be analysed as follows:

(in € thousands)	
Cost of acquisitions	15,553
Cash and cash equivalents acquired	(4,677)
Net costs	(10,876)

33. RISK MANAGEMENT

33.1. Capital adequacy framework

Net debt/equity ratio
(2012: 27.6%; 2011: 8.4%)

The Group uses a number of different ratios including the net debt/equity ratio which provides investors with a snapshot of the Group's level of debt in relation to its consolidated shareholders' equity. It is calculated by taking aggregate debt as presented in Note 18, less cash and consolidated shareholders' equity at the reporting date.

The Group seeks a level of gearing that maximises value for shareholders while maintaining the financial flexibility that is required to implement its strategic projects.

33.2. Risk management policy

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

The Group's overall risk management programme focuses on reducing exposure to credit risk and interest rate risk by transferring finance lease receivables to refinancing institutions and by using factoring solutions on a non-recourse basis for a number of subsidiaries.

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

33.2.1. Market risk

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

The Group uses hedging instruments such as swaps and caps to hedge its interest rate exposure. Derivative financial instruments are used purely for hedging and never for speculation purposes.

33.2.1.1. Foreign exchange risk

The Group operates chiefly in the eurozone; however, following the expansion of operations in non-eurozone countries in Europe, as well as in North America, the Group may be exposed to foreign exchange risk on other currencies, namely the pound sterling, US and Canadian dollar, Moroccan dirham, Czech koruna, Swiss franc, Romanian leu, Polish zloty, Chinese yuan renminbi and Mexican peso. This exposure is limited by the denomination of the subsidiaries' purchases and sales in the same currency. Econocom Group does not deem this risk to be material, but has, nevertheless, signed a number of foreign exchange hedging agreements to hedge internal flows.

33.2.1.2. Interest rate risk

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

As of 31 December 2012, the Group's variable-rate debt comprised short-term borrowings (credit lines and bridges), and short-term factoring. There was no contract to cover open-rates as of 31 December 2012.

33.2.1.3. Price risk

The Group is exposed to the risk of fluctuations in the future values of leased equipment within the scope of its Leasing business. It deals with this risk by calculating the future value of equipment using the diminishing balance method, which is described in Note 2.9.3.

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

33.2.1.4. Liquidity risk

The Finance Department is responsible for ensuring that the Group has a constant flow of sufficient funding:

- by analysing and updating consolidated cash flow requirements at least on a monthly basis, and every two weeks for our 15 main companies;
- by negotiating and maintaining sufficient outstanding lines of financing;
- by optimising the centralised management of the Group's cash in order to offset the excesses and internal cash requirements.

Thus, as of 31 December 2012, the Group secured bilateral lines of credit from various banks in the amount of €195 million, of which €41 million was confirmed within one year and €95 million within two years, in order to guarantee that the necessary cash was available to fund the Group's assets, short-term cash requirements and expansion, at minimal cost.

Furthermore, Econocom does not have any major loans falling due in 2013 and 2014; the bond loan issued in 2011 does not fall due until 2016.

Based on our current financial forecasts, we believe we have sufficient resources to continue our business, both in the short- and long-term.

Maturity analysis for financial liabilities (excluding derivative instruments)

The following maturity analysis for financial liabilities (principal and interest) shows remaining contractual maturities on an undiscounted basis:

As of 31 Dec. 2012 (in € thousands)	Total commitments	< 1 year	Due in 1 to 5 years	> 5 years
Finance lease liabilities – real estate	3,117	403	1,613	1,101
Financial residual value	52,547	16,193	36,352	2
Other finance lease liabilities	70	36	34	-
Bank borrowings	13,649	13,649	-	-
Bond loan	97,440	3,360	94,080	-
Trade and other payables	599,906	599,906	-	-
Factoring	5,935	5,935	-	-
Other financial liabilities	4,208	4,208	-	-
Total	**776,872**	**643,690**	**132,079**	**1,103**

As of 31 Dec. 2011 (in € thousands)	Total commitments	< 1 year	Due in 1 to 5 years	> 5 years
Finance lease liabilities – real estate	3,521	403	1,613	1,504
Financial residual value	63,951	20,041	43,910	-
Other finance lease liabilities	46	46	-	-
Bank borrowings	49,527	49,527	-	-
Bond loan	100,800	3,360	97,440	-
Trade and other payables	596,300	596,300	-	-
Factoring	12,431	12,431	-	-
Other financial liabilities	1,887	1,887	-	-
Total	**828,463**	**683,996**	**142,963**	**1,504**

33.2.2. Credit and counterparty risk

The Group has no significant exposure to credit risk. It has policies in place to ensure that sales of goods and services are made to clients with an appropriate credit history. The Group's exposure is also limited as it does not have any concentration of credit risk and uses factoring solutions for the Distribution and Services businesses, as well as non-recourse refinancing with bank subsidiaries in the Leasing business. For its Leasing business, the Group does nevertheless have the option of retaining the credit risk for certain strategic transactions, provided that they do not have a material impact on the business' risk profile.

The Group only invests with investment grade counterparties, thus limiting its credit risk exposure.

Maximum credit risk exposure

As the Group has no specific credit risk per se, its maximum exposure in this respect is equal to the amount of its financial assets (see Note 14).

Aged balance of receivables past due but not impaired

As of 31 Dec. 2012 (in € thousands)	Carrying amount	Receivables not past due	Receivables past due			
			Total	< 60 days	Between 60 and 90 days	> 90 days
Refinancing institutions[1]	217,819	172,490	45,329	38,437	1,364	5,528
Other receivables	439,894	334,204	105,690	46,732	10,655	48,303
Impairment losses on doubtful debts	(28,803)	(2,462)	(26,341)	(697)	(240)	(25,404)
Trade receivables and other debtors, net	**628,909**	**504,232**	**124,677**	**84,472**	**11,779**	**28,427**

(1) Refinancing institutions correspond to financial institutions which are bank subsidiaries. The significant amount of receivables past due as of 31 December is attributable to buoyant business levels in IT Financial Services in December. The bulk of these past due amounts are usually paid in the first two weeks of January.

33.2.3. Equity risk

The Group does not hold any unlisted or listed shares apart from treasury shares.

As the treasury shares held by Econocom Group as of 31 December 2012 are deducted from shareholders' equity in the consolidated financial statements as of their acquisition, it is not necessary to compare their carrying amount to their actual market value.

33.3. Operating risk management policy

33.3.1. Risks associated with Service contracts

The main risk in relation to Services contracts is the notice period for contract terminations. This period is traditionally long enough to enable the Group to make the appropriate staffing changes, particularly for major contracts. However, in certain circumstances the notice period may be limited to one month, in which case Econocom Group has to anticipate the possibility of the contract being terminated in order to take the necessary measures, particularly in relation to redeploying employees. A portion of Econocom's revenues are generated by sub-contractors, with the aim of increasing flexibility.

33.3.2. Dependency risk

The Group continually strives to broaden its client portfolio as part of its development strategy to gain market share. No single client represents over 5% of consolidated revenue and no supplier accounts for more than 25% of its total purchases.

The Group's operations are not dependent on any specific patents or on any licences for brands which it does not own.

33.3.3. Competition

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

33.3.4. Legal risks

The Group operates as a service provider in various Western European countries and is therefore subject to numerous different laws as well as customs, tax and labour regulations. In order to limit its exposure to legal risks, the Group has set up subsidiaries in each country run by managers who are fully aware of the applicable local laws and regulations.

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

The Group is not aware of any exceptional events or litigation likely to have a substantial impact on its financial position, assets, business or the results of its operations. Any pending litigation is covered by provisions for appropriate amounts calculated by Group Management.

Disclosures concerning litigation or arbitration likely to have a substantial impact on Econocom Group's financial position, assets, business or the results of its operations at 31 December 2012 are presented in Note 35.

Liabilities are recognised in line with current accounting practices (see Note 2.16).

Provisions for claims and litigation are described in Note 16.

33.3.5. Employee-related risks

As far as Econocom Group Management is aware, the Group is not exposed to any employee-related risks other than those arising in the normal course of business for companies of a comparable size based in Europe. The majority of the workforce is employed in the Group's French, Belgian and Italian subsidiaries.

33.3.6. Environmental risks

Econocom Group does not destroy the machines purchased from refinancing institutions at the term of the related contracts. The machines are sold to brokers (or to recognised waste management dealers) who are responsible for managing the applicable end-of-life procedures and have provided the Group with guarantees that they comply with the related regulations.

33.3.7. Insurance against risk

The Group is covered against liability claims and property damage via insurance policies taken out with first-rate insurers. It has elected not to take out business interruption insurance.

The Group reviews and evaluates its risks on an ongoing basis in conjunction with its insurers and experts so as to ensure optimal coverage in both the insurance and reinsurance markets.

33.3.8. Pledges, guarantees and collateral provided for borrowings

Real security interests provided as collateral for borrowings or financial liabilities by the Group chiefly consist of receivables offered as collateral for its short-term funding. The amount of pledged and mortgaged assets is disclosed in Note 34.

33.4. Sensitivity analysis

The sensitivity analyses carried out to measure the impact of various foreign currency/euro exchange rate fluctuations show that, assuming a constant level of performance of foreign subsidiaries, a 10% drop in all these currencies would have an impact on the Group's net results of less than €0.7 million.

In addition, the Group is managing finance lease agreements denominated in dollars in its Leasing business. The terms and conditions of this contract are such that the foreign exchange risk is automatically hedged and fluctuations in the dollar exchange rate have only a non-material impact on results.

As regards interest rates, the sensitivity analysis shows that a 1% (100-basis point) change in short-term interest rates would impact profit before tax and non-recurring items to the tune of +/- €0.9 million.

34. OFF-BALANCE SHEET COMMITMENTS

34.1. Commitments to purchase shares

Econocom Telecom Services SAS
Some of the managers of French subsidiary Econocom Telecom Services SAS hold 4% of the company's share capital. Econocom Products and Solutions SAS holds the balance of Econocom Telecom Services SAS' share capital.

Econocom Products and Solutions SAS has agreed with all of its managers individually to grant cross options and call options to the company and has also granted the managers a put option on that same interest.

These options may be exercised in 2013 and 2014.

Based on our estimations and in compliance with IFRS, the Group recognised a liability in the amount of €0.5 million in the 2012 consolidated financial statements.

34.2. Commitment to pay earn-out

The Group committed to pay earn-out when it acquired Cap Synergy, Ermestel and France Systèmes (see Note 3). The Group estimated these additional prices as accurately as possible in the financial statements and any excess amount will be covered by an additional contribution from these companies to the Group's results in 2013 and 2014.

34.3. Commitments received as a result of acquisitions

Liability guarantees for the acquisition of ECS Group:
Econocom Group recognised income of €2 million in 2012 as part of transactions for a liability guarantee. This guarantee has not expired and the Group may yet use it.

Liability guarantees relating to acquisitions in 2012:
The total liability guarantees granted by the vendors for the five acquisitions which took place in 2012 amounts to €6 million; these guarantees are spread over a period of two to four years.

34.4. Guarantees

(in € thousands)

Guarantees given	**320,167**
Securities pledged (including ECS SA securities)	-
Guarantees given by Econocom to banks for securing credit lines	140,749
Guarantees given by Econocom to funders to cover certain operational risks, financial residual value and invoicing and payment agency granted to Econocom*	162,132
Guarantees given to clients and suppliers for the Group's sales activities	15,817
Other guarantees	1,469

** The unused amount as of 31 December 2012 is €48,113,000.*

34.5. Commitments to acquire property, plant and equipment

Lease contracts for delivery in 2013 and subsequent years	872

Certain types of lease contracts, for which the equipment ordered will be delivered in 2013 and subsequent years, include a commitment by Econocom to purchase said equipment in the future. This commitment stood at €872,000 as of 31 December 2012.

The outstanding amount of the lease contract not used during the realisation or exchange period is no longer taken into account as it is part of the current activity and does not include a firm and irrevocable commitment from Econocom.

34.6. Commitments received: deposits and guarantees

(in € thousands)

Guarantees payable on first call and pledges	14,885

Off-balance sheet commitments by maturity and type of commitment are presented in the following table:

(in € thousands)	< 1 year	Due in 1 to 5 years	> 5 years	Total 2012	Total 2011
Commitments given:	**34,367**	**81,641**	**205,450**	**321,458**	**63,975**
Assets pledged as guarantees for factors	-	-	-	-	1,108
Securities pledged	-	-	-	-	4,106
Commitments given to banks	30,000	44,700	68,050	142,750	10,350
Commitments given to funders	3,154	21,997	137,400	162,551	38,916
Commitments give to clients	960	14,325		15,285	13,235
Other commitments	-	-	-	-	1,474
Acquisition commitments	253	619	-	872	1,341
Commitments received:	**14,885**	**-**	**-**	**14,885**	**12,638**
Guarantees and pledges	14,885	-	-	14,885	12,638

35. INFORMATION ON THE TRANSFERS OF FINANCIAL ASSETS

35.1. Information on the transfer of assets – assets not entirely derecognised

Sales of trade receivables

As part of its Distribution and Services businesses and for the purpose of optimising its cash management, the Group sells part of its trade receivables throughout the year to factoring companies.

As of 31 December 2012, the company presented balances of €88.2 million to these factoring companies and obtained financing of €64.1 million, €5.3 million of which was also recognised in receivables and debts due to the continuous involvement associated with credit risk. The unfinanced amount, €24.1 million, is recognised in financial assets and other receivables, and corresponds to unassignable receivables.

(in € millions)	2012	2011
Receivables presented to factoring companies	88.2	97.6
Debt	5.3	2.6
Unassigned receivables	24.1	20.3
Assigned receivables	58.8	74.7

The overall factoring cost amounted to €1.3 million in 2012.

Refinancing with recourse

In certain very limited cases, Econocom Group maintains the credit risk for assigned outstandings. In this case, the Group transfers title to the equipment under lease contract to the refinancer, for the duration of the lease, as collateral for the transaction.

However, in order to simplify the process, the Group recognised a financial debt equal to the total outstanding with recourse and an asset ("continuous involvement" as defined by IAS 39) recorded in trade receivables for the amount of €13.6 million as of 31 December 2012 versus €33.6 million as of 31 December 2011.

35.2. Information on transfer of assets associated with refinancing – derecognised assets

35.2.1. Nature of continuous involvement

Financial residual value

The outstandings from the lease contracts the Group signs with its clients are, except in exceptional cases, refinanced on a non-recourse basis.

The Group's risk management policy is aimed at limiting both credit risk and any other continuous involvements. Consequently, the Group derecognises the outstandings from lease contracts refinanced on a non-recourse basis.

However, the Group frequently sells, with a repurchase obligation, the equipment under its lease contracts, at the same time as the outstandings from said contracts. The information on these repurchase obligations, called "financial residual value" and recognised in financial liabilities, are available in Note 18.

Other continuous involvements

The legal forms of refinancing contracts for rental outstandings are as follows:

Full assignment of the outstandings: Econocom considers that it has no other involvement as defined by IFRS 7 in these contracts.

Outstandings assigned as sales of receivables: Econocom maintains its involvement due to the fact that it maintains part of the risk associated with the contractual relationship and the title to the assets.

Outstandings assigned via finance lease contracts: Econocom maintains its involvement due to the fact that it maintains part of the risk associated with the contractual relationship.

Risk from continuous involvement depends above all on Econocom's relationship with its clients, and as such is considered, managed and, if necessary, covered by provisions as an operational risk and not a financial risk.

Furthermore, following the acquisition of ECS Group, the Group manages a portfolio of outstandings assigned entirely on a non-recourse basis in run-off. The Group records in its financial statements a provision of €5.5 million which corresponds to an estimation of the cost of the risk transfer premium. Econocom Group, having paid advances, does not anticipate any significant future cash pay-outs relating to this premium.

35.2.2. Recognition through profit or loss

For Econocom Group, the cost of transferring outstandings is an operating expense which is included in the economic analysis of each deal, as such, it is included in recurring operating profit. Costs incurred by the continuous involvement constituted by the financial residual value are also considered as operating expense and included in financial expense, operating activities.

35.2.3. Breakdown of transfers for the year

Refinancing is part of the operational sales cycle and its seasonal nature is thus linked to that of its business and not the presentation of the statement of financial position. A significant part of this business takes place in December, which is traditionally an important month for companies where ICT investments are concerned.

36. RELATED-PARTY TRANSACTIONS

36.1. Management remuneration

(in €)	**2012**	**2011**
Remuneration allocated to non-executive directors (attendance fees)	94,000	89,000
Remuneration allocated to executive directors	3,625,689	3,497,590
Remuneration allocated to members of the Executive Committee (excluding directors)	-	-
Stock options held by Management and directors	-	-
Number of stock options outstanding as of 31 December	1,453,000	1,453,000

The remuneration policy for directors and members of the Executive Committee is described in section 5.7.1. of the Management Report submitted to the Annual General Meeting.

36.2. Related-party transactions

Transactions between the parent company and its subsidiaries, which are related parties, are eliminated on consolidation and are not presented in this note. The transactions with related parties summarised below mainly concern the principal transactions carried out with companies in which the Chairman of Econocom Group's Board of Directors holds a directorship.

	Income		**Expenses**		**Receivables**		**Payables**	
(in € thousands)	**31 Dec. 2012**	**31 Dec. 2011**	**31 Dec. 2012**	**31 Dec. 2011**	**31 Dec. 2012**	**31 Dec. 2011**	**31 Dec. 2012**	**31 Dec. 2011**
SCI de Dion-Bouton	-	-	-	-	4,146	-	-	-
Econocom International NV	30	174	(2,230)	(2,312)	102	38	158	25
Econocom Expert International Holding BV	-	-	-	(387)	-	-	-	-
SCI Maillot Pergolèse	12	12	(856)	(1,317)	61	-	181	172
Ecofinance International	-	-	(440)	-	-	-	651	-
Audevard	24	22	-	-	-	-	-	-
APL	**-**	**-**	**(18)**	**(26)**	**-**	**-**	**-**	**6**
Total	**66**	**208**	**(3,544)**	**(4,042)**	**4,309**	**38**	**990**	**203**

Econocom International NV is an unlisted holding company which holds a 49.64% stake in Econocom Group SA/NV as of 31 December 2012. Econocom International NV – whose Chairman is Jean-Louis Bouchard – bills fees to Econocom Group SA/NV and its subsidiaries for managing and coordinating the Group. These fees amounted to €2,084,000 in 2012, compared with €2,099,000 in 2011. The other bills received corresponded to cross-charged fees in 2012 and for the interest on the repayment of the loan for the acquisition of ECS in 2011.

In 2012, a deposit of €2.1 million was paid to SCI Dion-Bouton, which owns the new building in Puteaux to which the Group relocated during the first quarter of 2013. The Group has also paid advanced rent of €2.1 million for 2013.

Transactions with SCI Maillot Pergolèse consist mainly of compensation paid following the Group's relocation from the Clichy premises.

In 2012, as part of its Leasing business, the Group refinanced a number of contracts on a non-recourse basis to the amount of €11.3 million with Ecofinance International. In 2012, refinancing expenses amounting to €0.4 million were paid to Ecofinance International.

In August 2011, Econocom Expert International holding BV, 50.10% of which is owned by Econocom Group SA/NV and 49.90% by Econocom International NV, paid back Econocom International NV the balance of the debt with €2.4 million worth of share capital. €387,000 of interest was recognised in expenses for 2011.

37. EVENTS AFTER THE REPORTING PERIOD

On 21 February 2013, Econocom Group announced it had acquired the entire share capital of French systems integrator Exaprobe. Founded in 2001, Exaprobe offers security, unified communications, IP infrastructure, virtualisation and data centre solutions for IT infrastructures.

38. ASSESSMENTS MADE BY MANAGEMENT AND SOURCES OF UNCERTAINTY

The main areas in which judgment was exercised by Management were as follows:

- Impairment of goodwill (Note 7): each year, Econocom Group reviews the value of the goodwill in its consolidated financial statements, in accordance with the principles described in Note 2.11. These impairment tests are particularly sensitive to medium-term financial projections and to the discount rates used to estimate the value in use of CGUs.

- Assessment of provisions for pensions (Note 17): an actuary calculates the provision for pensions using the projected unit credit method described in Note 2.17. This calculation is particularly sensitive to the discount rate, salary increase rate and employee turnover rate.

- Valuation of the stock options granted since November 2002: the actuarial formulae used are affected by assumptions concerning employee turnover, developments and volatility of the share price of Econocom Group SA/NV, as well as the probability of managers achieving their objectives (see Note 15.3.1.).

- Valuation of Econocom Group's residual interest in leased assets (Note 9): this valuation is made using the method described in Note 2.9.3 and verified every year using statistical methods.

- Assessments of the probability of recovering the tax loss carry forwards and tax credits of the Group's subsidiaries.

- Provisions (Note 16): provisions are recognised to meet the probable outflow of resources in favour of a third party with no corresponding consideration for the Group. They include provisions for all kinds of litigation which are estimated on the basis of the most probable settlement assumption. To determine these assumptions, Group Management relies, if necessary, on assessments made by external consultants.

- Fair value of financial instruments (Notes 14 and 20): this is measured using market prices. The value of derivative financial instruments is determined and sent to the Group by its banking counterparties. If listed market prices are not available, fair value is estimated using other valuation methods including, inter alia, discounted future cash flows.

- The accounting methods used in the event of acquisitions are described in the note on business combinations.

STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING ON THE CONSOLIDATED FINANCIAL STATEMENTS (FREE TRANSLATION)

as of and for the year ended 31 December 2012

STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING OF ECONOCOM GROUP SA/NV ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

In accordance with the legal requirements, we report to you on the performance of our mandate of Statutory Auditor. This report includes our report on the consolidated financial statements for the year ended 31 December 2012 as defined below, as well as our report on other legal and regulatory requirements.

Report on the consolidated financial statements

We have audited the consolidated financial statements of Econocom Group SA/NV ("the Company") and its subsidiaries (jointly "the Group"), prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated financial statements comprise the consolidated statement of financial position at 31 December 2012 and the consolidated income statement, changes in equity and cash flows for the year then ended, and the notes to the consolidated financial statements, comprising a summary of significant accounting policies and other explanatory information. The total of the consolidated statement of financial position amounts to EUR 1,098,314,000 and the consolidated income statement shows a profit for the year of EUR 47,448,000.

Board of Directors' responsibility for the preparation of the consolidated financial statements

The Company's Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the Board of Directors determines, is necessary for the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Statutory Auditor's responsibility

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the Statutory Auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the Statutory Auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate given the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements. We have obtained from the Company's officials and the Board of Directors the explanations and information necessary for performing our audit.

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

Unqualified Opinion

In our opinion, the consolidated financial statements give a true and fair view of the Group's net equity and consolidated financial position at 31 December 2012 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the annual report on the consolidated financial statements.

In the framework of our mandate our responsibility is to verify compliance with certain legal and regulatory requirements. On this basis, we provide the following additional statement which does not modify our opinion on the consolidated financial statements:

• The annual report on the consolidated financial statements includes the information required by law and is consistent with the consolidated financial statements. We are, however, unable to comment on the description of the principal risks and uncertainties which the Group is facing, and on its financial situation, its foreseeable evolution or the significant influence of certain facts on its future development. We can nevertheless confirm that the matters disclosed do not present any obvious inconsistencies with the information that we became aware of during the performance of our mandate.

Sint-Stevens-Woluwe, 11 April 2013

The Statutory Auditor

PwC Réviseur d'Entreprises

Represented by

Emmanuèle Attout
Réviseur d'Entreprises

We hereby declare that, to the best of our knowledge, the consolidated financial statements for the year ended 31 December 2012 prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted in the European Union, and with the legal provisions applicable in Belgium, give a true and fair view of the assets, financial positions and profit or loss of the Company and the undertakings in the consolidation taken as a whole, and that the management report includes a fair review of the development and performance of the business, profit or loss and financial position of the Company and the undertakings in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

28 March 2013

On behalf of the Board of Directors

Jean-Louis Bouchard,
Chairman of Econocom Group

CONDENSED PARENT COMPANY FINANCIAL STATEMENTS*

for the year ended 31 December 2012

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(*) The parent company financial statements are prepared in accordance with Belgian GAAP.

ECONOCOM GROUP SA/NV PARENT COMPANY FINANCIAL STATEMENTS

In accordance with article 105 of the Belgian Companies' Act, Econocom Group SA/NV hereby states that the following financial statements are an abridged version of the full annual financial statements that can be obtained from the company and which will be filed with Banque Nationale de Belgique. This abridged version does not contain all of the notes to the parent company financial statements or the Statutory Auditor's report, which contained an unqualified audit option in relation to the annual financial statements of Econocom Group SA/NV. The Statutory Auditor's report also includes additional information with respect to the conflict of interest described in heading 5.5.3 of the management report.

PARENT COMPANY BALANCE SHEET

as of 31 December 2012

ASSETS

(in € thousands)	31 Dec. 2012	31 Dec. 2011
Fixed assets	**567,175**	**528,300**
I. Start-up costs	**1,178**	**1,350**
II. Intangible assets	**451**	**127**
III. Property, plant and equipment	**1,038**	**216**
A. Land and buildings	-	-
B. Plant and equipment, fixtures and fittings	80	90
E. Other property, plant and equipment	23	23
F. Fixed assets in progress	935	103
IV. Financial assets	**564,508**	**526,607**
A. Related parties	*564,502*	*526,606*
1. Investments	*408,123*	*368,527*
2. Receivables	*156,379*	*158,079*
C. Other financial assets	6	1
1. Shares	-	-
2. Receivables and cash guarantees	*6*	*1*
Current assets	**20,734**	**36,900**
VI. Inventories and work in-progress	**22**	**6**
A. Inventories	22	6
VII. Receivables due within 1 year	**9,517**	**14,559**
A. Trade receivables	5,654	10,098
B. Other receivables	3,863	4,461
IX. Cash investments	**11,001**	**22,104**
A. Treasury stock	9,822	21,204
B. Other investments	1,179	900
X. Cash and cash equivalents	**121**	**103**
XI. Accruals and other assets/liabilities	**73**	**128**
Total assets	**587,909**	**565,200**

EQUITY AND LIABILITIES

(in € thousands)	31 Dec. 2012	31 Dec. 2011
Equity	**205,026**	**191,793**
I. Share capital	**17,077**	**17,077**
A. Subscribed capital	17,077	17,077
II. Paid-in capital	**72,531**	**72,531**
III. Revaluation gain	**2,520**	**2,520**
IV. Retained earnings	**11,948**	**23,330**
A. Statutory reserve	1,708	1,708
B. Unavailable reserves	9,822	21,204
1. For own shares	*9,822*	*21,204*
D. Available reserves	418	418
V. Profit carried forward	**100,950**	**76,335**
Provisions and deferred taxes	**16,533**	**131**
VII. A. Provisions for contingences and claims	**16,533**	**131**
4. Other contingences and claims	*16,533*	*131*
Payables	**366,350**	**373,276**
VIII. Liabilities due in over a year	**158,492**	**159,477**
A. 2. Convertible unsecured loan securities	80,192	79,477
4. Banks	-	-
5. Other borrowings	78,300	80,000
IX. Liabilities due within one year	**207,858**	**213,792**
A. Current portion of non-current liabilities	3,360	3,360
Convertible unsecured loan securities	3,360	3,360
B. Financial debts	187,123	181,538
1. Banks	*0*	*98*
2. Other borrowings	*187,123*	*181,440*
C. Trade liabilities	6,078	16,560
1. Trade payables	*6,078*	*16,560*
E. Accrued taxes and personnel costs	1,353	1,621
1. Taxes	*18*	*21*
2. Personnel costs including social security charges	*1,335*	*1,600*
F. Other liabilities	9,943	10,713
XII. Accruals and other assets/liabilities	**-**	**7**
Total equity and liabilities	**587,909**	**565,200**

PARENT COMPANY INCOME STATEMENT

for the year ended 31 December 2012

EXPENSES

(in € thousands)		2012	2011
II.	**Cost of sales and services**	**30,816**	**16,943**
A.	Materials and goods	0	0
B.	Services and miscellaneous goods	11,194	12,780
C.	Personnel costs (including security charges) and pensions	3,092	4,092
D.	Amortisation/depreciation and impairment of start-up costs, intangible assets and property, plant and equipment	119	62
E.	Impairment of inventories, work in-progress and trade receivables (additions +, reversals -)	2	-
F.	Provisions for contingencies and charges (additions +, reversals -)	16,403	-
G.	Other operating expenses	6	9
V.	**Financial expenses**	**10,477**	**27,784**
A.	Expenses on liabilities	12,119	12,616
B.	Impairment of current liabilities other than inventories, work in-progress and trade receivables	(1,794)	7,680
C.	Other financial expenses	152	7,488
VIII.	**Non-recurring expenses**	**97**	**500**
B.	Impairment of long-term investments	6	500
C.	Provisions for contingences and charges (additions +, reversals -)	-	-
D.	Losses on disposal of fixed assets	72	-
E.	Other non-recurring expenses	19	-
X.A.	**Income tax**	**41**	**21**
XI.	**Profit for the year**	**50,246**	**73,170**
Total		**91,677**	**118,418**

INCOME

(in € thousands)		2012	2011
I.	**Sales of services**	**14,070**	**16,479**
A.	Revenue	12,173	14,865
D.	Other operating income	1,897	1,614
IV.	**Financial income**	**77,582**	**99,516**
A.	Income from long-term investments	74,860	94,293
B	Income from current assets	60	220
C.	Other financial income	2,262	5,003
VII.	**Non-recurring income**	**25**	**2,423**
B.	Reversals of impairment of long-term investments	-	454
D.	Gains on disposal of fixed assets	25	1,969
X.	**Tax adjustments and reversals**	**-**	**-**
Total		**91,677**	**118,418**

APPROPRIATION OF PROFIT

(in € thousands)		2012	2011
A.	**Total profit available for distribution**	**126,581**	**105,709**
	1. Profit for the year	*50,246*	*73,170*
	2. Retained earnings	*76,335*	*32,539*
B.	**Levying on equity**	**-**	**-**
	1. Equity and paid-in capital	-	-
	2. Reserves	-	-
C.	**Appropriation to equity**	**(15,962)**	**(18,905)**
	2. To the statutory reserve	-	-
	3. To other reserves	*(15,962)*	*(18,905)*
D.	**Appropriation to retained earnings**	**(100,950)**	**(76,335)**
	1. Amount carried forward	*(100,950)*	*(76,335)*
F.	**Profit available for distribution**	**9,669**	**(10,469)**
	1. Dividends	*9,669*	*(10,469)*

PARENT COMPANY CASH FLOW STATEMENT

for the year ended 31 December 2012

(in € thousands)	**2012**	**2011**
Profit for the year	50,246	73,170
Income tax expense	41	21
Depreciation, amortisation and impairment	(7,727)	8,048
Impact of changes in provisions	16,403	-
Gains/losses on disposals of long-term investments	48	(1,969)
Dividends received from investments	(65,177)	(83,116)
Interests received on financial receivables due in more than 1 year	(9,683)	(1,012)
Gains/losses on sales of treasury shares	(425)	118
Operating cash flow (a)	**(16,274)**	**(4,740)**
Change in receivables due within 1 year	(715)	(8,680)
Change in other current assets	39	(11)
Change in trade payables	(10,482)	4,351
Change in accrued taxes and personnel costs due within 1 year	(268)	20
Change in other current liabilities	(7)	7
Change in working capital (b)	**(11,433)**	**(4,313)**
Income tax expense (c)	(41)	(21)
Net cash used in operating activities (a+b+c) = d	**(27,748)**	**(9,074)**

(in € thousands)	2012	2011
Cash flows from investing activities		
Set-up costs	-	5,120
Acquisition of property, plant and equipment and intangible assets for internal use	(1,263)	(245)
Disposal of property, plant and equipment and intangible assets for internal use	-	-
Acquisition of investments	(27,259)	(115)
Disposal of investments	1,220	-
Acquisition of financial receivables due in more than 1 year	(6)	-
Repayment of financial receivables due in more than 1 year	1,700	454
Acquisition of other long-term investments	(5)	-
Disposal of other long-term investments	-	-
Dividends received from investments	65,177	13,900
Interests received on financial receivables due in more than 1 year	9,683	11,177
Net cash provided by investing activities (e)	**49,247**	**30,291**
Cash flows from financing activities	-	-
Convertible bonds – paid-in capital	-	(1,610)
Convertible bonds – items of equity	-	3,286
Convertible bonds – value of liabilities	4,248	79,477
Change in financial liabilities due within 1 year	2,225	(87,604)
Change in financial liabilities due in more than 1 year	(1,700)	(13,601)
Acquisition of treasury stock	(19,140)	(12,968)
Sale of treasury stock	2,897	6,246
Interests paid	-	(10,165)
Dividends paid during the year	(9,732)	(8,772)
Net cash used in financing activities (f)	**(21,202)**	**(45,711)**
Change in cash and cash equivalents (d+e+f)	**297**	**(24,494)**

CONSOLIDATED HIGHLIGHTS

as of 31 December 2012

CONSOLIDATED HIGHLIGHTS

(in € thousands)	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**
Number of shares (as of 31 December 2012)						
Ordinary shares	103,200,000	99,200,000	99,200,000	104,691,588	104,691,588	96,691,588
AFV (preferred shares)	-	-	-	-	-	-
Total	103,200,000	99,200,000	99,200,000	104,691,588	104,691,588	96,691,588
Free float	41.91%	40.38%	20.09%	20.93%	20.79%	48.08%
Per share data (in €)						
Net dividend (on ordinary shares)	0.05	0.05	0.06	0.07	0.08	0.08
Gross dividend (on ordinary shares)	0.06	0.06	0.08	0.09	0.10	0.10
Payout rate (a)	34%	32%	37%	31%	42%	20%
Recurring operating profit	0.24	0.26	0.29	0.45	0.62	0.75
Operating profit	0.23	0.25	0.29	0.39	0.44	0.71
Profit before tax	0.23	0.25	0.28	0.39	0.33	0.66
Profit/(loss) for the year	0.18	0.19	0.21	0.28	0.21	0.49
Consolidated cash flow	0.31	0.33	0.36	0.36	0.57	0.89
Equity attributable to owners of the parent company	0.81	0.85	0.85	1.33	1.30	1.62
Price/earnings (b)	11	8	13	9	19	12
Price/cash flow (b)	6	5	7	7	7	7
Net yield (c)	2.40%	2.80%	2.22%	2.60%	1.93%	1.26%
Gross yield (c)	3.20%	3.72%	2.90%	3.50%	2.57%	1.68%
Stock market data (in €)						
Average share price	1.80	1.81	1.78	2.63	3.50	4.46
As of 31 December	1.88	1.61	2.59	2.50	3.84	5.95
High	2.48	2.19	2.67	3.06	4.29	5.95
Low	1.67	1.26	1.15	2.25	2.51	3.56
Annual return (at end December) (d)	15%	(11.85%)	66.29%	(1.32%)	58.10%	55.48%
Annual market return (e)	(1.95%)	(47.56%)	24.63%	7.08%	(9.76%)	31.25%
Annual trading volume (in units)	23,450,680	12,086,564	16,414,764	12,657,460	15,258,628	19,746,496
Average daily trading volume	91,964	47,400	66,188	49,252	59,836	77,437
Annual trading volume, in absolute value (in € millions)	46.61	21.7	30.14	33.65	52.9	88.8
Market capitalisation as of 31 December (in € millions)	193	160	257	262	407	575
Listing market (f)	TC	TC	TC	TC	TC	TC
Number of employees as of 31 December	**2,307**	**2,318**	**2,266**	**3,664**	**3,610**	**3,700**

(a) Payout rate = gross dividend/consolidated profit from ordinary activities after tax and before amortisation of goodwill (attribuhable to owners the parent).
(b) Share price as of 31 December/cash flow.
(c) Net or gross dividend/share price as of 31 December.
(d) Annual return = (change in share price as of 31 December relative to 31 December of the prior year + net dividend)/share price as of 31 December of the prior year.
(e) Return index (Belgian All Shares and Belgium Total Market) of Euronext Brussels.
(f) Listing market = Brussels. SM = Second Marché from 9 June 1988; CSF = Marché au Comptant Simple Fixing from 13 December 1996.
CDF = Marché au Comptant Double Fixing from 11 March 1998; and TSC = Marché à Terme semi-continu from 11 March 1999.
The Econocom Group share has been listed on the Marché à terme continu (TC) since 16 March 2000.

The Econocom Group 2012 annual report is available in French and English
on the Group's website www.econocom.com.
A printed brochure is also available in both languages
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