MANAGEMENT REPORT OF THE PRODWARE GROUP AND OF PRODWARE S.A

Year ended 31 December 2017

prodware

CONTENTS

A. THE PRODWARE GROUP IN 2017

1. HIGHLIGHTS OF THE YEAR

In an environment where digital transformation is generating major disruptions for companies, the Prodware Group has pursued its efforts to adapt its offer and its organisation to the technological and commercial challenges of its customers.

The Group continued to roll out a highly innovative, comprehensive, end-to-end service offering based on Microsoft Business Solutions technology.
To do so, Prodware benefits from its expertise in the Microsoft Dynamics 365 platform and new areas such as Business Intelligence, Connected Objects, Artificial Intelligence, the Cloud, etc.

Despite a strong increase (+24.3% in one year) of sales by subscriptions (SaaS) which are accounted for over the lifetime of the contracts (and not all at once as it is the case for license sales) and the postponement of some significant projects to 2018, the Group ended the year with revenue of €167.7m, down 4.7%. This variation is a limited decline of 4.6% in terms of gross data and 3.6% on a like-for-like basis.

The increase compared to 2016 in current operating income (+10.5%) and net income (+22.4%) also reflects the actions taken to continue reducing costs and improving profitability.

Net income group share amounted to €11.6m compared to €9.4m in 2016.

This result takes into account a result of €0.5m for activities carried out in the United States via the joint venture created in 2016. It also takes into account a non-recurring charge of €1.5m related to the implementation of the free preferred and ordinary share allocation plan, which benefits nearly 130 Group employees.

We remind that during the financial year, Prodware acquired NEREA Belgium and Luxembourg, the leader in Belgium and Luxembourg for MSCRM technologies and continued to dispose of non-core investments (€4.7m divested).

The Group also sought to enhance shareholder value through two capital reductions by cancelling 776,460 treasury shares, for an amount of € 5.5m, leading to a 9.46% relution in capital. The company's managers and certain employees also exercised share subscription warrants (BSAs) issued in 2012 for €1.8m, leading to the creation of 316,900 shares.

Backed by all these actions, earning per share at 31 December 2017 is up 23% compared with 2016.

2. PRESENTATION OF THE GROUP

2.1. Key figures

167 M€
REVENUE

15
COUNTRY

19,000
CUSTOMERS

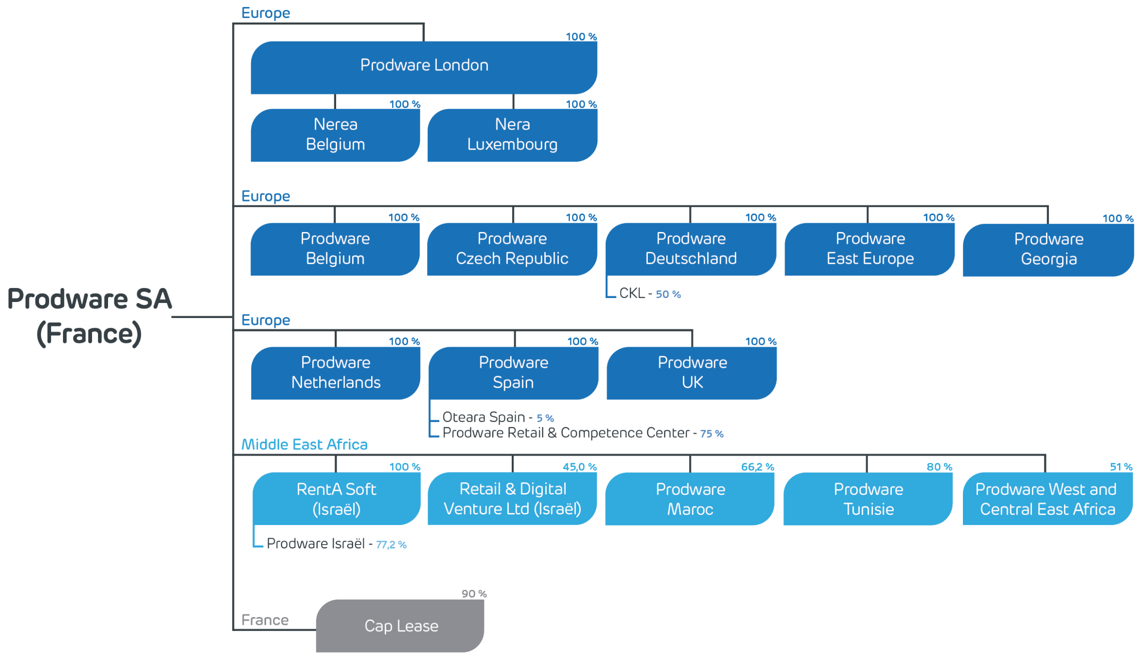
1,277
EMPLOYEES

42
OFFICES

LISTED ON THE EURONEXT GROWTH STOCK MARKET (ALPRO)

2.2. Composition of the Group as at 31 December 2017

2.2.1. Simplified organisational chart of the Group



Compared with the previous financial year, the following changes are noteworthy:

- Subscription to the capital of Prodware London, effective as of 1 January 2017;
- The acquisition of the companies NEREA Belgium and Luxembourg, leader in Belgium and Luxembourg in MSCRM technologies;
- The strengthening of its participation in its financing subsidiary Cap Lease to 90%, compared with 50% previously;
- The capital increase reserved for a minority shareholder within Prodware Maroc, reducing Prodware SA's stake to 66.20% (compared to 80% previously);
- The sale of the non-strategic interests, Iris Informatique and Cap Vision;
- A stake in a joint venture in Spain;
- Dissolution of the dormant company N2A SI in Morocco.

2.2.2. Subsidiary earnings

The detailed table of the subsidiaries' revenue and earnings is presented in appendix 1.

3. REVENUE

3.1. At the Group level

Revenue in 2017 totalled €167,693k compared with €175,846k in 2016, a 4.6% decrease over one year. Restated for the activities disposed of, the decrease is 3.6%.
This change in revenue is the result of several factors:

- The acceleration of sales under SaaS, which accounted for 13.7% of total revenue in 2017 against 10.5% in 2016; i.e. €22,954k compared with €18,470k. Remember that this change in the sales model allows recognition of revenue over the lifetime of the contract instead of being recorded immediately;
- A decrease in the revenue of Own Software solutions to €56,818k in 2017 compared with €61,417k in 2016; a decrease of 7.5% compared with the previous year. This decrease is also related to the growth in SaaS subscriptions to the detriment of traditional license sales;
- The postponement of certain contracts to the first half of 2018.

3.1.1. Répartition par secteurs

(€k)	31/12/2017	31/12/2016
Sales of licences and equipment (hardware)	19,847	25,823
Provision of services	87,510	90,762
Maintenance and support contracts	37,381	40,792
Hosting (SaaS)	22,954	18,470
Total	**167,693**	**175,846**

3.1.2. Breakdown by geographical area

Revenue in the French-speaking area (including the Maghreb) amounted to €76,954k, or 45.7% of total revenue, compared with €91,103k internationally (54.3% of total revenue). The geographic breakdown in 2016 was 44% and 56%, respectively, without any significant change compared to the previous year.

The details of consolidated revenue (excluding intra-Group transactions) by geographical area are as follows:

(€k)	31/12/2017	31/12/2016	Change
Benelux *	21,488	22,598	-4.9%
Spain	24,292	21,323	13.9%
Germany	14,116	11,887	18.8%
UK	4,467	4,122	8.4%
France and the Maghreb**	93,365	104,958	-11.0%
Israel	9,969	10,958	-9.0%
Total	**167,697**	**175,846**	**-4.6%**

* including the Czech Republic and Georgia
** including revenue for France Export or EU

3.2. At the Prodware SA level

Revenue totalled €97,766k compared with €106,251k in 2016, a 7.9% decrease over one year, The proportion of 2017 revenue generated outside France (exports and intra-community) amounted to 20% compared with 30% for 2016 (€19,979k compared with €31,025k).

4. RÉSULTATS

4.1. At the Group level

4.1.1. Condensed P&L

IFRS (€k)	31/12/2017	31/12/2016	Change
Revenue	**167,693**	**175,846**	**-4.6%**
EBITDA	30,699	31,924	-3.8%
as a % of revenue	**18.3%**	**18.2%**	
Current operating income (COI)	17,431	15,773	10.5%
as a % of revenue	**10.4%**	**9.0%**	
Operating profit	15,377	14,754	4.2%
as a % of revenue	**9.2%**	**8.4%**	
Net profit	11,552	9,438	22.4%
as a % of revenue	**6.9%**	**5.4%**	

4.1.2. Condensed balance sheet

Assets (€k)	31/12/2017	31/12/2016	Equity and liabilities (€k)	31/12/2017	31/12/2016
Goodwill	34,220	32,846	Shareholders' equity	130,024	118,485
Tangible and intangible assets	139,711	132,902	Equity attributable to minority interests	362	384
Other non-current and current assets	88,726	81,379	Non-current liabilities	72,022	73,510
Cash	32,757	24,482	Current liabilities	93,008	79,230
Total	**295,414**	**271,609**	**Total**	**295,416**	**271,609**

a. Permanent capital

The Group's share of permanent capital totalled €130,024k at 31 December 2017 compared with €118,485k in 2016, a 9.7% increase.

b. Cash

At the close of the financial year, the Group had €32,757k in cash compared with €24,482k at the close of the previous financial year.

c. Bank and financial debt

Financial debt at 31 December 2017 totalled €93,330k compared with €92,910k in 2016, and is broken down as follows:

In €k	31/12/2017	31/12/2016
Bank loans and simple bond debts - long and medium term	67,676	69,194
Bank overdrafts and accrued interest on borrowings - short term	25,654	23,716
Total	**93,330**	**92,910**

Remember than long-term financing includes:

- three simple bond debts, totalling €50,000k, redeemable at maturity, of four, six and seven years;
- a bank loan repayable on a quarterly basis over five years, for €29,000k, at the Euribor rate plus a margin. At the close of the financial year, the amount totalled €18,850. Given the cash at hand, total net debt at 31 December 2017 totalled €60,573k compared with €68,429k in 2016, a 11.4% decrease over one year.

d. Net debt/equity ratio (gearing)

The Group's gearing is thus reduced to 46.5% compared to 57.6% in 2016, a variation of 11.1 points.

4.1.3. Condensed cash flow

	31/12/2017	31/12/2016
Net income of consolidated companies	11,572	9,470
Cash flows from operations before debt and income tax	26,852	29,596
Change in operating working capital	6,997	- 590
Net flows from operations = A	33,849	29,006
Net cash flows from investment operations = B	- 22,418	- 42,589
Net cash flows from financing operations = C	- 5,035	24,246
Impact of currency fluctuations = D	- 77	6
Change in cash position = A + B + C + D	**6,319**	**10,669**

4.2. At the Prodware SA level

4.2.1. Condensed P&L

Gross value in €k	31/12/2017	31/12/2016	Change
Revenue	97,766	106,251	-7.99%
Operating result	3,794	3,711	2.24%
Pre-tax profit on ordinary activities	346	459	-24.62%
Net non-recurring income (expense)	547	-3,041	-117.99%
Income tax expense	-11,500	-11,944	
Net profit	**12,393**	**9,362**	**32.38%**

4.2.2. Condensed balance sheet

Assets (net value in €k)	31/12/2017	31/12/2016	Equity and liabilities (in €k)	31/12/2017	31/12/2016
Fixed assets	211,405	197,925	Equity capital	149,449	141,184
Inventories	17	19	Provisions for risks	554	698
Receivables and miscellaneous	31,208	32,919	Financial debt	98,597	99,024
Cash	26,831	29,179	Other liabilities	26,690	25,920
Accrual accounts	6,680	6,784	Accrual accounts	851	0
Total	**276,141**	**266,826**	**Total**	**276,141**	**266,826**

4.2.3. Appropriation of net income

We propose that the result of €12,393k be appropriated as follows:

- A dividend distribution of €0.06 gross per share, i.e. a maximum of €464k (excluding treasury shares);
- The balance of the result for the financial year will be allocated to "Retained earnings" for a minimum of €11,929 ; the amount of the dividend corresponding to the treasury shares on the payment date will be allocated to "Retained earnings".

In accordance with Article 243 bis of the French general tax code, a reminder of the distributions for the last three financial years is provided:

- 2017 (financial year 2016): €312k (entitled to rebate),
- 2016 (financial year 2015): €243k (entitled to rebate),
- 2015 (financial year 2014): €246k (entitled to rebate).

4.2.4. Other information: Supplier payment terms

Invoices received but not paid at the close of the financial year, whose term has expired (Article D. 441 I.-1°).

Supplier payment times	0 day (indicatif)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and above	Total (1 day and more)
(A) Late payment bands						
Number of invoices concerned	631					631
Total amount of invoices concerned	8,219,782	1,418,121	571,691	128,202	732,390	11,070,185
Percentage of the total amount of purchases for the year	21,97%	3,79%	1,53%	0,34%	1,96%	29,59%

Supplier payment times	0 day (indicatif)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and above	Total (1 day and more)
(A) Late payment bands						
Number of invoices concerned	1153					1153
Total amount of invoices concerned	9 133 270	3 943 549	1 356 936	292 639	1 215 113	15 941 508
Percentage of the total amount of purchases for the year	9,34%	10,44%	1,39%	0,30%	1,24%	22,71%

4.2.5. Extravagant expenditures

None.

4.2.6. Results of the last five financial years

Nature of information	N-3	N-2	N-1	2016	2017
Share capital	5,043,324	5,330,364	5,330,364	5,330,364	5,036,227
Number of existing ordinary shares	7,758,960	8,200,560	8,200,560	8,200,560	7,741,000
Number of existing shares with priority dividends (without voting rights)					7,042
Maximum number of future shares to be created					
By conversion of bonds	798,600	150,000	0	0	0
By exercising subscription warrants	341,900	341,900	606,900	1,168,900	1,897,000
By allocation of free shares			0	801,500	
Operations and net income for the financial year (3)					
Revenue excluding taxes	95,883,831	96,240,402	109,581,009	106,251,006	97,766,394
Net income (7) before taxes, employee profit sharing and allowances for amortisation/depreciation (6) and provisions (5)	6,596,333	12,335,622	8,148,793	13,525,900	13,789,818
Corporate income taxes (4)	-14,340,219	-14,419,701	-12,614,419	-11,943,987	-11,500,302
Employee profit-sharing due for the financial year	-	-			
Net income (7) before taxes, employee profit sharing and allowances for amortisation/depreciation (6) and provisions (5)	12,064,622	15,825,320	10,379,095	9,362,006	12,393,453
Distributed earnings (8)	-	-	246,017	242,763	312,048
Earnings per share (9)					
Net income (7) after taxes, employee profit sharing but before allowances for amortisation/depreciation and provisions (5)	2,70	3,26	2,53	3,11	3,33
Net income (7) after taxes, employee profit sharing and allowances for amortisation/depreciation (6) and provisions (5)	1,55	1,93	1,27	1,14	1,60
Dividende brut distribué à chaque action (a)	-		0,03	0,03	0,04
Personnel					
Average number of employees during the financial year (10)	700	608	514	531	491
Payroll for the financial year (11)	30,359,216	28,315,223	27,295,762	25,418,774	26,103,922
Amounts paid for fringe benefits	13,316,537	12,254,756	11,616,343	11,365,332	12,031,568

5. EVENTS SUBSEQUENT TO THE CLOSE

None.

6. INVESTMENT POLICY AND R&D ACTIVITY

In 2017, the Group continued its research and development activities to serve its software offering. Some of its research is eligible for the Research Tax Credit (crédit d'impôt recherche - CIR).

For financial year 2017, Prodware recognised in current operating income an amount net of fees of €10 734 versus €11,096k the previous year.

In addition, during the financial year, the Group capitalised €10,477k (6.24%) of the Group's revenue in expenditure devoted to development expenses for sectoral and business line (vertical) software offerings.

7. RISK FACTORS

While ensuring and accelerating the deployment of its strategy, the Group is necessarily attentive about the changes in its various activities in an uncertain economic, financial, and political climate and on the potential impact of certain risks on its growth and earnings.

The Group could, in particular, be affected in the following areas:

Human resources risk:
In a technological environment which is constantly and rapidly changing,
the Group's capacity to serve its customers and provide them with the expected expertise and value-added depends largely on the expert resources that it can make available to them.

For this reason, and in a very tight market in terms of certain capabilities, Prodware has strengthened the actions initiated in 2016 and the financial resources dedicated to an HR policy focusing on the capacity to attract certain profiles and retain the best employees. In addition to recruitment, the HR policy focuses on the quality of life at work and employee retention. Many actions are taken in this regard. In particular, an attractive remuneration policy promoting investment and initiative has been gradually implemented within the Group. Remember, in this respect, that an ambitious bonus share allocation plan was implemented in 2016 to align the interests of key employees with the Company's growth (subject to the satisfaction of presence and performance criteria).

However, it remains true that in a very competitive market, the Group cannot exclude the fact that tensions may sometimes arise in terms of expert resources and/or departures of key employees, with a potential impact on the profitability of commercial projects.

> **Risk related to its external growth operations:**
Prodware makes targeted acquisitions of companies or complete business segments in line with its development strategy in the most buoyant markets.

The integration of new entities can generate difficulties related to:
» the direct and indirect financial costs of these operations which may exceed those budgeted for;
» the process of integrating the activities or companies acquired, which may unveil unexpected difficulties or require more time than anticipated;
» the departure of certain customers/suppliers/key employees, etc.

These difficulties may impact the profitability of these external growth operations and may therefore have a negative impact on the Group's results and its financing needs.

The Prodware Group has, for many years, carried out numerous acquisitions on a national and international level.

Drawing from these experiences, Prodware has drawn up an "integration process", including a team made up of key people in the M&A, finance, management control and legal fields.

This same team identifies potential targets upstream, which may be of interest to the Group in its external growth strategy.

For this reason, the Group is confident about the acquisition projects undertaken over recent years and those in the future, even though non-anticipated difficulties, including in economic terms, can always arise with potentially negative consequences on the Group's financial situation and on its outlook.

> **Commercial risks**

Companies today are looking for information systems partners who can help them adapt to the increasingly rapid technological changes, as well as commercial or international challenges... whilst respecting cost constraints and tightly controlled budgets.

The Group is addressing this competitive situation by rolling out a strategy based on the global support of customers by developing offers which focus on the intersection between consulting, information systems and its customers' business operations.
In addition, the internal organisation of the sales and delivery teams is periodically adjusted to be the most responsive and agile to meet customer requirements.

This strategy has so far allowed the Group to successfully meet major challenges and stave off fierce competition from both incumbents and more recent players.

It should enable it to identify those to come in the future in a context of major technological transformation, without being able to exclude the pitfalls inherent in these transformations and their potential impacts.

> **Liquidity risk**

As part of its processes, Prodware regularly assesses its liquidity risk and believes it is able to meet its future payment commitments.

Its loans are subordinated with respect to ratios and covenants, in accordance with usual practices, particularly with reference to the level of EBITDA and shareholders' equity.

At this stage we are not expecting any particular difficulties in terms of satisfying these covenants.

> **Exchange rate/interest rate risk**

As the Group's debt is mostly concluded in euros at fixed rates,
Prodware does not consider that there are any risks which require any specific hedging.

> **Equity risk**

The only equities held by the Group are those acquired within the share buyback programme implemented by Prodware in 2017.

At 31 December 2017, Prodware had a total of 971 of its own shares (excluding liquidity contract) compared with 700,433 at the end of 2016. In 2017, the company carried out two capital reduction transactions by cancelling 776,460 treasury shares.
The equity risk is therefore insignificant at the date of this report.

> **Customer risks**

Due to its activity and expertise in conducting complex and/or international projects, the Group is increasingly involved in major IT projects that have a strong impact for its customers.

The Group is also not immune from the risk that a customer may consider that the service rendered does not meet the specifications, its expectations or that this service has caused harm.

The Group cannot therefore exclude a potential risk of liabilities with a claim for significant damages.

As a result, increased attention is paid to signing commercial proposals and contracts in order to accurately reflect the commitments made by the Group.

Standard commercial contracts tailored to the Group's various services and offerings are rolled out within the Group, supplemented by a legal validation process.

However, apart from disputes arising from the normal run of business or from acquired entities, the Group has so far controlled this risk and continues to pay close attention to meeting its commitments.

8. OUTLOOK

Prodware will pursue its objectives of growth and optimisation of its profitability, focusing its actions on:

- the development of high added-value activities (Consulting, Publishing, Managed Services, etc.);
- Microsoft Dynamics 365 expertise;
- a complete, innovative technological offering based on MS technologies.

9. TYPES OF PRODWARE SHARES

Since 20 December 2017, there have been two categories of shares:

- A shares: these are so-called ordinary shares. They can be fully traded according to the laws and regulations in force. Shareholders may choose to have them registered in pure registered form with the company, in an administered registered account with an authorised financial intermediary, or in bearer form. They give the right to dividends and the right to vote in the meetings.

  There are 7,741,000 A shares outstanding as at 31 December 2017.

  A shares held for more than two years in registered form have a double voting right. There were 2,329,321 shares with a double voting right as at 31 December 2017.

- B shares: These are preferred shares created at the end of a vesting period of one year following their allocation by the Board of Directors on 20 December 2016.

  Remember that the general meeting of 20 June 2016 decided to create these preferred shares and delegated the authority to the Board to allocate them.

  Until the date from which they become convertible into ordinary shares, B shares do not grant the right to vote at meetings nor the right to dividends. With some exceptions, they are not transferable. These B Shares may be converted as of 20 June 2021 (or at the Board of Directors' discretion at the General Meeting approving the financial statements for the 2019 financial year).

  There are 7,042 B shares outstanding as at 31 December 2017.

10. CAPITAL AND VOTING RIGHTS

As at 31 December 2017, the capital amounts to 5,036,227.30 euros.

It is divided into 7,741,000 A shares and 7,042 preferred B shares. All shares have a nominal value of €0.65 each.

Taking account of the double voting rights conferred on certain shares held in registered form, the number of theoretical voting rights totalled 10,070,317 at 31 December 2017.

11. QUOTATION AND MARKET PRICE

The Prodware stock has been listed since 2006 on Euronext Growth (ex Alternext) under ISIN code FR0010313486 or ALPRO.

At the close of the financial year, the Prodware share traded at €10.98 compared with €6.48 at 31 December 2016, an increase of 69.4% in one year.

The average daily volume of securities traded over 2017 was 16,916.

12. SHARE OWNERSHIP STRUCTURE AT 31 DECEMBER 2017

To the Company's knowledge, the share ownership structure is as follows at 31 December 2017:

Shareholders	As a % of capital	As a % of theoretical DVRs
Managers	35.8%	47.7%
Private investors	3.0%	4.5%
Employees	1.2%	1.8%
Treasury shares	0.1%	0.0%
Public	59.8%	46.1%

13. CROSSING OF THRESHOLDS AND NOTIFICATIONS

According to the Company's articles of association, any shareholder who directly or indirectly comes to hold at least 2.5% of the capital and/or voting rights must inform the Company by registered letter with return receipt, in accordance with article 12 of the Company's articles of association. This notification must be repeated for each additional fraction of 2.5% of the capital, both upwards and downwards, the penalty being the deprivation of the voting right (article 12 of the articles of association).

During financial year 2017, the Company received notifications that thresholds were crossed.

Name of the declarant	Date of the declaration	Time of crossing
Private investors (Heidelberger)	08/06/2017	Crossing the statutory threshold of 2.5% of capital and voting rights upwards
	18/09/2017	Crossing the statutory threshold of 2.5% of capital and voting rights downwards
	05/10/2017	Crossing the statutory threshold of 2.5% of capital and voting rights upwards
Phast Invest	06/07/2017	Crossing the statutory threshold of 12.5% of voting rights upwards
	25/09/2017	Crossing the statutory threshold of 15% of capital upwards

14. SHARE BUYBACK PROGRAMME

14.1. Description of the programme

The ordinary general meeting of shareholders of 19 June 2017 renewed the authorisation to the Board of Directors to acquire shares of the Company for up to 10% of the capital, for a maximum unit amount of 16 euros per share and a total acquisition amount of €13,000,000.

This buyback programme was implemented in particular to meet the following objectives:

- Stimulation of the market or liquidity of the share, as part of a liquidity contract;
- The delivery of the shares for exchange or payment as part of all external growth operations of the Company or the Group;
- The awarding and/or transfer of shares to employees and officers of the Company, particularly as part of profit sharing and incentive schemes and employee share ownership plans;
- Their cancellation.

The authorisation was granted to the Board until 18/12/2018.
A new authorisation will be requested at the next general meeting in June 2018, according to equivalent provisions.

14.2. Assessment of the share buyback programme for 2017

- **Stimulation of the market: liquidity contract:**
  - Shares appearing at 1 January 2017: 13,903
  - Total number of securities purchased in 2017: 309,136
  - Average purchase price: €8.905
  - Total number of securities sold: 314,991
  - Average sale price: €8.834
  - Total number of cancelled shares: 0
  - Number of self-assessment securities at 31 December 2017: 8,048
  - Cash account at 31 December: €79,797.84

- **Other objectives: share buyback programme**
  - Shares appearing at 1 January 2017: 700,433
  - Total number of securities purchased in 2017: 76,998
  - Average purchase price: €9.577
  - Total number of securities sold: 0
  - Total number of cancelled shares: 776,460
  - Total amount of trading fees: €6,475.18
  - Number of self-assessment securities at 31 December 2017: 971
  - Cash account at 31 December: €49,517,96

- **Number of treasury shares at 31 December 2017: 9,019**
  - Market price at 31 December 2017: €10.98
  - Market value of securities at 31 December 2017: €99,028.62

15. EMPLOYEE SHAREHOLDING

Employee registered shares of the company (pure and administered) represented a total of 1.23% of the capital at 31 December 2017.

As part of the single corporate savings plan put in place by the Company, employees hold collectively 13 745 Prodware shares.
In addition, the Group's employees collectively hold 2,418 bonus preferred shares (B shares), whose conversion ratio into ordinary shares will be determined at the end of the performance period.

16. POTENTIAL CAPITAL

As at 31 December 2017, the various dilutive instruments outstanding are as follows:

Issue date	Type of securities	Maximum number of new potential shares	Exercise price including the subscription warrant price)	Maximum maturity
June 2015	Stock warrants (BSAANE)	265,000	€7.28	June 2020
March 2016	Stock warrants (BSAANE)	562,000	€8.10	March 2026
December 2016	Allocation of bonus preferred shares and ordinary shares	782,100	€0.00	Between 2021 and 2027
April 2017	Stock warrants (BSAANE)	510,000	€8.10	April 2027
June 2017	Stock warrants (BSAANE)	560,000	€8.32	June 2027
Total		**2,679,100**		

16.1. 'Incentive 2021' free share allocation plan

We recall that the Board of Directors of 20 December 2016, making use of a delegation of authority from the general meeting of June 2016, issued bonus shares totalling 7,130 preferred shares and 88,500 ordinary shares. All these allocations were made for the benefit of the corporate officers and employees of the Prodware Group.

- Bonus preferred shares
  The allocation of preferred shares in December 2016 was accompanied by a vesting period that ended on 20 December 2017.
  Taking into account the beneficiaries present at that date, 7,042 preferred shares were actually created for the benefit of 114 Group members. Mr Alain Conrard and Mr Stéphane Conrard benefited from an allocation of 2,312 preferred shares each.
  The preferred shares may be converted into ordinary shares at the end of a performance period that will end in June 2021. Until that date, preferred shares do not grant the right to dividends or votes at meetings.
  The conversion ratio of preferred shares into ordinary shares will depend on the degree to which performance criteria are met at the end of the performance period and are subject to the uninterrupted presence of the beneficiaries. The maximum conversion parity is 100 ordinary shares for 1 preferred share.
  A conversion period will then open until June 2027 during which beneficiaries have the choice to convert their preferred shares into ordinary shares.
- Ordinary bonus shares
  At the same time, the Board of December 2016 allocated 88,500 ordinary bonus shares; the vesting period ends in June 2021. The definitive allocation of these shares is likewise subject to performance criteria being met and is subject to presence conditions. Given this last condition, at 31 December 2017, the maximum number of ordinary shares that can be allocated is 77,900 shares. The corporate officers of Prodware SA did not benefit from these free allocations of ordinary shares.

Thus, if all presence and performance conditions are fully met by all beneficiaries, the 'Incentive 2021' plan could potentially result in the creation of a maximum of 782,100 shares.

16.2. Stock warrants (BSAANE)

The various BSAANEs issued at the end of the financial year as well as their maturity and exercise price are detailed above.

These BSAANE stock warrants have been issued for the benefit of members of the Executive Board, employees or corporate officers of Prodware and/ or its subsidiaries, in accordance with the powers granted by the General Meetings to the Board of Directors.

17. BOARD OF DIRECTORS

17.1. 17.1. Composition of the Board - Functions

The Board of Directors consists of six directors, including two women.
One director is independent according to the definition of the Middlenext code.
Four representatives of the Works Council may attend Board meetings.

Members	Functions within Prodware SA	End of term	Functions performed within the Group in 2017	Functions performed outside the Group in 2017
Philippe Bouaziz	Chairman of the Board	2020 GM	» Member of: » Supervisory Board of Prodware Deutschland » Board of Retail and Digital Venture Ltd	» Manager of SCI NEMUR and B&B » Chairman of Bouaziz Partners
Alain Conrard	Board Member Deputy Managing Director	2019 GM	• **Board Member/Director of** » Prodware Belgium » Prodware Spain » Prodware UK Limited » Prodware Weca (côte d'Ivoire) » Prodware Israel » Prodware Retail & Competence Center • **Representative of Prodware SA, within** » Prodware Netherlands » Prodware UK • **Manager of** » Prodware Maroc • **Member of the Supervisory Board of** » Prodware Deutschland AG	
Stéphane Conrard	Board Member Deputy Managing Director	2019 GM	• **Member of the Supervisory Board of** » Prodware Deutschland AG • **Board Member/Director** » Prodware Belgium » Prodware London » Prodware Spain • **Manager of** » Prodware East Europe	» Manager of SARL S&AUDIT and S&AUDIT Expertise Comptable » Chairman of PHAST INVEST
Jean-Gérard Bouaziz	Board Member	2020 GM		
Viviane Neiter	Board member (independent)	2019 GM		» Board member of listed companies: » Dolphin Intégration (01-06/15) » PAT (Plant Advanced Technologies (sicne 06/15) » Vet' Affaires » SPIR » I.CERAM » Chairman of the Association Champagne Ardenne Place Financière » Member of NEOMIA Alumni
Klara Fouchet	Administrateur	AG 2019		
Jacques Tordjman	Board Member until the GM of June 2017 (term of office not renewed)	-		Manager of Jactor SPRL

17.2. Renewal of terms

No term of office expires at the next general meeting.

17.3. Work of the Board

The Board meets as many times as justified by the corporate interests.
It met seven times during financial year 2017 and particularly deliberated on:

- The approval of the 2016 financial statements and the 2017 semi-annual financial statements;
- Monitoring of the share buyback programme implemented;
- The two capital reduction transactions by cancelling 776,460 treasury shares;
- The allocation of BSAANEs;
- The exercise of BSAs in June 2017

17.4. Directors' fees

The general meeting of 28 June 2013 set the payment of €30k for financial year 2013 and subsequent financial years, until a new decision.

In 2017, Prodware's Board of Directors paid the sum of €30k to the directors for financial year 2016 according to the same distribution as the previous year.

- Viviane Neiter and Jacques Tordjman : €5k each;
- Other directors: €4k each.

For the 2017 financial year, the fixed payment of €30 k will be divided equally among all the directors.

18. REMUNERATION OF CORPORATION OFFICERS

18.1. Summary of the remuneration received by key management personnel

The details of the remuneration received by management is indicated below.

Remuneration	Fixed	Variable	Benefits in kind	Directors' fees
Philippe Bouaziz	163,200	31,632	-	4,000
Alain Conrard	136,200	31,362	-	4,000
Stéphane Conrard (HT)	282,000	30,000	-	4,000
Total	**581,400**	**92,994**		**12,000**

18.2. Summary of the remuneration received by key management personnel

Alain Conrard is entitled to a severance pay equivalent to two years of gross salary at the termination date of his current functions.

19. REGULATED AGREEMENTS

19.1. New agreement

No new agreements were concluded in 2017.

19.2. Agreements previously entered into

The agreement with SCI B&B was continued; the terms of which are set out in the statutory auditors' special report.

20. CAPITAL INCREASE DELEGATIONS

(See table in appendix 2)

D. CORPORATE AND SOCIAL RESPONSIBILITY OF PRODWARE SA

21. SUSTAINABLE DEVELOPMENT AT THE HEART OF PRODWARE SA'S VALUES

Software vendor and integrator of management solutions for companies, Prodware designs and develops innovative and agile solutions, based on Microsoft Business Solutions technology.
It positions itself as their reference partner to support them in the processes related to their digital transformation.

Since 2009, Prodware has published its human, societal, and environmental indicators, based on the guidelines of the Global Reporting Initiative (GRI). It has adhered to the Global Compact of the United Nations since this date.

For financial year 2017, the reporting scope covers the parent company Prodware SA (France) and its subsidiaries in Germany, Belgium, Spain and the Netherlands (hereinafter "the RSE Group"). This scope represented around 74% of the total workforce of the Prodware Group at the close of the financial year (compared with 63% the previous year). The Group's total workforce at the end of the 2017 financial year is 1,277 employees. Spain is, for the first time, part of this consolidation scope.

Prodware is gradually expanding the Group's scope to anticipate the integration of each of the entities and to thereby standardise indicators. This will therefore take place gradually.

In order to compare the 2016 and 2017 performance levels, like-for-like information is given when possible (hereinafter "the RSE Group like-for-like"). Otherwise, the comparison is given under a published scope.

Given the weight of France and its positioning in the Group, certain specific indicators are given only for this country.

Prodware's CSR approach is based on three main challenges:

1. **Develop its human capital to meet the challenges of today and tomorrow**
2. **Carry out operations in a responsible manner**
3. **Anchor its business within the territories whilst respecting the environment.**

22. DEVELOP ITS HUMAN CAPITAL TO MEET THE CHALLENGES OF TODAY AND TOMORROW

Prodware assesses its social performance using Human Resources indicators aligned to the "Global Reporting Initiative".

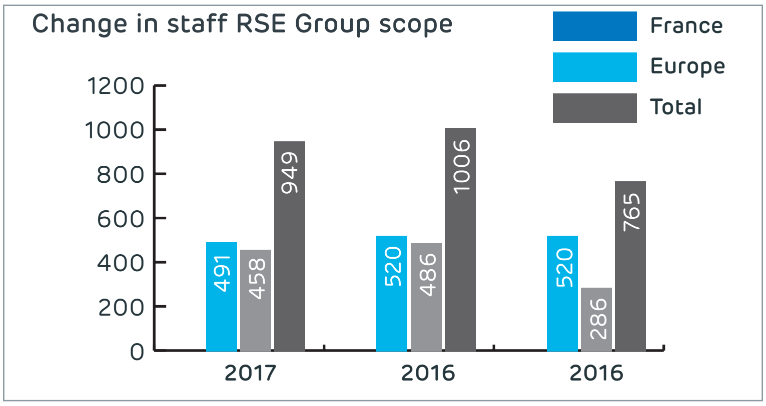
The indicators below are the "Core indicators" of the GRI defined in association with the United Nations Environment Programme (UNEP).

22.1. Total average number of staff, number of staff by status and employment contract

22.1.1. Total average number of staff

The RSE Group's average permanent staff size for 2017 was 949 employees compared with 1,006 on a like-for-like basis, a decrease of 5.7%.
This average number serves as a reference throughout this report unless otherwise stated.

In France, the decline amounted to 5.4%, with an average staff number of 491, compared with 520 in 2016. Restated for departures related to sales of non-strategic activities by Prodware France, the decrease in staff numbers would be limited to 3.7%.



22.1.2. Staff size by gender

In the 2017 RSE Group, women represent 27.1% of staff, a proportion that is exactly the same as in 2016 for the RSE Group on a like-for-like basis. This percentage is slightly higher than the 2016 published scope (26%).

Nevertheless, this proportion reveals disparities within entities, with France and Spain showing the highest proportion of female employees.

Rate of women to total average staff	2017 - Groupe RSE	2016 - Groupe RSE (on a like-for-like basis)
France	29.8%	29.3%
Germany	15.5%	19.1%
Belgium	18.9%	26.6%
Spain	31.8%	30.1%
Netherlands	16.2%	17.1%
Total number of staff	**27.1%**	**27.0%**

22.1.3. Staff size by status

The proportion of managerial staff (or equivalent abroad) of around 2/3 is remarkably stable throughout the RSE Group, with growth in 2017 linked to numerous recruitments of expert profiles.

Staff	2017 - RSE Group	2016 - RSE Group (on a like-for-like basis)	2016 published
Cadres	71,9%	69,3%	70,0 %
Non-cadres	28,1%	30,7%	30,0 %
Effectif total	**949**	**1 006**	**765**

It should be noted at this point that 21.6% of managers are women (compared with 20.6% on a like-for-like basis and 19% under a published scope).

22.1.4. Staff size by age group

The distribution of the population by age group is likewise very homogeneous between 2017 and 2016 with a high proportion in the 35-54 age group.

2017 - RSE Group	>25 years	25-34 years	35-44 years	45-54 years	55-64 years	Total
Staff	8.9	197.7	341.0	302.6	98.4	948.6
As a %	**0.9%**	**20.8%**	**35.9%**	**31.9%**	**10.4%**	**100.0%**

2016 - RSE Group (on a like-for-like basis)	>25 years	25-34 years	35-44 years	45-54 years	55-64 years	Total
Staff	11.37	208.3	393.9	301.3	90.9	1005.8
As a %	**1.1%**	**20.7%**	**39.2%**	**30.0%**	**9.0%**	**100.0%**

22.1.5. Staff size by employment contract

In the 2017 RSE Group scope, 89% of employees are on an open-ended contract (CDI), compared with 90% in the 2016 published scope.

Fixed-term contracts (CDD) are only traditionally used in case of employee replacements or for ad-hoc needs.

22.2. New hires (excl. fixed-term contracts)

22.2.1. Total recruitments

In 2017, 216 people were hired on an open-ended contract (or equivalent abroad) at the RSE Group level, thereby reflecting its momentum and its attractiveness. Hiring focused on technical and functional profiles.

On a like-for-like basis, recruitments in 2016 amounted to 144 people (89 people under a published scope).

[1] Les embauches sont comptabilisées en nombre de personnes physiques et non en "effectifs moyens"

22.2.2. Recruitment by gender

Women represent 25% of total recruitments, an identical percentage in 2016 on a like-for-like basis (and 27% under a published scope).

Amongst recruitments with management status, they represent 23%, that is a very slight decrease compared to the previous year (24%) as well as compared to the published scope (27%).

They represent 30% of non-managerial recruits compared with 26% the previous year (38% under the published scope).

These percentages are equivalent to the previous year, on a like-for-like basis.

22.2.3. Recruitment by status

Management staff (or equivalent abroad) represent 65% of those recruited within the RSE Group compared to 60% on a like-for-like basis.

This ratio is consistent and can be explained by the level of technical expertise and the necessary expertise of employees to carry out the high value-added missions deployed within the Group.

The above data can be summarised in the following tables:

2017 RSE Group - Recruitments	Men	Women	Total	% by status	% women by status
Management:	108.00	32.00	140.00	65%	23%
Non-management:	53.00	23.00	76.00	35%	30%
Total	**161.00**	**55.00**	**216.00**	**100%**	**25%**

2016 RSE Group - Recruitments (on a like-for-like basis)	Men	Women	Total	% by status	% women by status
Management:	65.00	21.00	86.00	60%	24%
Non-management:	43.00	15.00	58.00	40%	26%
Total	**108.00**	**36.00**	**144.00**	**100%**	**25%**

An ambitious recruitment plan, in line with market expectations, will be rolled out in 2018 with more than one hundred recruitments envisaged.

[1] Recruitments are recorded as a number of individuals and not as "full time equivalents"

22.3. Employee turnover

22.3.1. Group turnover

We calculate turnover according to the following ratio: $\frac{\text{Number of exits (excl. fixed-term contracts)}}{\text{Average number of staff over the year}}$

With an average staff size of 949 employees and 218 departures2 , the turnover of the RSE Group was 23.0%, compared with 18.4% the previous year on a like-for-like basis (18.35% under a published scope).

In the Prodware SA (France) scope, the turnover amounted to 21.8% against 17.7% in 2016. Restated for departures related to the sales of non-strategic activities carried out by the company in 2017, the turnover would be limited to 18.1%

22.3.2. Employee turnover by status

2017 - Groupe RSE	2017 exits	Average number of staff	2017 turnover - RSE scope	2016 turnover - published scope
Management	145	682	21.3%	18.35%
Non-management	73	266	27.4%	18.20%
Total	**218**	**948**		

The management turnover has retained a steady rate compared with the previous year. On the other hand, the non-managerial turnover has experienced a sharp rise, in particular due to the high mobility in Spain for this category of staff.

22.3.3. Employee turnover by age group

2017 - RSE Group	>25 years	25-34 years	35-44 years	45-54 years	55-64 years	Total
Exits (excl. fixed-term contracts)	4	48	83	60	24	219
Average number of staff	8.9	197.7	341	302.6	98.4	948.6
Employee turnover	**44.9%**	**24.3%**	**24.3%**	**19.8%**	**24.4%**	**23.1%**

On a like-for-like basis

2016 - RSE Group (on a like-for-like basis)	>25 years	25-34 years	35-44 years	45-54 years	55-64 years	Total
Sorties (hors CDD)	5	44	64	40	32	185
Effectif Moyen	11.37	208.3	393.9	301.3	90.9	1005.8
Turnover	**44.0%**	**21.1%**	**16.2%**	**13.3%**	**35.2%**	**18.4%**

We note in 2017 real consistency between the most representative age groups.

[2] Departures are recorded as a number of individuals and not as an "average number of staff"

22.4. Seniority & mobility

22.4.1. Average seniority

Within the RSE Group, the average seniority is 7.02 years compared to 7.11 the previous year on a like-for-like basis.
This average reveals disparities with countries with higher mobility such as Spain and Belgium.

France, on the other hand, traditionally retains a high average seniority, at 10.5 years (10.4 years in 2016), higher than the average seniority of employees of the industry (CINOV/ Syntec). The average seniority of employees was eight years in 2016. Only 25% of employees under the same collective agreement have more than 10 years' seniority.

22.4.2. Mobility

As part of its actions to promote mobility and loyalty within the Group and meet growth aspirations, Prodware has set up awareness programmes in all RSE Group countries to inform and promote internal mobility. No less than 17 mobilities took place in France in 2017, particularly in management positions.

22.5. Organisation of working time

22.5.1. Weekly working time

For Prodware SA (France), the weekly working time is 35 hours for all employees (Syntec industry-wide agreement). For Germany, Belgium, the Netherlands and Spain, the working time is 40 hours per week.

In order to improve and better supervise the pre-existing practices in terms of organising working time within Prodware SA (France), a new working time agreement was signed in 2017.
This agreement applies to all staff in France.

22.5.2. Part time

In 2017, 109 employees work part-time, by choice, representing 11.4% of the total average staff of the RSE scope (compared with respectively 123 and 12.2% on a like-for-like basis).

Women represent more than 75.2% of those holding part-time positions, a stable percentage over the two financial years under consideration.

Part time	2017 - RSE Group	2016 - RSE Group (on a like-for-like basis)	2016 published
Men	27	31	28
Women	82	92	76
Total	109	123	104
% women in part time staff	75.2%	74.8%	73.1%

22.6. Absenteeism and safety in the workplace

In 2017, within the RSE Group, there were 8,857 working days of absence (compared with 6,941 days on a published basis) including all causes (illness, maternity, workplace accidents, personal reasons including paternity leave).

Absenteeism	2017	2016 RSE Group scope
Total days of absence (working days)	**8,857**	**6,941**
Absenteeism rate	**4.08%**	**3.9%**
of which absences for workplace accidents	0.09%	0.08%
of which absences for maternity leave	0.42%	0.44%
of which absences for illness	3.21%	3.17%

Prodware is attentive to the prevention initiatives aiming to reduce the number of accidents affecting its employees. The causal link of some lost-time workplace accidents is being studied and awareness initiatives are being carried out amongst those employees who travel regularly.

22.7. Developing talents through training initiatives

22.7.1. In the RSE Group scope

Employee training is a priority for the Group so that employees can provide the level of expertise required to perform the value-added tasks deployed by the Group. A special action was implemented in 2017, which explains the significant increase in training hours.

	France	Europe excl. France	Consolidated total
	Nombre d'heures	Nombre d'heures	Nombre d'heures
Men	4.686	12.881	17.567
Women	2.060	2.148	4.208
Total	**6.746**	**15.028**	**21.725**

22.7.2. In the France scope

In France, 6,746 hours of training were given, which demonstrates the Group's willingness to maintain a high level of professionalism in its teams. This will result in an increase of more than 75% compared to 2016 (3,852 hours).

258 employees benefited from a training programme during 2017 (209 managers and non-managers, compared with 216 the previous year), a net increase of 19.4% compared with the previous year.

The average duration of the training is automatically higher, with 3.4 days for managers trained compared with 2.5 days in 2016 and 2.5 days for non-management staff (2.4 days in 2016).

The company focused investments mainly in training in management tools and project management.

Prodware also offers self-study courses using online training tools (technical training, publishing training, English). The goal is to make the training accessible to all, whatever the needs and to make the employee the driver and participant of his/her own skills development.

During the year, Prodware SA (France) also implemented a new interview programme where employees can express their wishes in terms of training and where the key training areas to be favoured in 2017 can be determined, in particular:

- Maintaining technical skills through training in new product versions;
- Training to update professional knowledge for employees in cross-disciplinary business lines: legal, accounting,
- HR, IS, etc.
- Accompanying employees in their internal mobility plan or professional development
- By using the most appropriate tools (professionalisation periods, CPF, CIF, VAE schemes etc.).

Added to these are the health and safety in the workplace training courses, i.e. training and retraining the first response staff in the branches, training new members of the Workplace Health and Safety Committee, etc.
All these training courses are conducted either face-to-face or through e-learning.

22.8. Partnerships with schools - Promotion of Prodware

Partnerships with engineering schools and recruitment forums within these schools continued in order to increase awareness of the Prodware employer brand among new graduates.

The actions promoting the company's reputation via professional social networks have been enhanced because they are the preferred means of approach and selection for students for internships or recruitment.

More generally, a Sociabble tool has been put in place so that employees are Prodware ambassadors on social networks. Challenges are organised to encourage employees to get involved in this process.

22.9. Promoting diversity

22.9.1. Gender parity

22.9.1.1. Parity

Remember that the ratio of women in the 2017 RSE Group is 27.1%, a slight rise compared with 2016 on a like-for-like basis (27.0%) and 26.0% on a published basis.

22.9.1.2. Encadrement

The rate of female managers* (i.e. the percentage of women managers compared to the managerial population) is 21.6% within the RSE Group scope against 20.6% on a like-for-like basis.

Rate of women in managerial positions to overall staff	2017 - RSE Group	2016 - RSE Group on a like-for-like basis	2016 published
RSE Group	**21.6%**	**20.6%**	**19%**

*the percentage of women in the managerial population (average staff over the year).

This percentage should be compared with the latest statistics showing the significant but very recent progression of female graduates of engineering schools (28%-30%).
Concerning managerial staff, it is important to note that women still have little presence in the engineering schools which are our principle source of graduates (10% a few years ago) (Source: Directorate for Research, Studies, and Statistics (DARES) 2014 study).

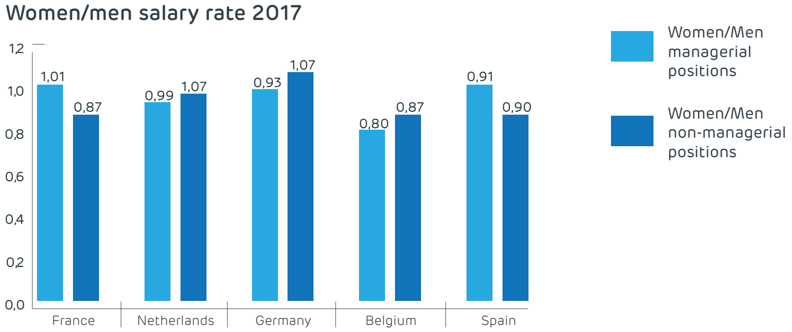
The Group is taking a positive step in this respect by promoting equality within all categories.

22.9.1.3. Remunerations

The salary ratios between men and women are analysed by comparing the average salary of women with the average of employees in their category.

As an illustration, the graph below shows that women managers in France are paid, on average, the same as their male colleagues. In the non-managerial category, however, they have an average salary which is 13% lower.

Women/men salary rate 2017



22.10. Integration of workers with disabilities

At the RSE Group level, there are 20 people with the status of disabled worker, the majority of which in France, i.e. an average rate of 2.10% of staff, down slightly compared with

the 2016 published scope (18 persons, i.e. 2.35% of staff under the published scope in 2016).

Continuing on from the actions carried out in the past, emphasis has been placed on internal communication in order to increase employee awareness of the

approach towards disabilities.

Prodware SA continues to use the protected worker sector for the organisation of certain events.

22.11. Organisation of employer-employee dialogue

Within the RSE Group scope, the situations are very different due to the size of the structures and local regulations.

Employees in the Netherlands have a Works Council and a Workplace Health and Safety Committee.

In France, social dialogue is formalised with the presence of a Workplace Health and Safety Committee, a Works Council and staff delegates.

In France, this desire for dialogue has resulted in an 'agreement on method' aimed at ensuring the quality of dialogue and consultation within the company.

In fact, a new agreement on working time, profit-sharing and the right to disconnect was signed during the year.

22.12. Integration of new recruits

New recruits usually benefit from two-day integration sessions within the Group to enable them to better understand the activities of the company they work for, to develop a culture of 'promotion' and to increase loyalty among newcomers.

Prodware also wants to benefit from the experience of its seniors to integrate newcomers and facilitate their integration. In this way, links between tutors, mostly seniors (age 53 and over), and young people under the age of 26 have been implemented in France and gradually in other countries.

23. CARRY OUT OPERATIONS IN A RESPONSIBLE MANNER

23.1. Information on societal commitments in favour of sustainable development

23.1.1. Territorial, economic, and social impact of the Company's business

Prodware has a solid establishment in France for a local service: the Prodware Group's headquarters are located in Paris. 18 branches spread across the entire territory allow for a responsive, local service.
In 2017, activity in Holland was distributed across two sites, in Belgium across three sites and in Germany across 10 sites. More than 19,000 customers benefit from the Group's presence in the different countries.

23.1.2. Partnership and sponsorship activities

The Prodware RSE Group did not carry out any partnership or sponsorship activities in 2017 (aside from the partnerships with schools mentioned below).

23.1.3. Subcontracting and suppliers

The RSE Group makes use of subcontracting outside the Group in the performance of its services when there is no internal expertise available.

23.1.4. Certification in terms of training

In 2016, Prodware SA (France) obtained the highest degrees of certification in terms of training organisation, both nationally and internationally.

These distinctions testify to the degree of expertise and quality of its training actions, especially when they are financed by public funds. Through this triple certification, Prodware joins the very closed circle of around one hundred companies, from some 75,000 training organisations in France.

The distinctions obtained are:

- LRQA Quality Decree (financing by all organisations)
- ISO 29 990 (quality of professional training)
- ISO 9001 (quality) in the scope of publicly-funded professional training.

23.2. Fair practices

Ethics and integrity are part of Prodware's values. These values are incorporated in the Corporate Managerial Charter, which applies to all employees.

In accordance with its principles, note that Prodware has been a signatory of the United Nations Global Compact since 2009 and is committed to promoting the 10 principles of the Pact.

Lastly, during the 2017 financial year, Prodware adopted an anti-corruption code of conduct in accordance with the legal provisions that reflect the principles of good conduct that each Group employee must respect.

23.3. Information security

At a time when data security is a key issue in both the professional and private spheres, Prodware is of course concerned by the question of the security of information systems.

By hosting and processing its customers' data, Prodware has to meet the following objectives:

- Provide its customers with guarantees regarding the way in which their information assets will be processed;
- Develop within the company a culture of organisation through stable and defined processes;
- Develop a culture of continuous improvement;
- In this respect, Prodware undertook an ISO 27001 certification initiative. This standard aims to guarantee the integrity, confidentiality and availability of the information assets managed for the Group or for its customers.

In keeping with this logic, Prodware Netherlands renewed its ISO 27001 certification in 2016.

For Prodware SA (France), areas of progress are determined around a controlled improvement plan and updated every year. A structure for monitoring so-called "safety" incidents meets on a monthly basis to protect itself against any failures and external attacks.

A CNIL (Commission Nationale de l'Informatique et des Libertés - the French Data Protection Authority) correspondent was appointed within Prodware SA in 2016 to firmly establish Prodware's ambitions in terms of transparency and management of personal data.

Prodware has also developed communication tools which are available to all employees, such as an IT charter, user documents in line with materials and a brochure of recommendations for use during travel.

23.4. Other commitments in favour of human rights

The Company engaged in no actions in this field in 2017. However, its adherence to the UN Global Compact, which is renewed every year, demonstrates its commitment to Human Rights and the International Labour Organization's conventions.

24. ANCHOR OUR BUSINESS WITHIN THE TERRITORIES WHILST RESPECTING THE ENVIRONMENT

Prodware carries out a tertiary activity which should not be affected by climate change. Nevertheless, the Group seeks to minimise its impact on the natural environment by carrying out initiatives which aim to integrate environmental issues into its daily management.

Prodware's environmental risks are relatively low given the Group's business activity and do not require any provisions to be recorded. Therefore, no amount was booked in 2017.

Through its business activity, the Group does not generate any noise pollution. Water is used for sanitary purposes only. As the various entities rent their offices, these consumption figures are not always available as they are included in rental charges.

The RSE Group scope has offices only in urbanised areas that it does not own and is therefore not concerned by the "sustainable use of soil" nor by biodiversity.

Furthermore, the RSE scope is not concerned by the issue of food waste as it does not have its own company restaurant.

24.1. Environmental organisation and approaches

Within its sustainable development initiative, Prodware wishes to report on its ecological impact. Recyclable waste is recycled as far as possible. Material which may be given a second life is given to associations or to employees.

2017 - RSE Group	Total energy consumption (kWh)	Revenue (in €m)	Consumption relative to revenue (kWh/€m)	Salaried workforce	Energy consumption per employee (kWh/employee)	Area of premises (m²)	Energy consumption relative to area of premises (kWh/m²)
France	923,539	97.6	9,462	491	1,881	8,751	106
Germany	211,108	14.2	14,867	97	2,176	3,943	54
Belgium	NS						NS
Netherlands	638,615	16.6	38,471	101	6,323	3,495	183
Spain	276,175	25.7	10,746	232	1,190	2442	113
RSE Group	**2,049,437**	**154.1**	**73,546**	**949**	**2,160**	**18924**	**108.3**

The IT team of Prodware SA (France) manages all IT equipment of the RSE Group with a view to the security of IT processes and cost optimisation.

In that respect, and with the constant aim of reducing greenhouse gas emissions, the Group has chosen to virtualise its IT infrastructure. In 2017, 90% of the servers were virtual.

Prodware uses a feature called AutoShutdown on 60% of its servers dedicated to development, testing, and demonstrations. The principle is to identify the virtual machines that are not used on a daily basis in order to automatically turn them off at 10 p.m. each night. These machines are not turned on automatically the next day. Employees who wish to reconnect must connect to a Web interface in order to be able to start them on their own.

This principle makes it possible to optimise performance and the available resources according to the presence of the employees. This also makes it possible to limit material investments and therefore the electrical consumption that they would have generated, even if it is currently not possible to quantify the savings exactly.

24.2. Controlling our greenhouse gas emissions

Remember that Prodware carried out a full Carbon Footprint assessment in 2011, and has therefore updated its assessment with 2016 figures.

Within the same scope, greenhouse gas emissions have fallen by 16% over five years. The vehicle fleet accounts for more than 90% of emissions.

The Group has therefore started an initiative to reduce these emissions.

Low-emission vehicles are offered to employees and Prodware SA is anticipating regulatory changes, in particular in Greater Paris, which aim to eliminate the use of diesel in a few years.

24.3. Travel

24.3.1. Travel policy and measures taken to limit the environmental impact

The Company continued its travel policy, which is intended to minimise the environmental impact of business travel by employees.

For example, air travel is authorised only if the train ride is greater than three hours. Vehicles are rented only when no auto-sharing vehicle is available.

In addition, in order to limit travel between its different sites, Prodware has undertaken significant investments in recent years for the establishment of video-conferencing tools in the main branches in France and abroad. In addition, the messaging and telephony software Skype for Business is favoured for all intra-Group communication.

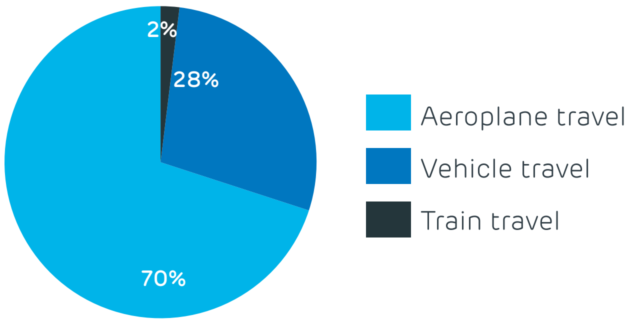
Thus, 895 video-conferences and 48,846 conferences by Skype for Business were organised in 2016, totalling more than 26,000 hours of exchanges (650 hours of video-conferences and 26,200 hours for Skype for Business).

These economic and environmental methods of communication must be further developed within the Group.

24.3.2. CO2 emissions

The CO2 emissions relating to the RSE scope business travel amounted to approximately 2,209 tonnes in 2017. This includes trips made by train, aeroplane and rental cars.

CO2 emissions related to Prodware SA transport 2017



24.3.3. Pollution and waste management

Prodware SA (France) has offices only in urbanised areas that it does not own.

Prodware's publishing activities and the integration of the sectoral and business line solutions it develops have a very limited impact on the air and ground compared with heavy industrial activities.

However, as a socially-responsible company, Prodware strives to reduce its CO2 emissions, as demonstrated by the figures above.

The main waste generated by the RSE Group is office waste (paper, computer-related consumables, etc.) as well as end-of-life computer hardware.

As an IT company, Prodware is subject to the requirements of the directive on the Waste of Electrical and Electronic Equipment and its recycling (WEEE).

Prodware SA (France) has put in place a computer hardware redeployment policy. In order to optimise the recycling of hardware, after more than four years of use, and if it is still viable, another initiative offers hardware to employees for a symbolic amount. Similarly, during mobile phone replacement phases (2-3 years), the old phones are systematically offered to employees for a low price.

This policy also applies for the main consolidated entities.

APPENDIX 1: SUBSIDIARY EARNINGS

Subsidiary earnings are shown in the table below before treatment related to consolidation operations.

In euros	Share capital	Shareholders' equity	Proportion	Gross value Securities	Net value of securities	Revenue excl. tax for the year	Profit (loss) for the year
Subsidiaries more than 50% held directly and indirectly							
Cap Lease	40,000	241,292	90.00%	332,778	332,778	3,040,398	-3,517
Prodware Netherlands BV	11,800,000	2,169,819	100.00%	17,565,488	17,565,488	16,625,204	-819,254
Prodware Tchequie	7,299	230,371	100.00%			1,359,263	-4,902
Prodware Deutschland	51,150	1,589,848	100.00%	16,911,113	16,911,113	14,239,081	529,775
Prodware UK Limited	1891676	-74,817	100.00%	3,846,890	3,846,890	2,853,836	-864,081
Prodware Belgium	2,200,000	2,323,992	100.00%	5,155,013	5,155,013	3,901,555	80,538
Prodware East Europe	807	25,713	100.00%	1,000	1,000	78,001	-2,314
Prodware Spain	152,010	5,458,415	100.00%	4,500,000	4,500,000	25,703,113	733,229
Prodware Tunisie	22,167	153,374	80.00%	25,000	25,000	569,210	24,484
Prodware Maroc	50,516	-137,146	66.20%	44,337	44,337	1,294,978	-183,571
Rentasoft	21	354,634	100.00%	200,000	0		-28,017
Prodware West &Central East Africa	15,245	-47,057	51.00%	7,775	7,775	309,985	-47,901
Prodware Georgie	-	69,275	100.00%	0	0	549,970	10,050
Prodware Israel	121,543	1,898,889	77.24%	0	0	10,949,271	87,482
CKL	26,500	665 227	50.00%			2,053,559	185,533
Prodware london limited	1	473,802	100.00%	1	1	9,117,877	473,802
NEREA Luxembourg	31,000	523,863	100.00%			1,241,195	307,923
NEREA Belgium	58,600	205,950	100.00%			2,045,153	151,605
Subsidiaries less than 50% held							
Retail and Digital Venture Ltd	141,180	139,220,523	44.92%	60,002,000	60,002,000	10,882,000	1,100,250
				108,591,395	108,391,395		

APPENDIX 2: SUMMARY OF DELEGATIONS OF COMPETENCE FOR CAPITAL INCREASES AND USES

Authorisations and uses during 2017	GM date	Duration of delegation	Delegation expiry date	Authorised capital increase amount	Amount used during 2016	Comments
Authorisation to buy back shares in the Company	19/06/2017 (7th resolution)	18 months	18/12/2018	10% of capital	0,99%	Renewal of authorisation of 20 June 2016 - Buyback of 76,998 shares
Capital reduction by cancellation of redeemed shares	19/06/2017 (8th resolution)	24 months	18/06/2019	10% of capital	3,45%	276,460 cancelled in September 2017, i.e. 3.45% of capital at this date
Capital increase reserved for qualified investors	19/06/2017 (9th resolution)	18 months	18/12/2018	€3 million / (€40 million securities giving access to capital)	0	Renewal of authorisation of 20 June 2016
Capital increase by issuance of ordinary shares/securities giving access to ordinary shares maintaining or not maintaining the preferential subscription right, including by private placement	19/06/2017 (10th and 14th resolutions)	26 months	18/08/2019	€3 million / (€40 million securities giving access to capital)	0	Renewal of authorisation of 24 June 2015
Capital increase reserved for strategic operations	19/06/2017 (15th resolution)	18 months	18/12/2018	€3 million / (€40 million securities giving access to capital)	0	Renewal of authorisation of 20 June 2016
Issuance of BSAs (stock subscription warrants) or BSAANEs to members of the Executive Management, employees, and corporate officers	19/06/2017 (16th resolution)	18 months	18/12/2018	7% of shares composing the share capital	6,98%	Allocation of 560,000 BSAANEs by the Board of 30 June 2017
Authorisation to award bonus shares to staff and/or corporate officers	19/06/2017 (17th resolution)	38 months	18/08/2020	7% of shares composing the share capital	0	
Capital increase by issuing shares reserved for employees	20/06/2017 (18th resolution)	18 months	18/12/2018	€ 150,000	0	Renewal of authorisation of 19 June 2016
Capital reduction by cancellation of redeemed shares	*20/06/2016 (10th resolution)*	*18 months*	*19/12/2017*	*10% of capital*	*6,09%*	*500,000 shares cancelled in May 2017, i.e. 6.09% of capital at this date*
Issuance of share subscription/ purchase options to employees and corporate officers (*1)	20/06/2016 (13th resolution)	38 months	19/08/2019	5% of shares composing the share capital	0	
Issuance of BSAs or BSAANEs to members of the Executive Management, employees, and corporate officers	*20/06/2016 (18th resolution)*	*18 months*	*19/12/2017*	*7% of shares composing the share capital*	*6,21%*	*Allocation of 510,000 BSAANEs by the Board of April 2017*
*Creation and issue of bonus preferred shares (*1)*	*20/06/2016 (14th and 15th resolutions)*	*18 months*	*19/12/2017*	*8,200 preferred shares €533,000 (*)*		*As a reminder, the allocation of 7,130 preferred shares and 88,500 ordinary shares in December 2016 - Actual creation in 2017 of 7,042 preferred shares after a vesting period of one year.*
Bonus allocation of ordinary shares and shares resulting from the conversion of preferred shares (1)*	*20/06/2016 (16th resolution)*	*18 months*	*19/12/2017*	*820,000 shares (*)*		

(1) common ceiling (820,000 shares)

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