BUCKINGHAM INVESTIGATION SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

Registered Company Number 05841432

Annual report and financial statements for the year ended 31 December 2017

DIRECTORS AND ADVISERS

Directors	P J H Ball I Sparks A C Bolter
Registered Office	SOCOTEC House Bretby Business Park Ashby Road Bretby Burton on Trent DE15 0YZ
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Downingtown Court Pegasus Business Park Castle Downingtown East Midlands DE74 2UZ
Principal Bankers and Lenders	Barclays Bank PLC 1 Churchill Place Canary Wharf London E14 5HP
Solicitors to the Company	McDermott Will & Emery UK LLP 110 Bishops gate London England EC2N 4AY
Registered company number	05841432

Strategic Report for the year ended 31 December 2017

The directors present their strategic report of the Company for the year ended 31 December 2017.

Review of the business

The principal activities of the Company in previous years were the provision of geotechnical and environmental engineering consultancy, surveying and project management and specialist scientific field and laboratory testing. In the current year the Company holds balances in relation to previous years trading. The Company did not trade during the year.

The loss, before taxation, amounted to £11,000 (2016: £9,000). Net assets are £457,000 compared to £468,000 in 2016.

Performance and Future developments

The Company's activities in previous years related to the delivery of a major over water site investigation contract in the Middle East. The contract began in 2009 and was completed in the field in May 2010.

The final negotiations were concluded in 2013 and no further trade has commenced.

The directors have no intention for the Company to recommence trading in the foreseeable future.

Principal risks and uncertainties and key performance indicators

The Company's objective is to minimise risks and uncertainties through its internal controls and review procedures.

The key risks that the Company is exposed to include but are not limited to:

- damage to the Company's reputation as a leader in testing and inspection services;
- exposure to uninsured environmental or commercial claims and liabilities;
- loss of availability of funding from the Group's lenders and/or shareholders.

The key financial measurements that are used and reported against within the businesses are based on net assets.

This report was approved by the board and signed on its behalf by:

A C Bolter
Director
25 July 2018

Directors' Report for the year end 31 December 2017

The directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2017.

Results and dividends

The directors do not recommend the payment of a dividend (2016: £nil).

Directors

Those directors that held office during the year and up to the date of signing the financial statements, unless otherwise stated, were:

P J H Ball
I Sparks
A C Bolter

Disabled persons

The Company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The Company gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Company. If members of staff become disabled the group continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

Insurance of directors

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its directors.

Financial risk management

The Company's objective regarding financial risk management is to keep exposure to price risk, credit risk, liquidity risk and cash flow risk to a minimum. In the opinion of the directors the exposure to financial risks has been assessed and at present is deemed to be low and at an acceptable level for the company's operations.

Change in ownership

On 23 March 2017 ESG Investments Limited, the ultimate parent undertaking of the UK Group, was sold to SOCOTEC UK Holding Limited. SOCOTEC UK Holding Limited was owned by Holding Socotec SA (formerly Holding Socotec SAS) and the ultimate parent company was Soco 1 SAS as noted in note 12.

Future developments

A review of the business and its future prospects are included in the strategic report.

Going concern

The Company meets its day-to-day working capital requirements through borrowings from other Group companies. The Group continues to support the Company for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements. The directors believe that preparing the accounts on the going concern basis is appropriate due to the continued financial support of the ultimate parent company Soco 1 SAS. The directors have received written confirmation from its ultimate parent company Soco 1 SAS that it intends to support the company for at least one year after these financial statements are signed.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each director in office at the date the Directors' Report is approved:

(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and

(b) they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This report was approved by the board and signed on its behalf by:

A C Bolter
Director
25 July 2018

Independent auditors' report to the members of Buckingham Investigation Services Limited

Report on the audit of the financial statements

Opinion

In our opinion, Buckingham Investigation Services Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the statement of financial position as at 31 December 2017; the income statement, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

P J Norbury

Paul Norbury (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
25 July 2018

Income Statement
For the year ended 31 December 2017

	Note	**Year ended 31 December 2017 £'000**	Year ended 31 December 2016 £'000
Administrative expenses		**(11)**	(9)
Loss before taxation	5	**(11)**	(9)
Income tax	6	**-**	-
Loss for the financial year		**(11)**	(9)

The Company has no other comprehensive income other than those included within the Income Statement and therefore no separate Statement of Comprehensive Income has been prepared.

The notes on pages 9 to 11 form an integral part of these financial statements.

Statement of financial position

As at 31 December 2017

	Note	As at 31 December 2017 £'000	As at 31 December 2016 £'000
Current assets			
Trade and other receivables	7	**1,433**	1,433
		1,433	1,433
Creditors: amounts falling due within one year	8	**(976)**	(965)
Net current assets		**457**	468
Net assets		**457**	468
Equity			
Called up share capital	9	-	-
Retained earnings		**457**	468
Total shareholders' funds		**457**	468

The notes on pages 9 to 11 are an integral part of these financial statements.

The financial statements on pages 6 to 11 were approved and authorised for issue by the board on 25 July 2018 and were signed on its behalf by:

A C Bolter
Director
25 July 2018
Registered number: 05841432

Statement of changes in equity

For the year ended 31 December 2017

	Called up share capital	Retained earnings [1]	Total Shareholders' funds
	£'000	£'000	£'000
Balance at 1 January 2016	-	477	477
Comprehensive expense			
Loss for the financial year	-	(9)	(9)
Balance as at 31 December 2016	-	468	468

	Called up share capital	Retained earnings [1]	Total Shareholders' funds
	£'000	£'000	£'000
Balance at 1 January 2017	-	468	468
Comprehensive expense			
Loss for the financial year	-	(11)	(11)
Balance as at 31 December 2017	-	457	457

The notes on pages 9 to 11 are an integral part of these financial statements.

[1] Retained earnings represents accumulated comprehensive income for the year and prior periods plus share-based payments adjustments and related tax credits, charges from the parent company for share-based payments and transfers from the revaluation relating to depreciation realised on revaluations less dividends paid.

Notes to the financial statements for the year ended 31 December 2017

1 General Information

The Company is a private limited company, incorporated and domiciled in the England & Wales under Companies Act 2006 (Registration number 05841432). The company is a non-trading company. The address of the registered office is SOCOTEC House, Bretby Business Park, Ashby Road, Burton Upon Trent, DE15 0YZ.

2 Principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements of Buckingham Investigation Services Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in this note.

The Company meets its day-to-day working capital requirements through borrowings from other Group companies. The Group continues to support the Company for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements. The directors believe that preparing the accounts on the going concern basis is appropriate due to the continued financial support of the ultimate parent company Soco 1 SAS. The directors have received written confirmation from its ultimate parent company Soco 1 SAS that it intends to support the company for at least one year after these financial statements are signed.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, 'Financial Instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - paragraph 10 (d), (statement of cash flows)
  - paragraph 16 (statement of compliance with all IFRS)
  - paragraphs 38A–38B – Detail in respect of minimum comparative information
  - paragraphs 38C–38D – Additional comparative information
  - paragraphs 40A–40D – Detail in respect of third balance sheet presented on a change in accounting policy, retrospective restatement or reclassification
  - paragraph 111 (cash flow statement information)
  - paragraph 79(a)(iv) – A reconciliation of the number of shares outstanding at the beginning and end of the period for each class of shares need not be presented for prior periods, and
  - paragraphs 134–136– Information on an entity's objectives, policies and processes for managing capital (qualitative and quantitative).
- IAS 7, 'Statement of cash flows'
- IAS 8 'Accounting policies, changes in accounting estimates and errors', paragraphs 30–31 – Disclosure in respect of new standards and interpretations that have been issued but which are not yet effective.

Foreign currencies

Items included in the financial statements are measured using the currency of the primary economic environment in which the relevant part of the entity operates (the "functional currency"). The financial statements are presented in 'pounds Sterling' (£) which is also the company's functional currency. Transactions denominated in currencies other than the functional currency are translated into the functional currency at spot rates prevailing at the date of the transaction or valuation where items are premeasured. Foreign exchange gains and losses arising from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, which are held at the year-end, are taken to the income statement within administrative expenses.

Taxation

The tax expenses for the period comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, and any adjustment in respect of the prior year. The charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset.

Critical estimates and judgements in applying the entity's accounting policies

Management do not believe there to be significant estimate or judgement that affect the amounts recognised in the financial statements.

Recoverability of amounts owed by group undertakings

The recoverability of amounts owed by group undertakings has been assessed by the Company. The balances are all considered to be recoverable when considering the group as a whole. See note 7 for the carrying amount owed by group undertakings.

Notes to the financial statements for the year ended 31 December 2017 (Continued)

3 Directors' emoluments

During the financial year no directors were remunerated for their services to the company (2016: nil). The directors are remunerated for their service to the Group and disclosures regarding these emoluments are made in the financial statements of SOCOTEC UK Limited (formerly Environmental Scientifics Group Limited).

4 Employee costs

The company has no employees (2016: none). The company's administration is carried out by another group company SOCOTEC UK Limited (formerly Environmental Scientifics Group Limited).

5 Loss before taxation

Loss before taxation is stated after crediting:

	2017 £'000	2016 £'000
Exceptional expense	(11)	(9)

Fees payable to the company's auditors for the audit of the company's financial statements amounted to £5,200 (2016: £5,000). The audit fee was borne by another group company, SOCOTEC UK Limited (formerly Environmental Scientifics Group Limited). No fees were paid to the auditors for non-audit services in the year (2016: £nil). No recharge is made to the company (2016: £nil).

6 Income tax expense

	2017 £'000	2016 £'000
Current tax:		
UK corporation current tax on loss for the year	-	-
Total tax	-	-

A reconciliation of the income tax expense applicable to the accounting loss before taxation at the statutory income tax rate to total taxation for the Company is as follows:

The tax expense for the year is higher (2016: higher) than the standard UK corporation tax rate of 19.25% (2016: 20.00%).

	2017 £'000	2016 £'000
Loss before taxation	(11)	(9)
Loss before taxation multiplied by the standard UK corporation tax rate of 19.25% (2016: 20.00%)	(2)	(2)
Effects of:		
Group relief claimed not paid for	2	2
Tax charge for the year	-	-

Factors affecting current and future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2017 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

The Company has no deferred tax or unprovided deferred tax assets.

7 Trade and other receivables

	2017 £'000	2016 £'000
Receivables from related parties	1,433	1,433

Amounts due from related parties are unsecured, interest free, have no fixed repayment date and are repayable on demand.

8 Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Amounts owed to related parties	975	963
Accruals and deferred income	1	2
	976	965

Amounts owed to related parties are unsecured, interest free, have no fixed repayment date and are repayable on demand.

Notes to the financial statements for the year ended 31 December 2017 (Continued)

9 Called up share capital

	2017	2016
	£'000	£'000
Allotted and fully paid		
1 (2016: 1) Ordinary Share of £1	-	-

10 Financial commitments

Along with other group undertakings, the Company had guaranteed certain loans of the SOCOTEC UK Holding Limited (2016: ESG Investments Limited Group), which at 31 December 2017 amounted to £nil (2016: £19,600,000). The Directors believed that there would be no material impact on the Company's financial position as a result of these guarantees.

11 Related party transactions

During the year SOCOTEC UK Limited (formerly Environmental Scientifics Group Limited) recharged costs relating to Buckingham Investigation Services Limited of £11,000 in 2017 (2016: £9,000).

Balances outstanding with related parties at 31 December were as follows:

	Amounts owed from related parties 2017	**Amounts owed to related parties 2017**	Amounts owed from related parties 2016	Amounts owed to related parties 2016
	£'000	**£'000**	£'000	£'000
Inspicio Holdings Limited	**1,433**	**-**	1,433	-
Environmental Scientifics Holdings Limited	**-**	**(171)**	-	(172)
SOCOTEC UK Limited (formerly Environmental Scientifics Group Limited)	**-**	**(804)**	-	(791)
	1,433	**(975)**	**1,433**	**(963)**

The amounts outstanding are unsecured, interest free, repayable on demand and will be settled on cash. No guarantees have been given or received.

12 Ultimate parent undertaking and controlling party

The immediate parent undertaking is Environmental Scientifics Group Holdings Limited, a company registered in England and Wales.

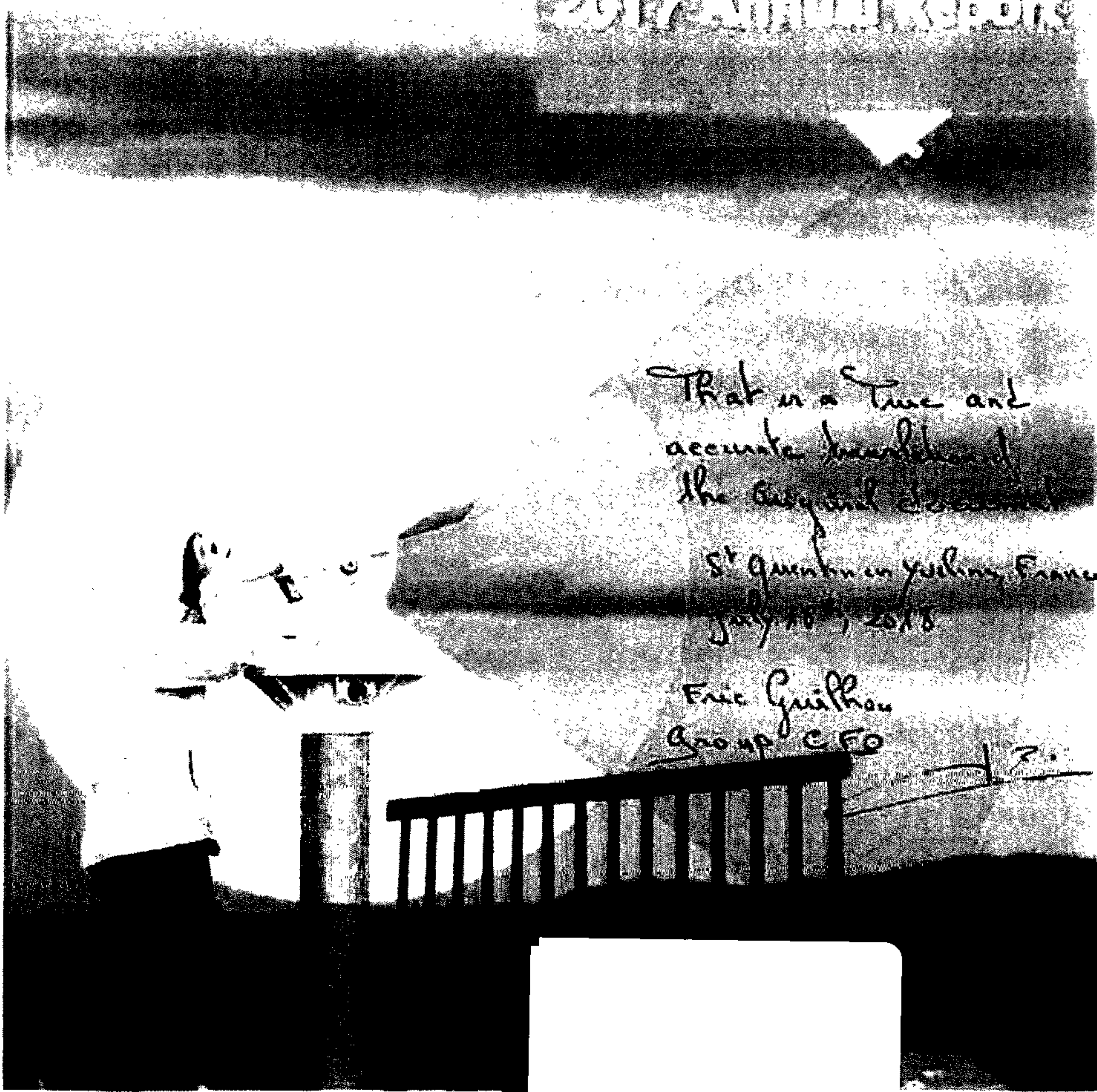
The ultimate parent undertaking is Soco 1 SAS, a Company incorporated in France, which owns 99.9% of Soco 2 SAS. Soco 2 SAS owns 100% of Holding Socotec SA (formerly Holding Socotec SAS), which hold 98.42% of the issued share capital of SOCOTEC UK Holding Limited. SOCOTEC UK Holding Limited, a company registered in England and Wales, is the domestic parent of this entity. Soco 1 SAS is the parent undertaking of the smallest and largest group to consolidate these financial statements and this company is included in the consolidated financial statements of that Soco 1 SAS, a copy of which will be submitted alongside these financial statements and may be obtained from The Registrar of Companies, Companies Registration Office, Companies House, Crown Way, Maindy, Cardiff, CF4 3U2.

In the opinion of the directors the ultimate controlling party is SophieLux 1, a company registered in Luxembourg. SophieLux 1 owns 100% of SophieLux 2, which holds 82.81% of Soco 1 SAS the ultimate parent undertaking.

THESE ACCOUNTS
FORM PART OF THE
GROUP ACCOUNTS
OF COMPANY
No. 5841437

SOCOTEC
LE POUVOIR D'ANTICIPER

2017 Annual Report



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the original document

St Quentin en Yvelines, France
July 18th, 2018

Eric Guilhou
Group CFO

COMPANIES HOUSE

CONTENTS

2017 HIGHLIGHTS

1. Key achievements in the SOCOTEC 2018 transformation plan and adaptation of the operational management system

At the start of 2015, the SOCOTEC Group initiated a transformation plan called SOCOTEC 2018 with the goal of making lasting structural improvements to its capacity for growth, profit and generating cash flow. This transformation plan was supplemented in late 2016 by a plan to optimise the group's operational structures and expenses.

Over the course of 2017, the core transformational IT plans were finalised. These plans make it possible to modernise production and management tools, to develop the digital integration of our operations and to standardise and automate certain low value-added tasks.
These were the key IT achievements during the fiscal year: Recasting of TOIP infrastructure, user support services and branch networks, gradual deployment of a financial and operational management system from the group level to the branch level, outsourcing of applications maintenance and IT operations to our partner CGI in order to control IT costs, modernise and standardise the maintenance and development processes.

Under the impetus of the group's new Executive President, the operational management system was modified with the objective of consolidating an organisational structure based on BUs (business units) along the entire operational chain. To this end, operational monitoring of the group's performance is built around the following BU's in France: Construction & Real Estate, Installations & Equipments, Environment & Safety, Training. This organisation has been in place since 1st January 2017. BU IIE break downed with Energy, MEA and Infrastructure, Belgium, Germany, Certification and overseas territories. SOCOTEC UK was acquired in March 2017 and is run through its three traditional operational units : Infrastructure, Built Environment and Energy & Waste.

Alongside the implementation of the new operational management system, a cost reduction plan was undertaken in the fourth quarter of 2016 to lower the overhead costs of both operational units and support functions, essentially for the SOCOTEC France and holding perimeter. This plan has resulted in an annualised decrease in base salary costs of around €6 million, between the launch of the plan and the completion of the voluntary retirement plan signed in the fourth quarter of 2017.
At the international level, all the efforts made in the last two years have made it possible to stave off the financial difficulties at certain entities, such as in Belgium, Sub-Saharan Africa and parts of the Middle East.
Finally, in October 2017, the group introduced a new SOCOTEC logo. It repositions SOCOTEC and expresses its renaissance to clients and employees alike. It is also accompanied by many new business line initiatives and innovations from SOCOTEC.
The SOCOTEC 2018 transformation plan was virtually completed at the end of the 2017 fiscal year. It should be finalised in 2018 with the full deployment of the new SOCOTEC logo in conjunction with the real estate renovation programme, the subdivision of SOCOTEC France into five operational entities as a continuation of the management system put in place in 2017, and the implementation of a CRM sales management system to support the group's growth objectives.

2. External growth and development strategy

For the group, 2017 was characterised by intensive external growth acquisitions in support of a growth strategy centred on two major actions:

- Build and develop geographic platforms which each have critical mass
- Be the preferred partner for asset integrity in Europe by focusing on six business lines:
    - Construction
    - Equipment and installations
    - Infrastructure and energy
    - Environment and safety
    - Training
    - Certification

Each of these business lines speak to distinct operational models, all of which have one factor in common: the safety of people and property in a regulatory or non-regulatory environment, with a client-oriented approach to support them from capex to opex.

Through its business lines, the group's strategic objective vis-à-vis its clients is to deliver an end-to-end service from regulatory requirements to management planning for their industrial and human assets.

Thus, the group completed four external growth transactions in 2017 for a total contribution of €96 million to 2017 consolidated turnover, annualised revenue of €128 million and more than 1,200 new employees.

The 2017 acquisitions were as follows:

- ESG acquired in March 2017 and renamed SOCOTEC UK in October 2017. It specialises in Infrastructure, Energy and Environment and Safety. Its annual revenue is £89 million (€103 million).
- CIS, acquired in May 2017, is a French company specialising in non-destructive testing in the oil sector. Its annual revenue is €5 million.
- Pielok § Marquart and ZPP, both of which are based in Germany, were acquired respectively in June 2017 and September 2017 and specialise in construction and infrastructure. Their annual revenue is €20 million.

Annualised to reflect these acquisitions, the proforma (full year base of acquisitions) group's 2017 revenue was €656 million.

With the finalisation of these external growth deals, SOCOTEC has three large geographic platforms with France, which accounts for €425 million in revenue and represents all the group's business lines; England with annual revenue of €103 million and a leading position in Infrastructure and Environment & Safety; and Germany, with annual revenue of €40 million in Construction and Infrastructure. The other geographic zones of influence and development are France's overseas territories, the Benelux countries, Africa and the Middle East for Construction and Equipment operations and Asia for Certification.

3. Group financial restructuring

In July 2017, SOCOTEC finalised a plan to refinance its debt and negotiated with a new pool of financial investors to establish a senior debt of €355 million with a seven-year term and new terms to allow for greater flexibility in funding operational and investment needs for acquisitions and an optimised finance costs.
This refinancing also made it possible to buy back SOCO 1 shares (7.5 % of capital) that had been held historically by Fonds J, to pay out dividends to shareholders and to anchor its ability to fund the group's operations in cash.
The net debt/EBITDA ratio established for the July refinancing operation was **5**.
At year end December 2017, that ratio was **4.11**.

At the end of 2017, SOCOTEC completed a major step in its plan to dispose its French real estate assets which were not suited to the group's operational needs resulting from its transformation plan. Although it sold its real estate assets in France, the group will retain a network of local branches with its clients so that it can develop growth opportunities while offering its employees a modern work environment adapted to the needs of their professions.

As part of this real estate plan, in 2017 and 2018 SOCOTEC sold the 45 sites it owned in France and in 2018 will combine its Parisian sites and head office and begin renovating more than one-fourth of its outside Parisian offices.

Outflows from the disposal of real estate assets were €58 million (excluding Taxes and expenses related to the transfer), of which 15 in 2017 and €43 in 2018.

Finally, in the fourth quarter of 2017, SOCOTEC began an initiative to subsidiarise its main operational entity SOCOTEC France which accounts for nearly €400 million in revenue. At the conclusion of this project, which should occur by the end of the first half of 2018, SOCOTEC France will be divided into four operational entities which cover Construction & Real Estate, Equipment & Installations, Environment & Safety and Training, as well as a management company that will provide support functions to all the French and group subsidiaries.

4. CONSOLIDATED RESULTS

Management presentation of the income statement

€'000	FY - Reported 2 017 Dec YTD	2 016 Dec YTD	Var. €	Var. %
Invoicing	613 951	505 121	108 830	0
Change in Wip	9 422	5 028	4 395	1
PRODUCTION	**623 374**	**510 149**	**113 225**	**0**
Sub-contracting	**(47 817)**	(35 115)	(12 702)	0
PRODUCTION EXCLUDING SUB-CONTRACTING	**575 557**	**475 035**	**100 523**	**0**
Salary costs	**(343 027)**	**(306 384)**	**(36 644)**	0
Other operating costs	**(155 570)**	**(123 681)**	**(31 888)**	0
REPORTED EBITDA	**65 683**	**44 969**	**20 714**	**0**
CVAE	5 977	4 872	1 105	0
REPORTED EBITDA SFA	**71 660**	**49 841**	**21 819**	**0**
Transformation costs	(4 032)	(11 853)	7 821	(1)
Net gain on assets disposal	223	257	(34)	NS
Other non recurring items	(10 678)	(13 869)	3 192	NS
NON RECCURING	**(28 009)**	**(25 465)**	**(2 545)**	**0**
DEPRECIATION	**(10 946)**	**(9 171)**	**(1 775)**	**0**
Financial costs (excluding SHL)	(14 211)	(13 545)	(665)	0
Corporate tax (excluding deffered tax)	(3 260)	(3 378)	118	NS
NET OPERATIONAL RESULT	**9 252**	**(6 590)**	**15 842**	**NS**
SHL financial costs	(34 680)	(31 838)	(2 842)	0
PPA depreciation	(10 834)	(11 639)	804	(0)
Goodwill depreciation	(19 951)	(15 120)	(4 832)	0
Amortization of financing costs	(6 232)	(1 843)	(4 389)	2
Minority interests	(1 177)	(874)	(302)	NS
Deffered taxes	372	(13 258)	13 630	(1)
NET RESULT	**(63 249)**	**(81 161)**	**17 912**	**0**

a. Revenue

For the full 2017 fiscal year, SOCOTEC's revenue was 623.4 million Euro, a 22.2 % increase compared to the 2016 fiscal year.
It is comprised of:

- A negligible negative effect of change in scope, namely 0.7 million Euro, following the sale in June 2017 of the company CEMR which operates in La Réunion, (€675,000 in revenue in 2016, €331,000 in 2017),
- A positive effect from change in scope of 18.8 %, or 96.4 million Euro linked to acquisitions
- Organic growth of 3.3 %, namely 16.8 million Euro,
- For the entire Group, 92 % of activities grew at an average rate of 5 % in the fiscal year. Only activities in nuclear training, Oil and Gas, Middle East, Sub-Saharan Africa and overseas territories saw a decrease of 12 % for revenue around €50 million.

Remember that in 2015 and 2016, only 30 % and 58 %, respectively, of the Group's scope of operations experienced growth in revenue.

b. Operating expenses and EBITDA

EBITDA is the measurement of operating income before depreciation charges for each of the Group's divisions. It excludes non-recurring net costs, in which the transformation costs incurred under the SOCOTEC 2018 plan.

The Group's EBITDA was 65.7 million Euro in 2017, i.e 10.5 % margin rate. It is up 46.1 % compared to the previous fiscal year.

In the organic scope, EBITDA grew by 19.3 % between the two fiscal years, rising from 45 million Euro to 53.6 million Euro. The margin rate for this scope was 10.2 % versus 8.8 % in 2017. The significant improvement in margin over the period came in particular from the recovery of SOCOTEC France's business, which gained 7 million Euro in the reporting period (a growth rate in excess of 20 % for a 3.2 % increase in revenue) following the change in management system and costs savings plans. Excluding SOCOTEC France, the margin expanded by 12 % for 3.5 % growth in revenue.

Acquisitions during the period contributed 12 million Euro to EBITDA for revenue of 95.9 million Euro, or a margin rate of 12.6 %.

Within both the consolidated group scope and the organic scope, payroll expenses, which are the biggest component of the group's expenses, grew at a slower pace than the group.
Within the organic scope, payroll expenses rose 0.4 % for organic growth in operations of 3.4 %, while including a major increase in variable compensation factors related to the improvement in business performance.
At the group consolidated level, payroll expenses grew 15.6 % for a 22.2 % total increase in revenue.

Subcontracting rose 36 % in the fiscal year. This intensification is directly tied to the change in the group's business mix affected by acquisitions, especially the English transactions.
Other operating costs which account for 25 % of production, grew on par with the group's production.

c. Transformation costs

There are two types of charges presented in the transformation costs:

- Expenses linked to the SOCOTEC 2018 transformation plan, launched in 2015.
- The beginning of the SOCOTEC logo change in 2018 and the subsidiarisation of SOCOTEC France's operational activities.

SOCOTEC 2018 transformation plan

In 2015 the Group initiated a transformation plan called SOCOTEC 2018. The transformation costs were isolated because they represent non-recurring external expenses dedicated to implementing the plan and do not fall within the scope of the units' operational responsibility.

In 2015, the main expenses incurred were as follows:

- Transformation plan set-up with the establishment of 16 major streams and determination of objectives, resources to mobilise and drivers.
- Accelerated deployment of the management and production information system in France, with the implementation of a special platform for assistance, deployment and user support.
- Special assignments to implement operational and organisational plans, including tool upgrades in all business lines (digitalisation and mobility), development of a new collaborative intranet, professionalisation and simplification of administrative processes, savings in procurements and real estate, definition of an IT master plan.

The gross amount spent in 2015 was 9.4 million Euro and 7.7 million Euro net of profit-sharing impact.

The gross amount spent in 2016 was 15.0 million Euro and 11.9 million Euro net of profit-sharing impact. 75 % of expenditures were devoted to IT aspects of the transformation, of which approximately one-third to support and stabilise the ERP after its deployment was completed in 2015, one-third to outsource and build the Group's central IT infrastructure foundation and the final third on business line projects.
The remainder was essentially dedicated to ongoing cross-functional projects involving the back office, such as digitalisation, PTP, OTC, payroll and HR management system, business intelligence, etc.

The gross amount spent in 2017 was 4.5 million Euro and 4 million Euro net of profit-sharing impact. Of that spending, 80 % went to IT aspects of the transformation with a particular emphasis in 2017 on renovating and securing the networks and servers of the branches in France, building a secure financial IT environment for international entities and implementing a new reporting and consolidation tool. In addition, 2018 saw the continuation of IT developments to boost the agility of applications in an environment of mobile employees and business lines.

Logo and subsidiarisation of operations France

In pursuit of its transformation plan, in 2017 SOCOTEC embarked on a complete recasting of its logo to make it more dynamic and meaningful for its clients and employees. This logo transformation required an investment of several hundred thousand Euros in France and abroad, especially in England, where the logo and name were changed to SOCOTEC UK starting from October 2017. SOCOTEC also incurred costs linked to preparing for the subsidiarisation of SOCOTEC France operations, which will be finalised at the end of the first half of 2018.

d. Other non-recurring items

The extraordinary result for 2017 was a loss of 23.9 million Euro versus 13.6 million Euro in 2016.

Reorganisation plans for the fiscal year

- The restructuring costs amounted to €13.9 million, of which 3.3 million Euro booked as provisions for the voluntary departure plan signed at the end of 2017 for SOCOTEC France.
- At the end of the 2017 fiscal year, SOCOTEC France aligned itself with the Group vis-à-vis the rules governing provisions for trade account receivables. Significant work was done over the reporting period to finish cleaning up the trade account receivables portfolios before applying the new method. The net impact was €-1.8 million for the 2017 fiscal year.
- After completing data reviews to value construction work in progress in France, an error correction was adjusted as an extraordinary item in the amount of €2.3 million.
- After the migration of HR data to a single payroll information system, additional provisions of €2 million were entered under retirement provision in relation to the recalculation of employee seniority.
- Finally, whereas the Group sold off €15 million in real estate assets in 2017, the amount of capital gains was limited to €223,000 because most of the capital gains from the sale of real estate assets were offset by the depreciation of the corresponding PPA ('purchase price allocation') formed in 2013.

Most of the extraordinary result pertains to the scope that was imported by France.

€'000	2 017	2 016	Var. €
Provison and losses on account receivables	**(1 825)**	(2 027)	**202**
Liability and risk provisions	**(2 465)**	**(638)**	**(1 827)**
of which pensions	(2 029)	0	(2 029)
of which others	(436)	(638)	202
Restructuring costs	**(13 832)**	**(9 923)**	**(3 909)**
Net gain on assets disposal	**223**	**257**	**(34)**
Other exceptional costs	**(6 005)**	**(1 281)**	**(4 724)**
of which vacant real estate leases	(548)	0	(548)
of which exceptional charges from past years	(894)	(125)	(769)
of which Wip exceptional adjustements	(2 305)	0	(2 305)
Others	(2 257)	(1 156)	(1 101)
NON RECURRING	**(23 904)**	**(13 612)**	**(10 292)**

e. Operating depreciation

The amount of asset depreciation linked to operations was 10.9 million Euro in 2017 compared to 9.2 million Euro in 2016.
The weight of depreciation rose from 1.8 % in 2016 to 2.1 % of revenue in 2017, essentially because of SOCOTEC UK whose laboratory and geotechnical activities require more investments (the weight asset depreciation in the production of SOCOTEC UK is 3 %).

Furthermore, in light of the divestment of its real estate assets and the sums invested in its transformation plan, SOCOTEC limited its spending on real estate renovations and the development of new IT solutions.

f. Financial result (excluding SHL)

The net operating result essentially includes interest on bank and bond debts, the cost of financial instruments, capital gains or losses on investment securities and gains or losses on transactions in foreign currencies. It also includes the financial costs of pension schemes.
The non-operating result does not include the financial cost of the long-term 'shareholder loan' borrowing specific to the Group's financial structuring and is considered as equity for the purposes of tracking financial leverage ratios.
The average financing rate on the monthly average net bank debt was 4.8 % in 2017 versus 6.1 % in 2016.
The decrease in the financing cost is mainly attributable to the refinancing of the group's bank debt in July 2017.

The primary changes between the two reporting periods are as follows:

€'000	2 017	2 016	Var. €
FINANCIAL REVENUE	**672**	**473**	**199**
Interests and other financial revenue	120	157	
Exchange rate	552	316	
FINANCIAL COSTS	**(49 563)**	**(45 856)**	**(3 707)**
Shareholder loan	(34 680)	(31 760)	
Senior bank debt 2013			
Term A	(799)	(1 924)	
Term B	(2 718)	(4 836)	
Term C			
Credit revolving	(238)	(330)	
Acqusition facility	(126)	(309)	
Swap		(376)	
Senior bank debt 2017			
Term B	(5 992)		
RCF	(203)		
Swap			
other financial costs			
Employee saving plan bonds	(125)	(551)	
Other financing	(1 323)	(881)	
other financial costs	(313)	(765)	
Exchange rate	(3 518)	(532)	
Pensions financial costs	175	(712)	
Financial provisions	296	(2 880)	
NET FINANCIAL RESULT	**(48 891)**	**(45 383)**	**(3 508)**

The 2013 SFA borrowings were repaid in full on 28 July 2017 and replaced by the new SFA 2017 loan on the same date.
These borrowings consist in:
- A Euro tranche of €300 million that comes due in July 2024
- A UK Sterling tranche of £50 million that comes due in July 2024
- An RCF authorisation of €70 million which can be used both for CAPEX and acquisition needs

Given the special financial structure of the SOCOTEC group in the framework of its LBO, the Group's financial charges break down as follows:

€'000	2017	2016	Var. €
NET FINANCIAL COSTS PAID	**(11 716)**	**(9 815)**	**(1 901)**
NET FINANCIAL COSTS NON PAID	**(34 680)**	**(31 760)**	**(2 920)**
FINANCIAL CONSOLIDATION ADJUSTMENTS	**(2 495)**	**(3 808)**	**1 313**
NET FINANCIAL RESULT	**(48 891)**	**(45 383)**	**(3 508)**

g. Corporate tax (excluding deferred tax)

The corporate tax essentially concerns companies outside the scope of the France tax integration scheme.

For the fiscal year 2017, the corporate tax breaks down as follows:

- French entities: €0.3 million. These are essentially from companies acquired since the beginning of the 2017 fiscal year which are not included in the France tax integration scheme,
- Non-France entities: €3.1 million.

Corporate tax on the organic scope was €2.8 million in 2017 versus €3.4 million in 2016
Corporate tax on the external growth scope in 2017 was €0.4 million.

5. NET DEBT AND CASH FLOW

€'000	2 017	2 016	Var. €	Var. %
REPORTED EBITDA	**65 683**	**44 969**	**20 714**	**0**
Change in provisions	(299)	(653)		
Change in working capital	(3 481)	4 978		
Cash flow from activity	**61 903**	**49 294**	**12 609**	**0**
Capital expenditures - IT	(4 467)			
Capital expenditures - Real estate	(732)			
Capital expenditures - Operational assets	(4 276)			
Other capital expenditure	(921)			
Trade assets & liabilities on fixed assets	927			
Net capital expenditures	**(9 468)**	**(7 180)**	**(2 288)**	**0**
Transformation costs	(4 032)	(11 853)	7 821	
Integration costs on acquisitions	(74)	0	(74)	
Restructuring	(13 449)	(11 204)	(2 245)	
Disposal of assets	15 183	1 444	13 740	
Other exceptionals	(10 678)	0	(10 678)	
Non recurring items	**(13 049)**	**(21 613)**	**8 565**	**(0)**
Operating cash flow before tax	**39 386**	**20 501**	**18 885**	**1**
Tax liabilities - Corporate tax	(3 676)	(4 364)	688	
Forex gain/(loss)	(2 915)	(103)	(2 813)	
Dividend received /(paid)	(1 203)	(1 107)	(97)	
Net financial disposals/(acquisitions)	(113 185)	(1 268)	(111 917)	
CASH FLOW AVANT FINANCEMENT	**(81 594)**	**13 660**	**(95 253)**	**NS**
Total interest	**(25 028)**	**(9 880)**	**(15 148)**	**2**
Total drawing / (repayment) of Debts	**177 525**	**(18 540)**	**196 065**	**NS**
Capital increase / (decrease)	(28 836)	0		
FX effect on cash and cash equivalent	(736)	0		
Net Cash Flow	**41 331**	**(14 760)**	**56 091**	**NS**

Net opening cash	24 210	38 970
Net closing cash	65 541	24 210
Net Cash Variation	**41 331**	**(14 760)**

For the 2017 fiscal year, the Group generated operational cash flow of 61.9 million versus 49.3 million Euro in 2016. Within the organic scope, operational cash flow EBITDA grew from 49.3 million Euro to 53.7 million Euro.
The amount of Capex over the reporting period was 9.5 million Euro versus 7.2 in 2016. Within the organic scope, investments decreased from €7,2 million in 2016 to €6.4 million in 2017.
After deducting Capex, the EBITDA-to-cash conversion rate was 80 % in 2017 compared to 94 % in 2016.

Within the organic scope, the conversion rate shifts from 94 % in 2016 to 88 % in 2017, primarily because of the positive change in working capital in 2016. For the 2017 external growth scope, the conversion rate was 43 % and is dependent on the acquisition period in the cash flow generation cycle over the course of the fiscal year.

After 9,5m€ of Capex, cash out for the expenses linked to transformation costs in the amount of 4 million Euro, other extraordinary expenses in the amount of 24.2 million Euro and proceeds from the sale of real estate assets in the amount of 15.2 million Euro in 2017, the cash flow before taxes was 39.4 million Euros versus 20.5 million Euro in 2016, or a roughly two-fold increase. Over the reporting period, acquisitions contributed marginally to the tune of 4.5 million Euro for a slower rate than within the group's organic scope.

The group refinanced its bank debt last July and issued a new senior debt with a seven-year maturity in the gross amount of 350 million Euro, comprising one tranche for 350 million Euro and one tranche for 50 million Pounds Sterling.

This refinancing was used to refinance the acquisitions made during the fiscal year in the amount of 113 million Euro, to perform a distribution in interest and equity of the quasi-equity shareholder loan in the amount of 37 million Euro and to buy SOCO 1 shares held by Fonds J in the amount of 29 million Euros.
Compared with a net financial debt of 335 million Euro at the time of refinancing in July 2017, which corresponds to a SFA financial leverage ratio of five times EBITDA, the group's net financial debt was 300.9 million Euro on 31 December 2017 with a financial debt leverage ratio of 4.11.
With data comparable to those at 31 December 2016, the Group's net financial debt at 31 December 2017 was 116 million Euro versus 140.8 million Euro at 31 December 2016.

The amount of gross debt at 31 December 2017 was 366.5 million (excluding Sophielux 2 borrowings):

€'000	YTD Dec. 2017	YTD Dec. 2016
Revolving credit facility	*(31)*	*(303)*
Term loan A	-	*(46 437)*
Term loan B	-	*(98 175)*
New Term Loan B	*(356 355)*	-
Acquisition facility	-	*(7 501)*
Other financial debt	*(10 102)*	*(12 582)*
Financial debt	**(366 487)**	**(164 998)**
Overdraft	*(57)*	*(228)*
Cash in hand	*65 597*	*24 511*
Cash & cash equivalent	**65 541**	**24 283**
NET FINANCIAL DEBT	**(300 945)**	**(140 716)**

Cash and cash equivalents and marketable securities amounted to 65.6 million Euro at 31 December 2017 versus 24.5 million Euros at the end of 2016. Most of this cash is managed through cash pooling (and is therefore available at the level of the holding) implemented progressively over the course of the FY 2016 fiscal year and deployed regularly over the scopes acquired during the FY 2017.

6. RESULTS BY BUSINESS LINE

€'000	2 017	2 016	2017 vs. 2016 €	2017 vs. 2016 %
FRANCE	*384 268*	371 296	12 972	3,5%
INTERNATIONAL	*157 476*	142 972	14 503	10,1%
UK	*86 859*		86 859	
IG / HOLDING	*(5 229)*	(4 119)	(1 109)	26,9%
PRODUCTION	***623 374***	**510 149**	**113 225**	**22,2%**
FRANCE	*41 640*	*34 637*	7 003	20,2%
INTERNATIONAL	*19 540*	*16 034*	3 506	21,9%
UK	*10 573*		10 573	
IG / HOLDING	*(6 070)*	*(5 702)*	(368)	6,5%
EBITDA	***65 683***	***44 969***	**20 714**	**46,1%**
FRANCE	*10,8%*	*9,3%*		
INTERNATIONAL	*12,4%*	*11,2%*		
UK				
IG / HOLDING (vs. Total rev.)	*-1,0%*	*-1,1%*		
MARGIN RATE	***10,5%***	***8,8%***		

International : International, Infrastructure & Energy

a. France BU

€'000	2 017	2 016	2017 vs. 2016 €	2017 vs. 2016 %
Construction & Real estate	*175 124*	*167 215*	*7 909*	*4,7%*
Installations & equipments	*138 017*	*135 899*	*2 118*	*1,6%*
Environment & Safety	*37 259*	*36 315*	*944*	*2,6%*
Training	*28 226*	*27 170*	*1 056*	*3,9%*
Nuclear training	*4 397*	*4 468*	*(70)*	*-1,6%*
Intercos & Other	*1 245*	*229*	*1 016*	*443,1%*
PRODUCTION	***384 268***	***371 296***	***12 972***	***3,5%***
Construction & Real estate	*26 485*	*23 916*	*2 569*	*10,7%*
Installations & equipments	*6 139*	*3 781*	*2 358*	*62,4%*
Environment & Safety	*1 894*	*949*	*945*	*99,5%*
Training	*695*	*(444)*	*1 139*	*-256,7%*
Nuclear training	*984*	*1 071*	*(87)*	*-8,2%*
Other	*5 444*	*5 363*	*81*	*1,5%*
EBITDA	***41 640***	***34 637***	***7 003***	***20,2%***
Construction & Real estate	*15,1%*	*14,3%*		
Installations & equipments	*4,4%*	*2,8%*		
Environment & Safety	*5,1%*	*2,6%*		
Training	*2,5%*	*-1,6%*		
Nuclear training	*22,4%*	*24,0%*		
MARGIN RATE	***10,8%***	***9,3%***		

In 2017, the France division posted revenue of 384.3 million Euro, for a growth rate of 3.5 %.

Within the company **SOCOTEC France**:

Construction & Real Estate activities increased by 4.7 % to 175 million Euro in a market characterised by a strong recovery. The historic business line of technical inspections and health and safety coordination grew by 5.1 % and account for revenue of 134 million Euro. Sales were driven primarily by regional cities as the Paris and greater Paris zone underwent reorganisation to restore a growth dynamic.
Real estate asset management and project assistance rose by 3.6 % over the fiscal year with a revenue of 41 million Euro. New management teams were formed for these two business lines.
For the Construction & Real Estate business line overall, a significant managerial reorganisation was carried out in 2017 with the following goals:

- Build a sales structure by market and sector-wide leadership for sales managers in the metropolitan areas
- Develop innovative, autonomous offers in each of the division's business lines and promote their deployment in the branches
- Empower branch and cluster managers by shortening the managerial chain of command

For the 2017 fiscal year, the operating margin of the Construction & Real Estate division improved by 10.7 %.

Excluding the impact of changes in work in progress within this scope, which were the subject of extensive work in revenue recognition, the overall result for the fiscal year was 2.5 % growth in revenue.

Installations & Equipment activity grew 1.6 % over the 2017 fiscal year with revenue of 138 million Euro. After having been affected in 2014 and 2015 by the deployment of the new management and production information system which caused a temporary disruption in the industrial management of this business line, operational productivity continued to improve, adding 4 points in 2017. In this division, 2017 was devoted to implementing planning system and management, launching technical assistance activities and experimenting with combining back office tasks and automating administrative services. In parallel, the Equipment & Installations division embarked on new commercial and marketing approaches for both its key accounts and mass market clients, whose initiatives will be deployed in 2018. Thanks to investments in planning, mobility and operational lean management, the operating margin for the division surged over 60 % over the fiscal year.

Environment & Safety business grew 2.6 % in 2017 to 37 million Euro and saw a significant improvement in its operational margin rate, which virtually doubled over the period.

For the second straight year, Training activities saw growth in revenue with a 3.9 % increase for the fiscal year to post 28 million Euro. The division also managed an excellent financial performance in a competitive market thanks to the effects of its transformation plan focusing on the digitalisation and professionalization of its back office.
SOCOTEC Nuclear Training, which is the result of the operational and legal merger of Sofranext and Sifop, two companies acquired in 2014 and 2015, was down slightly at -1.6 % with revenue of 4.4 million Euro. After a tough start to the fiscal year because of a delay in decision making by its main clients, the company more or less made up the gap in the second half of 2017 and sparked a favourable dynamic for 2018. Its profit performance is among the best in the group

With regard to operational profitability, the France Division saw a very big improvement in 2017 with a 20.2 % increase in EBITDA compared to a decline of 10 % in 2016. This improvement is the combined effect of the improved productivity of direct resources and a reduction in overhead costs. This performance was achieved while absorbing an increase in variable compensation factors of several million Euro linked to the harmonisation of the manager remuneration system with operational performance and the increase in employee profit sharing following the increase in operating income.

b. International, Infrastructure and Energy BU

€'000	2 017	2 016	2017 vs. 2016 €	2017 vs. 2016 %
ENERGY	*55 491*	*50 914*	*4 577*	*9,0%*
BELUX	*13 480*	*12 932*	*548*	*4,2%*
GERMANY	*20 066*	*16 351*	*3 715*	*22,7%*
MEA § INFRASTRUCTURE	*28 294*	*28 881*	*(587)*	*-2,0%*
CERTIFICATION	*11 080*	*10 675*	*406*	*3,8%*
DOM TOM	*21 223*	*21 944*	*(721)*	*-3,3%*
SOCOTEC INTERNATIONAL	*822*	*3 861*	*(3 039)*	*-78,7%*
Other § IG	*(2 498)*	*(2 586)*	*88*	*-3,4%*
ORGANIC PRODUCTION	***147 959***	***142 972***	***4 986***	***3,5%***
ACQUISITIONS	***9 517***	**0**	**9 517**	
PRODUCTION	***157 476***	**142 972**	**14 503**	***10,1%***
ENERGY	*5 326*	*4 425*	*901*	*20,4%*
BELUX	*818*	544	274	*50,3%*
GERMANY	*4 206*	3 466	740	*21,3%*
MEA § INFRASTRUCTURE	*3 043*	2 960	83	*2,8%*
CERTIFICATION	*1 743*	1 146	597	*52,1%*
DOM TOM	*3 319*	3 847	(527)	*-13,7%*
SOCOTEC INTERNATIONAL	*(441)*	(301)	(140)	*46,6%*
Other § IG	*0*	(53)	53	*-100,0%*
ORGANIC EBITDA	***18 015***	**16 034**	**1 981**	*12,4%*
ACQUISITIONS EBITDA	***1 525***	**0**	**1 525**	
EBITDA	***19 540***	**16 034**	**3 506**	***21,9%***
ENERGY	*9,6%*	*8,7%*		
BELUX	*6,1%*	*4,2%*		
GERMANY	*21,0%*	*21,2%*		
MEA § INFRASTRUCTURE	*10,8%*	*10,3%*		
CERTIFICATION	*15,7%*	*10,7%*		
DOM TOM	*15,6%*	*17,5%*		
SOCOTEC INTERNATIONAL	*-53,6%*	*-7,8%*		
ORGANIC	***12,2%***	***11,2%***		
ACQUISITIONS	***16,0%***			
MARGIN RATE	***12,4%***	***11,2%***		

The International, Infrastructure & Energy division grew 10.1 % with revenue of 157 million Euro, including 3.5 % organic growth against a backdrop of a still-volatile market for the Oil & Gas technical assistance and inspection segment and recovery in the sub-Saharan Africa and Middle East region. The acquisitions in Germany and in non-destructive testing in France during the fiscal year accounted for 6.4 % growth. The operating margin showed strong growth of 21.9 % to reach 19.5 million Euro both in the organic scope and with the contribution of external growth transactions. With an operating margin rate of 12.4 %, the IIE division turned in the best performance in the entire group.

The Energy division includes Oil & Gas, Power Services and Non-destructive Testing operations. It generated growth of 9 % and a 20 % surge in its operating margin.

SOCOTEC Oil & Gas transitioned from a 35 % drop in 2016 to a slight decrease of 3 % in 2017, still affected by the volatility of its underlying market. It was able to limit its decline thanks to major one-off contracts in 2017. Thanks to the cost reduction programmes undertaken in late 2016, SOCOTEC Oil & Gas had a balanced result compared to a loss in 2016.

Nuclear Power Services activities grew 13 % over the 2017 fiscal year and maintained one of the best profitability levels in the Group.

CTE Nordtest, which specialises in non-destructive testing in the nuclear sector, grew 3.6 % and considerably improved its margin with a 33 % boost over the period.

The Benelux Business Unit which comprises our operations in Belgium and Luxembourg continued the recovery begun in 2016, with 4.2 % growth in revenue and a steep rise of 50.3 % in its operating result.

In 2017, Canzler in Germany benefited from the execution of major contracts signed in 2017 and delivered growth of 22.7 % and 21.3 %, respectively, in revenue and operating margin.

MEA Infrastructure saw a 2 % decrease over the period, essentially under the effect of the 2016 end of Congo contracts which were subject to an extraordinary depreciation. Beyond that impact, the BU grew 1.5 %.

In 2017, Certification accelerated the operational integration of its base installed in France, England and Asia. This made it possible to improve profit by 92 % compared to a 3.8 % increase in revenue.

Finally the DOM/TOM territories which account for our operations in Reunion Island, New Caledonia, Polynesia, Madagascar and Monaco (the last of which will be linked to the France Construction BU in 2018) saw contrasting performance levels depending on the dynamics in each area. Reunion Island saw a loss while the other entities grew.

c. SOCOTEC UK BU

The SOCOTEC Group acquired the ESG group in March 2017.

Over the consolidated 10-month period, ESG, which was renamed SOCOTEC UK after the deployment of the new logo in the fourth quarter of 2017, contributed 86.9 million Euro in revenue and 10.6 million Euro to EBITDA.

The 12-month pro forma figures for SOCOTEC UK yield a revenue of €103 million (£89 million) with an operating margin of €10.7 million, or 10.4 % profitability. The Infrastructure business unit decreased 2 % over the period (£61 million) because of the scheduled end to a contract and pressure on the geotechnical segment. The Environment & Safety business unit grew 4 % over the period.

2018 OUTLOOK

Since 2017, we have been operating in a more favourable underlying market than the one which characterised the three previous years: the construction cycle is positively oriented in France and, except for Oil & Gas which was still down slightly in 2017, all our end markets are pointing in the right direction.
To optimise the opportunities for growth, the Group reorganised into business units in 2017. Each business unit has a coherent vertical organisation that can tackle its performance, business opportunities and operational management.
This orientation will be reinforced in 2018 with the subsidiarisation of the business units of SOCOTEC France into four distinct legal entities.
Building on its managerial strengths which have been updated on several levels and on the reduction in the number of managerial levels, 2018 will focus on developing leadership management at the most granular levels of the organisation which are the closest to clients and employees, on continuing the savings and productivity improvement plans undertaken in 2017 and on pushing SOCOTEC toward customer relations and business line innovation.

Since the beginning of 2018, SOCOTEC has continued its acquisition strategy by reinforcing its operations in England in the field of material testing and by purchasing the small certification group that enables the group to double its position in that business line in Asia.

In this framework, the SOCOTEC group is aiming for 10 % growth in the 2018 fiscal year and ongoing improvements in its margin.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

(in thousand Euro)	2017 fiscal year	2016 fiscal year
Operating income		
Net revenue	613 951	503 321
Change in works in progress	9 358	5 028
Total Production	**623 309**	**508 349**
Own work capitalised	65	0
Grants and subsidies	54	23
Reversals of provisions	8 830	1 414
Other revenue	575	1 195
TOTAL OPERATING INCOME	**632 832**	**510 981**
Operating expenses		
Other external purchases	209 661	166 562
Taxes and duties	13 331	13 283
Salaries and wages	246 405	205 344
Payroll taxes	93 252	87 180
Employee profit sharing	6 166	2 391
Allowance for depreciation for existing assets	21 780	20 809
Allowance for depreciation for deferred charges	6 197	1 843
Provisions net of reversals	0	0
Other costs	2 394	3 103
TOTAL OPERATING EXPENSES	**599 186**	**500 515**
OPERATING RESULT	**33 646**	**10 466**
Financial revenue		
Interest and other financial revenue	120	157
Exchange rate gains	552	316
Reversals of provisions	472	0
TOTAL FINANCIAL INCOME	**1 144**	**473**
Financial expenses		
Interest and other financial expenses	46 602	42 444
Realised exchange losses	3 518	532
Provisions net of reversals	0	2 882
TOTAL FINANCIAL EXPENSES	**50 121**	**45 858**
FINANCIAL RESULT	**(48 977)**	**(45 385)**
PRE-TAX INCOME EXCLUDING EXTRAORDINARY ITEMS	**(15 330)**	**(34 919)**
Extraordinary income		
From general and capital operations	24 269	2 065
Reversals of provisions	0	0
TOTAL EXTRAORDINARY INCOME	**24 269**	**2 065**
Extraordinary expenses		
From general and capital operations	47 062	13 012
Provisions net of reversals	1 110	2 665
TOTAL EXTRAORDINARY EXPENSES	**48 173**	**15 677**
EXTRAORDINARY RESULT	**(23 904)**	**(13 612)**
PRE-TAX PROFIT/LOSS	**(39 234)**	**(48 531)**
Corporate income tax	3 260	3 378
Deferred tax (income)	(372)	13 258
PROFIT/LOSS FROM CONSOLIDATED COMPANIES before dep. & amort. Goodwill	**(42 121)**	**(65 167)**
Equity in income of affiliates	206	18
Provisions net of goodwill reversals	19 951	15 259
CONSOLIDATED NET RESULT	**(62 279)**	**(80 408)**
Share in income of non-controlling interests	971	753
CONSOLIDATED NET PROFIT/LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**(63 249)**	**(81 161)**
Earnings per share (in Euro)	**(0,45)**	

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS (in thousand Euro)	2017 fiscal year Gross	Amort. /Prov.	Net	2016 fiscal year Net
Intangible assets				
Patents, licences and similar	63 260	27 978	35 282	34 411
Other intangible assets	133 094	30 371	102 723	108 702
Intangible assets in process	1 182	6	1 176	2 055
Goodwill	369 228	77 699	291 529	214 435
Property, plant & equipment				
Land	4 519		4 519	6 564
Buildings	48 274	13 815	34 458	53 975
Technical facilities and equipment	36 635	23 297	13 338	3 970
Other Property, plant & equipment	51 255	39 750	11 505	10 191
Long-term investments				
Equity holdings in non-consolidated compani	1 003	732	271	49
Other long-term financial investments	5 137	273	4 863	3 251
Investments in affiliates	710		710	916
Total fixed assets	**714 296**	**213 921**	**500 375**	**438 519**
Inventory				
Raw materials and supplies inventory	596		596	125
Receivables				
Accounts receivable (trade)	240 585	28 041	212 544	187 262
Other receivables (non-trade)	31 737	303	31 434	20 481
Deferred tax assets	(0)		(0)	1 649
Cash and cash equivalents and marketable securities				
Other marketable securities	163		163	163
Cash and cash equivalents	65 434		65 434	24 272
Total current assets	**338 515**	**28 344**	**310 171**	**233 952**
Accruals and similar				
Deferred charges spread over multiple years	6 014		6 014	5 811
Pre-paid expenses	7 157		7 157	3 823
Link accounts	6		6	
Total accruals and similar	**13 176**		**13 176**	**9 634**
TOTAL ASSETS	**1 065 987**	**242 265**	**823 722**	**682 105**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

LIABILITIES	2017 fiscal year	2016 fiscal year
Shareholders' equity		
Share capital	191 709	147 230
Bonuses	224	224
Other reserves *(*)*	(1 980)	1 468
Consolidated reserves	(205 641)	(98 180)
Translation reserves	(529)	380
Profit or loss attributable to equity holders of the parent	(63 249)	(81 161)
Total shareholder's equity, Group	**(79 466)**	**(30 039)**
Non-controlling interest in reserves	4 390	3 635
Non-controlling interest in earnings	971	753
Non-controlling interest	**5 361**	**4 388**
Provisions for contingencies and charges		
Provision for liability	28 774	27 800
Provision for charges	24 629	17 029
Provisions for liabilities and charges	**53 403**	**44 829**
Financial debt		
Convertible debt and SHL	249 436	296 490
Other borrowings	8 284	10 903
Bank borrowings	358 042	154 291
Other interest-bearing liabilities	218	29
Deferred tax liabilities	4 867	9 432
Operating liabilities		
Accounts payable	58 084	45 816
Other operating liabilities	142 337	126 370
Other liabilities	12 107	6 622
Total debts	**833 376**	**649 953**
Accruals and similar		
Deferred credit	11 048	12 974
Accruals and similar	**11 048**	**12 974**
TOTAL LIABILITIES	**823 722**	**682 105**
(*) of which brought forward	(2 450)	*997*

CONSOLIDATED CASH FLOW STATEMENT

(in thousand Euro)	*2017 fiscal year*	*2016 fiscal year*
Consolidated net result	(62 280)	(80 387)
Minus results from affiliates	206	(18)
Depreciation and provisions, net	47 160	41 625
Change in deferred tax	(372)	13 258
Other expenses and income (capital gains/losses from asset d	(202)	(146)
Capitalised and accrued interest on Soco1 shareholder loan	0	31 760
Cash flows from operating activities	**(15 488)**	**6 092**
Reduction (increase) in working capital	33 304	7 027
Net cash flow generated by operations	**17 816**	**13 119**
Investment transactions		
Acquisitions of tangible and intangible assets	(9 436)	(7 260)
Acquisitions of long-term investments	(210)	(1 420)
Deferred charges spread over multiple years	(6 399)	(1 029)
Disposals of tangible and intangible assets	15 183	1 444
Disposals of long-term investments	11	226
Impact of changes in scope	(111 558)	(24)
Net cash flows from investment activity	**(112 409)**	**(8 063)**
Financing transactions		
Capital increase	(28 855)	0
Dividends received from non-consolidated companies	(0)	3
Dividends paid to non-controlling interests of consolidated co	(1 204)	(1 110)
Dividends paid to shareholders in the parent company	0	0
Net change in receivables and financial debts	166 718	(18 740)
Net cash flow from financing	**136 660**	**(19 847)**
Total net cash flows	**42 067**	**(14 791)**
Miscellaneous: impact of translation differences	(736)	31
Change in cash and cash equivalents	**41 331**	**(14 760)**
Cash and cash equivalents at beginning of fiscal year	24 210	38 970
Cash and cash equivalents at end of fiscal year	65 541	24 210
Calculated change in cash position	**41 331**	**(14 760)**

APPENDIX TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: GENERAL INFORMATION

Since it was founded in 1953, SOCOTEC has developed exceptional expertise to help its clients manage technical risks and comply with regulatory standards in force relating to quality, sanitation, health, safety and the environment.
The SOCOTEC group has developed its skills and operations in the construction, real estate, industry, energy and infrastructure markets.
This expertise is organised into four types of services;

- Inspection and Measurement
- Assistance and Consulting
- Training
- Certification

Since 7 February 2013, the COBEPA and Five Arrows investment funds have held a majority stake in the SOCOTEC group, which continues to allow employee and manager investments through a company savings plan and SMGS 2.
SOCO 1 and all its subsidiaries comprise the SOCOTEC group, referred to hereinunder as SOCOTEC or the Group.

NOTE 2: HIGHLIGHTS

Acquisitions :
During the 2017 fiscal year, the Group completed several acquisitions:
- The company ESG, a leader in TIC (Testing, Inspection and Certification) in the Construction and Infrastructure sector in the United Kingdom, acquired in 23 March 2017. ESG specialises in inspection, measurement, testing and related services with revenue of nearly €100 million and 1,400 employees in the Infrastructures, Construction, Energy and Waste sectors.
- The company CIS acquired on 21 March 2017,
- 70 % of Pielok & Marquardt shares in Germany acquired on 26 May 2017,
- 80 % of shares in ZPP Ingenieure in Germany acquired on 29 September 2017.

Disposals and discontinuation of operations :
Over the 2017 fiscal year, the Group sold the company CEM Réunion on 25 July 2017 and definitively closed its branch in Jordan on 27 September 2017.

Total transfers of assets and liabilities:
The company DEMA was transferred to SOCOTEC Power Services on 1st January 2017.
The company SOCOTEC DOM-TOM was transferred to SOCOTEC International on 1st January 2017.
Mergers:
None
Financial rules and principles :
In 2017, the Group continued reviewing and updating its financial rules with the dual goals of harmonising accounting and financial methods at the Group level and analysing the risks of certain activities.

SOCOTEC 2018 plan :
After the presentation made to the board of directors in December 2014, it was decided to implement an ambitious transformation plan for the Group which translates into major non-recurring investments and expenses to enable the Group to build a foundation for ongoing, sustainable efficiency in its French and international operations based on strengthened governance, restructured IT tools and business line processes which deploy around the Atlas information system and branch 2.0 the appropriate digital resources for a mobile, digital enterprise and for the development of organic growth drivers. The non-recurring expenses associated with the SOCOTEC 2018 plan are isolated below the 'Adjusted EBITDA' operating result in the Transformation Costs section.
See Note 3.3 hereinunder.

Financing :
At the start of the second half of 2017, the Group obtained favourable refinancing of its long-term debt and recomposed its pool of creditor banks. This led to the signature on 27 July 2017 of a new Senior Financial Agreement (SFA) between the Group and the creditor banks.
The main changes to long-term financing are as follows:
- Long-term financing is now composed of one line for €300 million and one line for £50 million.
- A 'General Purpose' revolving credit line for €70 million.
- No quarterly bank covenants if less than 40 % of the nominal value of the revolving credit line is used.
- Softening of external debt constraints.
- Various other technical arrangements.

NOTE 3: ACCOUNTING METHODS AND PRINCIPLES

Unless otherwise indicated, the main accounting methods described hereinunder have been applied permanently to all reporting periods.

3.1 Basis for preparing the financial statements

The consolidated financial statements of the SOCO 1 Group are established in compliance with the accounting principles defined by Regulation 99-02 of the Accounting Regulation Committee of 29 April 1999 approved by the Order of 22 June 1999.
All the companies are consolidated on the basis of their accounts closed on 31 December 2017, the date of the closure of their annual financial statements.
The statements of financial position of foreign companies outside the Euro zone are converted to Euro at the official exchange rates at the end of the fiscal year. The income statements are converted at an average annual exchange rate.
The variances arising from these conversions are debited from or credited to equity capital.

3.2 Operating result referred to as consolidated EBITDA

The consolidated income statement shows an operating result defined as all expenses and income not resulting from financial activities, shares in the income of affiliates or corporation tax and excluding extraordinary expenses and income.

Consolidated EBITDA, which makes it possible to track the operational performance of each of the Group's business lines according to a definition that is consistent with the terms of bank financing, corresponds to the consolidated operating result minus certain non-recurring elements, allowances for business depreciation, allowances for depreciation of assets revalued at their fair value and deferred charges related to bank financing.

3.3 Consolidation method

The companies in which the Group directly or indirectly exercises exclusive control are consolidated using the global consolidation method. Exclusive control is the direct or indirect power to steer the financial and operational policies of a company to benefit from its activities.

Equity holdings in companies not controlled by the Group, but over which the Group exerts notable influence, are valued by applying the equity method.

The list comprising the scope is presented in Note 11.

3.4 Goodwill

When an exclusively controlled company is consolidated for the first time, the entry price of the identifiable elements of its assets and liabilities is valued using the 'fair value' method as part of the initial Purchase Price Allocation process (PPA). The difference between the entry price on the consolidated statement of financial position of the identifiable elements valued at their fair value and the carrying amount of the same components on the statement of financial position of the company controlled is called 'valuation difference'. Valuation differences are linked to each corresponding line item under assets and liabilities and are subject to special depreciation.

Goodwill corresponds to the difference between the acquisition cost of the securities and the valuation of their fair value as assets and liabilities as identified on the date of acquisition. This goodwill is entered separately on the statement of financial position.

In the first year after the acquisition date, the fair value purchase price allocation (PPA) process applied to assets and liabilities can result in a change in the value of the unallocated residual goodwill.

The Group uses several criteria to enter and monitor changes in the fair value of tangible and intangible elements assigned in this way when acquisitions are made. Moreover, the specific nature of the assets concerned is also considered. Intangible elements are valued based on operational business criteria. Depreciation is recorded via provisions when the valuation differences have a carrying amount lower than the value on the consolidated statement of financial position. As a reminder, the identifiable assets and liabilities are valued at their value in use or market value depending on whether the elements are necessary to operations.

The goodwill for the SOCOTEC group amounts to €369.2 million and comprises for the most part the goodwill recorded at the time of the initial PPA after SOCO 1 took control of SOCOTEC Holding in 2013 in the amount of €261.2 million. The balance represents goodwill generated by subsequent acquisition transactions in the amount of €108 million related to Assistance Technique Service, Sofranext, Contrôle Industriel Belge, Exam BTP, Patrick Lévy Consulting, Rincent BTP Services, SIFOP, SICA, ESG, CIS and ZPP Ingenieure.

The goodwill relating to the takeover of ESG, after allocation of the acquisition price at the fair value of assets and liabilities, amounts to €85.8 million.

The goodwill relating to the takeover of Holding SOCOTEC and ESG is amortised over 20 years. The goodwill relating to other acquisitions is amortised over 5 years. The amortisation expense for goodwill over the 2017 fiscal year is €19.9 million.

The PPA from the acquisition of ESG has not yet been allocated; it was an in-progress item at the closing of the 2017 fiscal year.

3.5 Intangible assets

Intangible assets include the following elements:

- Client relationships and brands acquired in the framework of business combination and, in particular, the acquisition of Holding SOCOTEC in February 2013 by the Group.
- Software purchased or developed in-house.

Start-up costs and research expenses are booked directly as expenses for the fiscal year during which they are incurred. As a reminder, the intangible assets recognised in 2013 in the framework of the initial *Purchase Price Allocation* amounted to €172.2 million and are broken down as follows:

- SOCOTEC brand for a gross value of €26.4 million,
- Client relationships for a gross value of €132.5 million, amortised over 22 years,
- Software for a gross value of €13.3 million, amortised over 8 years.

Client relationships and Brands
The client relationships and brands acquired through business combination are booked at their fair value.
The fair value and economic life span of these assets are generally determined on the date of acquisition by independent experts for significant acquisitions and in house for other acquisitions. The amortisation expense is calculated from the date of acquisition.
These intangible assets are amortised using the straight-line method over their estimated life span. On the closing date, the estimated life spans of these assets were as follows:

- SOCOTEC brand: not amortised because indefinite life span,
- Customer relationships: 22 years.

Software
The costs linked to the acquisition and development of software are recorded as assets on the basis of the costs incurred to acquire, develop and deploy the software concerned. These costs include costs directly attributable to the acquisition or production of software over the period preceding their placement into service. They are amortised over the estimated life span of the software, not to exceed 5 years.
The costs associated with keeping the software in working order are entered as expenses as they are incurred.

3.6 Property, plant & equipment

Property, plant & equipment are valued at their historic cost.
The depreciation schedules applied in the individual accounts of companies are maintained in the consolidated financial statements except for real estate, land and building aggregates.
In the framework of the initial *Purchase Price Allocation* the land and buildings were revalued at €59.5 million, broken down as follows:

- Land: €4.3 million
- Buildings: €55.2 million

The breakdown of the fair value of the building by component was as follows:

- Heavy work: 50%
- Façades: 15%
- Equipment: 20%
- Fixtures: 15%

A special depreciation plan was defined for these buildings whose fair value was different to the net carrying amount.
The depreciation of heavy work was determined over the residual period between the end date of depreciation in the statutory financial statements and the date control is taken, considering that heavy work is depreciated over a period of 50 years from the date of acquisition of the building.
The depreciation period for the other components is calculated using the following formula:

- 25 years for façades,
- 20 years for equipment,
- 20 years for fixtures.

For fixed assets other than buildings, the Group's main companies calculate depreciation using the straight-line and/or declining balance method based on the planned period of use in accordance with the regulation governing assets. These amortisation operations are considered representative of economic amortisation.
The periods are as follows:

- Installations, fixtures and furniture : Straight-line, 10 years
- Transportation equipment : Straight-line, 5 years
- Testing and office equipment : Declining balance and/or straight-line, 4 or 5 years
- IT equipment : Straight-line, 3 years
- Software 1 to 3 years

3.7 Real estate leasing

The consolidated financial statements are drawn up without real estate leasing. Each transaction is recalculated, assuming that the building was acquired using a loan repaid regularly with corresponding interest and that it is subject to depreciation under the same conditions as the other buildings listed as assets on the statement of financial position.
There were no remaining real estate leasing commitments at 31/12/2017. All the buildings previously acquired under lease-back arrangements by SOCOTEC France and recorded at their residual value in the statutory financial statements continue to be depreciated as before.

3.8 Long-term investments

Non-consolidated holdings are listed on the statement of financial position at their historic acquisition cost, minus any provisions for depreciation deemed necessary

3.9 Recognition of income

For the Group's main companies, the method used to estimate the contracts being executed at closing is the recognition of income and margin per contract by percentage of completion.

Given the very large number of contracts, SOCOTEC France implemented automatic calculation of the invoices to issue and deferred income: the percentage of completion is determined on the basis of the physical progress of the contracts, assessed according to a number of criteria (release of reports, work site progress, etc.).

The Group's other companies perform manual calculations based on the percentage of completion of each contract.

3.10 Receivables and liabilities

Receivables and liabilities are booked at their nominal value. Where applicable, provisions are constituted on the basis of an assessment of the risk of non-collection and according to their age.
Receivables and liabilities issued in currencies are converted at the exchange rate in force at the close of the fiscal year,
Latent exchange rate gains and losses are recorded on the income statement.

3.11 Trade account receivables

At the closing of the books for the 2017 fiscal year, the depreciation methods for receivables chosen are as follows:
France Operations and operational entities other than MENA and sub-Saharan Africa:

- Receivables over 90 days past due :25%
- Receivables over 180 days past due : 50%
- Receivables over 360 days past due : 100%

MENA and sub-Saharan Africa:

- Receivables over 12 months past due : 50%
- Receivables over 24 months past due : 100%

3.12 Deferred tax

Deferred taxes are recorded when the consolidated value of an asset or liability is different to its tax value. Deferred tax assets are booked in consideration of their estimated recoverable amount The base for deferred tax assets is limited to 100 % of the base of the deferred tax liability, except for deferred tax assets related to tax deficits eligible to be carried forward which are capped at 50 % of the base of the deferred tax liability. As a precaution, no deferred taxes are entered for tax deficits eligible to be carried forward except by SOCO1, the tax integration entity.

3.13 Trade accounts payable

Accounts payable are entered at their fair value. All accounts payable are categorised as trade payables

3.14 Marketable securities and cash and cash equivalents

The marketable securities and cash and cash equivalents item includes cash, money market funds, bank deposits payable on demand and other highly liquid short-term investments whose full or initial terms are three months. Bank overdrafts are entered on the statement of financial position as financial liabilities.
Changes in fair value of cash and cash equivalents are recognised in the income statement.

3.15 Provisions

Provisions for liability and charges are recorded when, on the closing date, the group has a legal, contractual or implicit obligation vis-à-vis a third party arising from a past event and when it is likely that an outflow of resources with no equivalent counter-payment from said third party will be required to fulfil the obligation.

3.16 Retirement commitments

The retirement schemes which essentially include the legal schemes of each country with defined benefits, in particular:

- Retirement bonuses,
- Seniority awards.

The discounted projected method is used to determine the present value of retirement commitments. The rights earned are projected for the retirement date and a fraction is assigned to each year of work. The rights earned are calculated according to the estimated salary at the time of retirement and pro rated for seniority on the valuation date based on total years at the company at the time of retirement.
The variation between the opening and closing provisions is recorded as a gain or loss under operating income for the portion related to the earning of rights; the portion of the provision related to the discounting of the provision is entered under non-operating income.
Parameters selected for French companies on 31 December 2017:

- Discount rate: 1.40 %,
- Rate of salary increase: 1.2 % including inflation,
- Retirement age: 65 years for executives, 62 years for non-executives,
- Churn rate:
  - Before 50 years: 6 % for executives, 3 % for non-executives,
  - After 50 years for all employees: 1.2 %.

3.17 Borrowing costs

In accordance with accounting regulations, the cost of issuing bond loans was recorded under 'Deferred charges' and spread over the life of the borrowings.

3.18 Criteria selected to record extraordinary expenses and income

Extraordinary income and expenses are those items relating to events that do not come under the usual scope of operations of the company.

3.19 Net earnings per share

The net earnings per share is calculated by dividing the net earnings attributable to equity holders of the parent by the appropriate number of shares. To calculate net earnings per share, the number of shares retained is the weighted average number of ordinary shares in circulation over the period, after neutralisation of treasury shares.

NOTE 4 - FINANCIAL INDICATORS NOT DEFINED BY FRENCH ACCOUNTING STANDARDS

In the framework of its external communication and the calculation of bank covenants, the Group uses financial indicators not defined by French accounting standards:

- Consolidated EBITDA is the Group's operating result before factoring in income and expenses from business combination, non-recurring items related to the SOCOTEC 2018 transformation plan adjusted for the effect of employee profit sharing if necessary and allowances for operational depreciation.

- Net financial debt comprises bank debt and bond debt (except for the shareholder loan granted by COBEPA) and restatements of operational lease-backs, minus cash and cash equivalents and marketable securities.

- The leverage ratio is the ratio of net financial debt to consolidated EBITDA.

NOTE 5 - SEGMENT REPORTING

Only an analysis of revenue and consolidated EBITDA are presented. This analysis corresponds to information tracked in house by the Group's management. Inter-company transactions within each sector are eliminated from the amounts presented.

The consolidated EBITDA elements from holding companies are isolated, except for charges from shared service centres and the management expenses of divisions whose costs are allocated amongst the different divisions.

NOTE 6 - FINANCIAL REVENUE AND EXPENSES

The financial result is a negative balance of €49 million. It consists mainly in the 'Interest and other financial expenses' item.

(in thousand Euro)	2017	2016
Shareholder loan	34 680	31 760
Term A loan	799	1 924
Term B loan	2 718	4 836
Term B loan interest	5 992	
Revolving credit	238	330
Acquisition facility	126	309
C Fund bond borrowings	125	551
Creditor banks and other financing	1 323	881
Other financial expenses	602	1 141
Interest and other financial expenses	**46 602**	**41 732**
Realised exchange losses	3 518	532
Provisions for discounted retirement bonuses, net of ı	0	712
Provisions net of reversals	0	2 880
TOTAL FINANCIAL EXPENSES	**50 121**	**45 856**
Interest and other financial revenue	120	157
Realised exchange gains	552	316
Reversal of provisions for discounted retirement bonı	175	
Reversals of provisions	. 296	
TOTAL FINANCIAL INCOME	**1 144**	**473**
FINANCIAL RESULT	**(48 977)**	**(45 382)**

The remaining exchange rate losses break down as follows:

- Foreign exchange losses realised: €460,000 on operational transactions,

Foreign exchange losses not realised: €3,058,000 of which €2,212,000 on financial transactions and €846,000 on operational transactions.

The remaining exchange rate gains break down as follows:

- Foreign exchange gains realised: €329,000 of which €259,00 on financial transactions for SOCOTEC Holding and €70,000 on operational transactions,
- Foreign exchange gains not realised: €223,000 of which €74,000 on financial transactions for SOCOTEC Holding and €149,000 on operational transactions.

NOTE 7 - EXTRAORDINARY INCOME AND EXPENSES

In the framework of closing the accounts for the 2017 fiscal year, the Group made special adjustments to certain risks and to the harmonisation of accounting and financial methods.
The impact related to these non-recurring adjustments were booked as extraordinary items. They pertain primarily to the following elements:

For long-term project operations, a percentage-of-completion profitability review was implemented and certain projects not tracked under this method were subject to a provision for depreciation of work in progress.

For French operations, an extraordinary operation was carried out to clean accounts receivable pertaining to:

- lines with credit balance,
- receivables prior to 1st July 2016.

For a certain number of Group entities, the operational transformation projects led to restructuring plans which resulted in employee departures. The cost of these departures is booked as extraordinary expenses.

For the French legal entities, an adjustment was made to the base for calculating retirement bonuses.

The extraordinary result was a loss of €23.9 million:

- Provisions, net of reversals, for €1.1 million:
    - Reversal of provisions for amortisation of trade account receivables for €1.4 million, primarily at SOCOTEC France (accounts receivable clean-up initiative),
    - €2 million in additional provision for retirement bonuses for French legal entities,
    - Provisions for miscellaneous risk for €0.3 million.
- Net expenses for €22.8 million:
    - Expenses linked to restructuring for €13.8 million,
    - Losses from irrecoverable receivables net of the clearing of accounts receivable with credit balances for €3.2 million at SOCOTEC France,
    - Correction to the calculation of 2016 works in progress for €2.3 million at SOCOTEC France,
    - Capital gains from disposal of fixed assets €0.2 million,
    - Other extraordinary expenses for €3.3 million.

NOTE 8 - CORPORATE INCOME TAX

For the 2017 fiscal year, the Group recorded tax on consolidated earnings in the amount of €2.9 million, of which €3.3 million in corporation tax expenses and €0.4 million in deferred tax income.

Tax analysis SOCOTEC 31/12/2017

(in thousand Euro)

Pre-Tax (Loss)/Profit	**(59 187)**
Corporate income tax	(3 258)
Deferred tax	370
Total taxes (expense)	**(2 888)**
Nominal tax rate	**(4,88)%**
Theoretical group tax rate	34,43%
Theoretical group tax	20 378
Country going rate	33,74%
Country theoretical rate	19 970
Explain	**(23 266)**
Goodwill	(6 035)
Valuation difference - Depreciation Customer relationships	(2 033)
Non-deductible finance charges (including under-capitalisa	(3 573)
Tax credit - CICE - reclassified as pre-tax profit	2 326
Fiscal year losses not recognised	(1 339)
Deactivation of deferred tax assets	(8 772)
capital gains/losses from disposal of assets	(645)
Correction to previous year deferred tax	(715)
Provisions for equity holdings	(767)
Other	(1 712)

NOTE 9 - SCOPE OF CONSOLIDATION

The organisational chart and the scope of Group companies consolidated changed as follows in 2017:

Additions to scope :

The company SOCOTEC UK Holding was created on 17 March 2017.

The ESG Group, a leader in TIC (Testing, Inspection and Certification) in the Construction-Infrastructure sectors in the United Kingdom and specialist in inspection, measurement and analyses and related services, was acquired on 23/03/2017 and includes 21 entities.

SOCOTEC Holding acquired 100 % of the shares of CIS (Contrôle Inspection Supervision) on 21/03/2017.

Canzler GmbH acquired 70 % of the shares in the company of architects Pielok & Marquardt on 26/05/2017.

On 29/09/2017, Holding SOCOTEC acquired 80 % of shares in the company ZPP Ingenieure which works in infrastructure. The company ZPP Ingenieure has two subsidiaries: LauPlan and ZPP International.

Removals from scope of consolidation :

The company CEM Réunion, held by SOCOTEC DOM TOM, was sold on 25 July 2017.

The Jordanian branch of SOCOTEC Lebanon was closed on 20 September 2017.

Mergers:

None

Total transfers of assets and liabilities:

The company DEMA was merged into SOCOTEC Power Services in early January 2017.

The company SOCOTEC Dom-Tom was merged into SOCOTEC International in early January 2017.

Changes in percentages of ownership :

None

Scope of consolidation of the SOCOTEC Group at 31 December 2017

In Euro

	Legal name of companies	Method	% control	% interest	Share capital	Retained earnings for reporting period
ABU	SOCOTEC INTER ABU DHABI BRANCH	GC	100,00%	98,99	0	(343 824)
AFR	SOCOTEC AFRICA	GC	100,00%	98,99	30 490	94 899
AGL	Atesta Group Limited	GC	100,00%	98,42	224 817	0
AHL	Atesta Holdings Limited	GC	100,00%	98,42	4 857 273	0
ALD	Socotec Asbestos Limited	GC	100,00%	98,42	0	766 046
ALG	SOCOTEC ALGERIE SPA	GC	99,94%	98,93	71 936	41 214
ANT	SOCOTEC ANTILLES-GUYANE	GC	100,00%	98,99	55 000	149 057
AQA	AQASIA MECHANICAL ENGINEERING CONSULTING CO	GC	85,00%	80,95	71 705	212 244
ASB	SOCOTEC ASBL	GC	100,00%	98,99	0	161 532
ATI	Socotec Oil & Gas Italia (formerly ATS Italy)	GC	99,00%	94,29	10 000	46 845
BAR	SOCOTEC GULF	GC	100,00%	98,99	119 316	7 744
BBA	SCI BOULOI BAS	GC	100,00%	98,99	1 600	6 354 416
BCI	Buckingham Investigation	GC	100,00%	98,42	1	(9 765)
BGQ	SOCOTEC BELGIUM SPRL	GC	100,00%	98,99	132 000	(559 586)
BHA	SCI BOULOI HAUT	GC	100,00%	98,99	1 600	8 081 710
C1L	ESG Capital 1 Limited	GC	100,00%	98,42	115 300 050	(6 620)
C2L	ESG Capital 2 Limited	GC	100,00%	98,42	90 372 194	89 600
CAL	SOCOTEC CALEDONIE	GC	100,00%	98,99	37 207	490 938
CAS	SOCIETE DE DEVELOPPEMENT BTP MAROC	GC	100,00%	98,99	86 868	15 133
CEM	CEM REUNION	GC	100,00%	98,99	0	(30 183)
CGO	SOCOTEC BASSIN DU CONGO	GC	100,00%	98,99	22 867	(471 825)
CIA	CONTROLE INDUSTRIEL BELGE (SA)	GC	100,00%	100,00	61 973	(26 472)
CIB	SOCOTEC BELGIUM ASBL	GC	100,00%	98,99	0	237 562
CID	CANZLER GmbH	GC	70,00%	69,29	150 000	2 502 753
CIH	CERTIFICATION INTERNATIONAL HOLDINGS INC	GC	39,92%	39,92	4 950	69 057
CIJ	Socotec Certification Japan (formerly Certification International Japar	GC	50,10%	50,10	74 468	120 019
CIL	Socotec Certification Limited (formerly Certification International Lim	GC	100,00%	100,00	275 479	786 675
CIP	CERTIFICATION INTERNATIONAL PHILIPPINES INC	GC	99,80%	63,82	22 874	166 193
CIS	CERTIFICATION INTERNATIONAL SINGAPORE	GC	90,00%	90,00	6 557	1 386 241
CTE	CTE NORDTEST	GC	100,00%	98,99	938 720	233 682
CUK	Socotec Certification UK (formerly Certification International UK)	GC	100,00%	100,00	371 897	(315 443)
DEV	SOCOTEC DEVELOPPEMENT	GC	100,00%	98,99	1 095 000	(371 283)
DMA	DEMA	GC	100,00%	98,99	0	0
DUB	SOCOTEC INTER DUBAI BRANCH	GC	100,00%	98,99	0	30 295
EES	ESG Employee Share	GC	100,00%	98,42	2	0
EIL	ESG Investments Limited	GC	100,00%	98,42	98 341 077	(1 173 293)
EXA	EXAM BTP	GC	100,00%	100,00	38 112	122 487
GSL	Geotech Specialists Limited Ireland	GC	100,00%	98,42	0	(22 283)
HLD	HOLDING SOCOTEC	GC	100,00%	100,00	218 729 750	(24 479 706)
INF	SOCOTEC INFRASTRUCTURE	GC	100,00%	100,00	1 300 000	872 940
INT	SOCOTEC INTERNATIONAL	GC	100,00%	98,99	29 480 004	2 632 060
ITA	ITAL SOCOTEC	MEQ	40,00%	39,60	500 000	141 840
JOR	SOCOTEC LIBAN JORDAN BRANCH	GC	100,00%	89,09	0	102 438
HWL	Henley Water Limited	GC	100,00%	98,42	7 034	0
IEV	Inspicio Environmental	GC	100,00%	98,42	1	0
IFT	Inspicio Food Testing Ltd	GC	100,00%	98,42	1	399 478
IHL	Inspicio Holdings Ltd	GC	100,00%	98,42	1	0
KMI	Socotec Oil & Gas UK (formerly KMIL)	GC	100,00%	100,00	103 305	(37 858)
LAB	SOCOTEC POWER SERVICES (formerly Soc Nuclear)	GC	100,00%	98,99	40 288	2 820 055
LIB	SOCOTEC LIBAN	GC	90,00%	89,09	119 292	431 186
LUX	SOCOTEC LUXEMBOURG	GC	100,00%	98,99	210 000	350 281
MA2	SOCOTEC MADAGASCAR	GC	100,00%	98,99	2 912	206 337
MAR	SOCOTEC MAROC	GC	99,90%	98,89	922 472	1 023 013
MAS	SOCOTEC MAROC SUD	GC	100,00%	98,99	9 241	365
MCL	Precision Monitoring and Control Limited	GC	100,00%	98,42	11 727	0
MON	SOCOTEC MONACO	GC	94,46%	93,50	150 000	999 055
NDT	CIS	GC	100,00%	100,00	88 500	216 677
PIE	PIELOK & MARQUARDT	GC	70,00%	48,50	100 000	278 219
PLC	PATRICK LEVY CONSULTING	GC	100,00%	100,00	1 000	166 693
POL	SOCOTEC POLYNESIA	GC	100,00%	98,99	37 542	272 670
RBS	RINCENT BTP SERVICE SAS	MEQ	40,00%	40,00	803 000	0
REU	SOCOTEC REUNION	GC	100,00%	98,99	50 000	(667 977)
ROM	SOCOTEC INTERNATIONAL ROMANIA	GC	100,00%	98,99	371 186	(9 834)
SAD	SAUDI SOCOTEC	GC	70,00%	69,29	239 825	(415 631)
SAS	SASTEC	GC	100,00%	100,00	30 000	113 268
SBA	Socotec Oil & Gas Argentina (formerly Sica BA)	GC	100,00%	95,24	0	48 714
SCC	SOCOTEC CONSULTING MEDITERRANEE (SOCOCONSULT)	GC	99,96%	98,88	46 206	75 444
SDT	SOCOTEC DOM-TOM	GC	100,00%	98,99	0	(0)
SFR	Scientia Ferrovia	GC	100,00%	98,42	11 723	0
SGH	Environmental Scientifics Group Holdings Limited	GC	100,00%	98,42	12 654 592	(7 032)
SGL	Socotec UK Limited	IG	100,00%	98,42	338	5 257 573
SHL	Environmental Scientifics Holdings Limited	GC	100,00%	98,42	21 719 084	(47 524)
SIA	SOCOTEC INTER AFRIQUE	GC	87,00%	86,13	15 245	93 418
SIC	SOCOTEC OIL & GAS (formerly SICA)	GC	95,24%	95,24	50 400	(911 801)
SIE	Socotec Oil & Gas Asia (formerly SICA Asia)	GC	100,00%	95,24	32 785	(112 662)
SIN	Socotec Oil & Gas North America (formerly SICA NA)	GC	100,00%	95,24	901	(103 308)
SLD	Scientifics Limited	GC	100,00%	98,42	21 240	0
SML	Soil Mechanics Limited	GC	100,00%	98,42	1 465 330	0
SO1	SOCO1	HOLDING	100,00%	100,00	191 709 332	2 761 215
SO2	SOCO2	GC	100,00%	100,00	179 037 279	4 821 516
SOC	SOCOTEC FRANCE	GC	98,99%	98,99	17 648 740	8 324 316
SOF	SOCOTEC FORMATION NUCLEAIRE (formerly Sofranext)	GC	100,00%	100,00	300 000	448 311
SQI	SOCOTEC CERTIFICATION	GC	100,00%	98,99	100 000	(37 410)
SUH	Socotec UK Holding	GC	98,42%	98,42	44 136 191	(3 163 483)
WTL	Waterwise Technology Limited	GC	100,00%	98,42	58 613	0
ZPP	Ingenieure AG	GC	80,00%	80,00	200 000	280 265
ZPL	LauPlan GmbH	GC	100,00%	80,00	25 000	35 327
ZPI	ZPP International GmbH	GC	100,00%	80,00	25 000	3 063

GC: Global consolidation, EQM: Equity method - EXITFLOW Exit

NOTE 10 - FIXED ASSETS

FIXED ASSETS

Gross values (in thousand Euro)	Start of fiscal year	Increases	Decreases	Changes in scope	Foreign currency translation	Reclassifications	End of fiscal year
Goodwill	272 235	0	0	98 111	(1 118)	0	369 228
Other intangible assets	191 979	1 542	(496)	1 130	(93)	2 291	196 354
Intangible assets in process	2 061	1 491	(80)	0	0	(2 291)	1 182
Total intangible assets	**466 275**	**3 033**	**(576)**	**99 242**	**(1 211)**	**0**	**566 764**
Land	6 564	0	(2 090)	0	(1)	46	4 519
Buildings	70 535	0	(25 595)	1 270	(78)	2 141	48 274
Technical facilities and equipment	26 524	3 841	(3 180)	9 916	(403)	(62)	36 635
Other property, plant & equipment	52 756	3 067	(6 937)	938	(164)	1 122	50 783
Property, plant & equipment in process	263	454	0	(3)	0	(243)	471
Total property, plant & equipment	**156 642**	**7 363**	**(37 801)**	**12 121**	**(646)**	**3 004**	**140 683**
Equity holdings in non-consolidated companie	976	12	(216)	228	(27)	30	1 003
Investments in affiliates	916	0	(206)	0	0	(0)	710
Other long-term financial investments	3 566	53 771	(52 168)	11	(43)	0	5 137
Long-term investments	**5 458**	**53 782**	**(52 590)**	**239**	**(70)**	**30**	**6 850**

Amortisation, Depreciation and provisions (in thousand Euro)	Start of fiscal year	Increases	Decreases	Changes in scope	Foreign currency translation	Reclassifications	End of fiscal year
Goodwill	57 800	19 951	0	0	(52)	0	77 699
Other intangible assets	48 866	9 967	(478)	24	(32)	0	58 349
Intangible assets in process	6	0	0	0	0	0	6
Total intangible assets	**106 672**	**29 919**	**(478)**	**24**	**(84)**	**0**	**136 053**
Land	0	0	(46)	0	0	46	0
Buildings	16 560	3 911	(9 059)	(44)	(8)	2 456	13 815
Technical facilities and equipment	22 554	3 743	(3 200)	180	(24)	44	23 297
Other property, plant & equipment	42 828	4 173	(6 771)	(11)	(110)	(358)	39 750
Property, plant & equipment in process	0	0	0	0	0	0	0
Total property, plant & equipment	**81 942**	**11 827**	**(19 077)**	**125**	**(142)**	**2 187**	**76 863**
Equity holdings in non-consolidated companie	927	0	(216)	9	(19)	30	732
Investments in affiliates							
Other long-term financial investments	315	0	(41)	0	0	0	273
Long-term investments	**1 242**	**0**	**(258)**	**9**	**(19)**	**30**	**1 005**

Net values (in thousand Euro)	Start of fiscal year	Increases	Decreases	Changes in scope	Foreign currency translation	Reclassifications	End of fiscal year
Goodwill	214 435	(19 951)	0	98 111	(1 066)	0	291 529
Other intangible assets	143 113	(8 425)	(18)	1 106	(61)	2 291	138 005
Intangible assets in process	2 055	1 491	(80)	0	0	(2 291)	1 176
Total intangible assets	***359 603***	***(26 885)***	***(98)***	***99 217***	***(1 127)***	***0***	***430 710***
Land	6 564	0	(2 044)	0	(1)	0	4 519
Buildings	53 975	(3 911)	(16 535)	1 314	(70)	(315)	34 458
Technical facilities and equipment	3 970	98	20	9 736	(379)	(107)	13 338
Other property, plant & equipment	9 928	(1 106)	(166)	949	(54)	1 481	11 033
Property, plant & equipment in process	263	454	0	(3)	0	(243)	471
Total property, plant & equipment	**74 700**	**(4 464)**	**(18 725)**	**11 996**	**(504)**	**816**	**63 820**
Equity holdings in non-consolidated companie	49	12	0	219	(8)	0	271
Investments in affiliates	916	0	(206)	0	0	(0)	710
Other long-term financial investments	3 251	53 771	(52 127)	11	(43)	0	4 863
Long-term investments	**4 216**	**53 782**	**(52 333)**	**230**	**(51)**	**(0)**	**5 845**
TOTAL Net values	**438 519**	**22 433**	**(71 156)**	**111 444**	**(1 681)**	**816**	**500 375**

New goodwill was recognised in 2017 in the amount of €96.9 million of which:

- Patrick Lévy Consulting for €0.2 million after the payment of an earnout,
- ESG for €85.8 million following its purchase in March 2017; the PPA was in progress at the closing of the 2017 fiscal year,
- CIS for €5.5 million after the acquisition in March 2017,
- Pielok & Marquardt for €0.8 million after the acquisition in May 2017,
- ZPP Ingenieure for €4.6 million after the acquisition in September 2017.

The increase in intangible assets is linked to the acquisition or development of IT software mainly:

- €1.1 million at SOCOTEC France,
- €0.9 million at SOCOTEC UK Limited,
- €0.6 million at Holding SOCOTEC.

The increase in property, plant & equipment is attributable primarily to the acquisition of:

- Testing equipment for €1.3 million at SOCOTEC France,
- IT equipment for €2.1 million at SOCOTEC France, of which €1.1 million in lease-back,
- Materials and equipment for €1.9 million at SOCOTEC UK Limited.

The reduction in property, plant & equipment is attributable primarily to:

- Disposals of land and buildings in Paris, Guyancourt, Montigny le Bretonneux, Courbevoie, Nîmes, Le Port (Réunion Island) for €27.2 million,
- Retirement of general installations and fixtures at SOCOTEC France for €3.1 million,
- Retirement of testing equipment at SOCOTEC France for €2.5 million,
- Miscellaneous disposals across the Group scope for €4.5 million.

The total amount of amortisation expenses for the fiscal year was €41.7 million, broken down as follows:

- Amortisation of goodwill in the amount of €19.9 million, determined as follows:
  - €13.1 million relating to goodwill calculated when SOCO 1 took control of Holding SOCOTEC in 2013,
  - The remaining amortisation of goodwill concerns subsequent acquisitions, including ESG Investment Limited for €3.2 million, CIS for €0.8 million, Assistance Technique Service for €0.5 million, Sofranext for €0.5 million, Contrôle Industriel Belge for €0.5 million, Patrick Levy Consulting for €0.4 million, ZPP Ingenieure for €0.2 million, Exam for €0.1 million, Certification International Singapore for €0.1 million and Pielok & Marquardt for €0.1 million.

- Amortisation expenses for asset valuation differences in the framework of the *initial PPA* of €10.8 million, which can be analysed as follows:
  - Software : €1.7 million,
  - Customer relationships: €6.0 million,
  - Buildings: €3.1 million.

- Allowance for business depreciation in the amount of €11 million, the main components of which correspond to IT equipment and development for €2.8 million.

At the end of 2017, the breakdown of fixed assets between 'historic' and *PPA* values was as follows:

at end of 2017 (in thousand €)	Gross values		Amortisation and		Net values		
	History	PPA	History	PPA	History	PPA	Total
Goodwill		369 228		77 699	0	291 529	291 529
Other intangible assets	24 440	172 200	20 189	38 427	4 251	133 773	138 024
Intangible assets in process	1 163		6		1 157	0	1 157
Total intangible assets	**25 603**	**541 428**	**20 195**	**116 126**	**5 408**	**425 302**	**430 710**
Land	2 115	2 404			2 115	2 404	4 519
Buildings	36 958	11 317	10 067	3 748	26 891	7 569	34 460
Install.& indust.equip.	36 635		23 297		13 338	0	13 338
Other tang. assets	52 637		41 606		11 031	0	11 031
Property, plant & equipment in process	471				471	0	471
Amounts paid/tang.assets	1				1	0	1
Total Property, plant & equipment	**128 817**	**13 721**	**74 970**	**3 748**	**53 847**	**9 973**	**63 820**

NOTE 11 - RECEIVABLES AND OPERATING LIABILITIES

Breakdown of trade receivables

The attached breakdown corresponds to the following asset items on the statement of financial position: Trade accounts receivable, Other operating expenses, Prepaid expenses and Deferred charges spread over multiple years.

Description	Balance	Less than 1 year	1 to 5 years	More than 5 years
Accounts receivable (trade)	**223 911**	217 172	5 547	1 192
Contested or doubtful accounts	**16 674**	356	14 857	1 461
assets	**1 803**	1 604	199	
Amounts paid on account	**2 043**	1 913	130	
LT receivables & related accounts	**36**	36		
Employee-related debts	**382**	356	22	4
VAT receivables	**14 306**	13 896	356	54
(CICE)	**5 705**	57	5648	
Miscellaneous tax receivables	**283**	257	26	
Corporation tax receivables	**1 355**	1 166	189	
Advances in current accounts	**23**	23	0	0
Other receivables (non-trade)	**5 700**	5 336	300	64
Misc. third-party accrued revenue	**101**	60	41	
Deferred charges spread over multiple years	**6 014**	914	5100	
Pre-paid expenses	**7 157**	7 002	155	
Total receivables	**285 493**	250 148	32 570	2 775

The Deferred charges spread over multiple years correspond to the issue cost of long-term bank loans. These expenses are allocated over the term of the corresponding borrowings.

Breakdown of trade liabilities

The attached breakdown corresponds to the following liability items on the statement of financial position: Accounts payable, Other operating liabilities, Other debt and Deferred income.

Description	Balance	Less than 1 year	1 to 5 years	More than 5 years
Employee profit sharing	**6 195**	6 195		
Accounts payable	**56 996**	53 357	3 639	**0**
LT debts & related accounts	**1 088**	1 088		
Amounts received on account	**1 172**	1 167	0	5
Accounts receivable with credit balance - other assets	**1 365**	1 365		
Staff	**73 057**	72 645	412	
Social organisations	**1 927**	1 864	63	0
VAT liabilities	**48 890**	46 510	2 335	45
Miscellaneous tax liabilities	**6 699**	6 564	135	
Corporation tax liabilities	**3 032**	2 241	791	
Credits in current accounts	**30**	18	12	0
Dividends to be paid	**42**	42		
Other miscellaneous liabilities	**5 120**	3 607	1 027	486
Expenses to be paid	**6 916**	6 543	199	174
Deferred credit	**11 048**	8 514	2 534	
Total liabilities	**223 577**	**211 720**	**11 147**	**710**

NOTE 12 - CASH AND CASH EQUIVALENTS AND MARKETABLE SECURITIES

millions of €	2016	2017
Cash and cash equivalents	24.3	65.4
Marketable securities	0.1	0.2
Total	**24.4**	**65.6**

The marketable securities in question are money market funds.

NOTE 13 - SHAREHOLDERS' EQUITY

CHANGE IN CONSOLIDATED SHAREHOLDER'S EQUITY

(in thousand Euro)	Share capital	Reserves	Earnings	Foreign currency translation	Total shareholder's equity, Group	Non-controlling interest
Shareholders' equity at 31 December 2016 after allocation of earnings	**147 230**	**(96 488)**	**(81 161)**	**380**	**(30 039)**	**4 388**
Capital increase	44 479	(741)			43 738	751
Allocation of earnings		(81 135)	81 135		0	
Distribution of dividends		0	0		0	(1 204)
Changes in scope		(159)	26	(26)	(160)	500
Other changes		(28 868)	0	0	(28 868)	
Corrections		(5)	0	(5)	(10)	10
Changes in translation differences		0	0	(877)	(877)	(56)
Earnings on 31 December 2017		0	(63 249)		(63 249)	971
Shareholders' equity on 31 December 2017 before allocation of earnings	**191 709**	**(207 397)**	**(63 249)**	**(529)**	**(79 466)**	**5 361**

The 'Other changes' line corresponds to the buy back of Fonds J shares for €28.9 million in September 2017.

NOTE 14 - PROVISIONS

PROVISIONS

(in thousand Euro)	Start of fiscal year	Increases	Decreases	Reclassification	Changes in scope	Foreign currency translation	End of fiscal year
Provision for liability	27 524	6 260	(6 050)	(45)	996	(63)	28 623
Provisions for losses to completion	275	29	(140)	0	0	(14)	151
Provisions for retirement commitments	17 026	6 498	(6 636)	(10)	5 604	(258)	22 225
Provisions for reorganisation	0	0	0	0	0	0	0
Provision for charges	3	0	(440)	0	2 949	(108)	2 404
Total provisions for liabilities and charg	**44 828**	**12 787**	**(13 265)**	**(55)**	**9 550**	**(442)**	**53 403**

The provisions for risks in the amount of €28.6 million consist primarily in:

- €22.9 million in provisions for technical disputes, of which €20.8 million at SOCOTEC France, €0.6 million in Germany and €0.6 million in overseas territories,
- €2.3 million in provisions for labour disputes, of which €1.4 million at SOCOTEC France and €0.4 million in Belgium,
- €1.7 million in provisions for tax disputes, of which €1.6 million at SOCOTEC Congo Basin,
- €1.7 million in provisions for other risks, of which €0.7 million at SOCOTEC UK Limited, €0.4 million at SOCOTEC France and €0.4 million at SOCOTEC Morocco.

Retirement commitments:

The total amount of retirement commitments for the French companies including overseas territories is €33.9 million. They are covered by assets managed through a dedicated insurance contract external to SOCOTEC for €16.2 million and by provisions for the remainder, namely €17.7 million.

A provision for charges in the amount of €2.4 million was formed by SOCOTEC UK Limited in regards to a rent discrepancy compared to the market value for certain buildings used by the company. The discrepancy for the total rent to be paid through the end of the leases was recognised. A provision was also formed for the rents of vacant facilities through the end of the leases concerned.

NOTE 15 - BORROWINGS AND DEBTS

In thousand Euro		Balance at 31/12/2017	< 1 year	1 to 5 years	> 5 years
Shareholder loan		**249 436**		**249 436**	
	Principal	*222 960*		*222 960*	
	Accrued interest	*26 476*		*26 476*	
Bond issue		**7 948**	**5 736**	**2 517**	
	Principal	*7 917*	*5 400*	*2 517*	
	Accrued interest	*31*	*336*		
Bank borrowings		**356 588**	**167**	**66**	**356 355**
	Term A loan				
	Term B loan 1)	*356 355*			356 355
	Acquisition facility				
	Other	*233*	*167*	*66*	
Leasing borrowings		**1 425**	781	644	
Income from issuance of equity holdings					
Stipulated advances		**10**	10		
Equity loan					
Other borrowings & interest-bearing liabilities 2)		**194**		194	
Accrued interest on bank borrowings		**26 750**	26 750		
Accrued interest on Group borrowings					
Repayment bonuses					
Creditor banks		**25**	25		
Accrued interest from creditor banks					
Total borrowings and creditor banks		**642 376**	**33 469**	**252 857**	**356 355**

In thousand Euro		Balance at 31/12/2017	Fixed rate	Variable rate
Shareholder loan		**249 436**	249 436	
C Fund bond borrowings		**7 948**	7 611	642
Bank borrowings		**356 588**	**233**	**356 355**
	Term A loan	*0*		
	Term B loan	*356 355*		356 355
	Acquisition facility	*0*		
	Other	*233*	*233*	
Leasing borrowings		**1 425**	1 425	
Income from issuance of equity holdings		**0**		
Stipulated advances		**10**	10	
Equity loan		**0**		
Other borrowings & interest-bearing liabilities		**194**	194	
Accrued interest on bank borrowings		**26 750**	18	
Accrued interest on Group borrowings		**0**		
Repayment bonuses		**0**		
Creditor banks		**25**	25	
Accrued interest from creditor banks		**0**		
Total borrowings and creditor banks		**642 376**	**258 952**	**356 997**

Note

1) The Term B loan was taken out for 300 million EUR and for 50 million GBP.

2) The other borrowings and interest-bearing liabilities are entered in GBP.

All other borrowings and interest-bearing liabilities are in Euro.

The shareholder loan was granted by SophieLux 2 to SOCO 1 to finance the acquisition of the SOCOTEC Group.

The Term B loan was signed by the Group in 2017 to finance the acquisitions. Bond issues are booked to SOCOTEC France and ZPP Ingenieure.

NOTE 16 –CASH FLOW STATEMENT

The cash flows from investment activity include:

- The impact of changes in scope for €111.6 million linked to:
  - the acquisitions of ESG, CIS, Pielok & Marquardt and ZPP Ingenieure securities,
  - the repayment of debts carried by ESG at the time of its acquisition.

The cash flows from financing include:

- The buy-back of Soco1 shares in the J Fund for €28.9 million.

- A net increase in financial receivables and liabilities in the amount of €166.8 million, linked primarily to the refinancing of Group debt in July 2017:
  - Repayment of the Senior A loan for €38.9 million,
  - Repayment of the Senior B loan for €98.5 million,
  - Repayment of the acquisition facility for €6.0 million,
  - Partial reimbursement of the shareholder loan for €34.0 million,
  - Contracting of the new Term B loan for €355.6 million.

NOTE 17 - DEFERRED TAXES

(in thousand Euro)

Deferred tax base:	2017	2016
Employee profit-sharing in fiscal year	6 166	2 391
Provisions for retirement bonuses	0	16 085
Provisions for bad debt	225	3 948
Provisions for contingencies and charges	375	3 082
Differences will be reversed at time of payment	594	607
Activated tax losses	15 396	1 893
Valuation differences for software, net value	(4 988)	(7 090)
Valuation differences for land and buildings, net value	(23 129)	(44 451)
Restatement of lease-back	(1 558)	(1 951)
Regulatory/miscellaneous provisions	(2 522)	(3 029)
Miscellaneous	(4 899)	5 909
Total deferred tax base	**(14 339)**	**(22 606)**

Changes in deferred tax:	Assets	Liabilities	Net
Opening balance	**1 648**	**(9 432)**	**(7 784)**
Change in fiscal year earnings	(7 999)	8 373	374
Changes in scope	2 759	0	2 759
Reclassifications	3 832	(3 832)	0
Foreign currency translation	(240)	24	(216)
Closing balance	**0**	**(4 867)**	**(4 867)**

NOTE 18 - OFF-BALANCE SHEET COMMITMENTS

Off-balance sheet liabilities:

- **Agreements:**
  In the framework of establishing new borrowings in February 2013, SOCOTEC France also signed on to the Senior Facilities Agreement and to subsequent commitments.

- **Pledges, sureties, and guarantees granted:**
  The total amount of pledges, sureties, and guarantees granted by the Group is €4.7 million, of which €3.1 million in France, €0.9 million in Morocco, €0.4 million in Germany and €0.3 million in Belgium.

- **2013 refinancing and miscellaneous acquisitions:**
  The implementation of a security package in the framework of the LBO translates to the pledge of assets, especially bank accounts, securities and receivables, of various group companies, as detailed in the appendix.

- **CGI contract:**
  On 30 September 2016, SOCOTEC France signed a 10-year contract with the company CGI to reorganise and modernise the Group's IT department under the SOCOTEC 2018 plan. This contract includes volume commitments.

Off-balance sheet assets: none.

NOTE 19 – PROFESSIONAL FEES FOR STATUTORY AUDITORS (Comm. Code Art. R.19-14-17 new)

The professional fees relating to the obligatory audit of the accounts of the consolidated entities on 31/12/2017 are broken down hereinunder.

Company name	Professional fees to statutory auditors listed in the 2017 income statement (obligatory audit of the accounts)	Reporting currency	Equivalent value
	LOCAL CURRENCY	Currency code	EURO
SOCOTEC AFRICA	6 000 000	XOF	9 147
SOCOTEC ANTILLES-GUYANE	10 020	EUR	10 020
AQASIA MECHANICAL ENGINEERING CONSULTING CO	7 000	CNY	918
SOCOTEC ASBL (Luxembourg)	15 345	EUR	15 345
SOCOTEC BELGIUM SPRL	30 590	EUR	30 590
SOCOTEC CALEDONIE	1 039 500	XPF	8 711
SOCOTEC BASSIN DU CONGO	3 000 000	XAF	4 573
CONTROLE INDUSTRIEL BELGE (SA)	22 417	EUR	22 417
SOCOTEC BELGIUM ASBL	47 660	EUR	47 660
CANZLER GmbH	21 931	EUR	21 931
CERTIFICATION INTERNATIONAL HOLDINGS INC	50 000	PHP	878
CERTIFICATION INTERNATIONAL JAPAN LIMITED	734 400	JPY	5 798
CERTIFICATION INTERNATIONAL LIMITED	4 800	GBP	5 479
CERTIFICATION INTERNATIONAL PHILIPPINES INC	300 000	PHP	5 269
CERTIFICATION INTERNATIONAL SINGAPORE	7 500	SGD	4 813
CTE NORDTEST	13 260	EUR	13 260
CERTIFICATION INTERNATIONAL UK LIMITED	4 800	GBP	5 479
HOLDING SOCOTEC	34 786	EUR	34 786
SOCOTEC INFRASTRUCTURE	10 680	EUR	10 680
SOCOTEC INTERNATIONAL	12 240	EUR	12 240
SOCOTEC OIL & GAS UK LIMITED	2 250	GBP	2 568
SOCOTEC POWER SERVICES	21 420	EUR	21 420
SOCOTEC LIBAN	17 646 795	LBP	10 309
SOCOTEC LUXEMBOURG	18 867	EUR	18 867
SOCOTEC MADAGASCAR	14 466 000	MGA	4 053
SOCOTEC MAROC	85 000	MAD	7 750
SOCOTEC MONACO	5 800	EUR	5 800
CIS	4 245	EUR	4 245
PATRICK LEVY CONSULTING	2 020	EUR	2 020
SOCOTEC POLYNESIA	870 000	XPF	7 291
SOCOTEC REUNION	8 800	EUR	8 800
SOCOTEC CONSULTING MEDITERRANEE (SOCOCONSULT)	77 700	MAD	7 085
SOCOTEC UK LIMITED	130 500	GBP	148 948
SOCOTEC INTER AFRIQUE	5 000 000	XAF	7 622
SOCOTEC OIL & GAS	15 300	EUR	15 300
SOCOTEC OIL & GAS ASIA	4 500	SGD	2 888
SOCO1	10 000	EUR	10 000
SOCO2	7 000	EUR	7 000
SOCOTEC France	198 900	EUR	198 900
SOCOTEC FORMATION NUCLEAIRE	10 000	EUR	10 000
SOCOTEC CERTIFICATION	4 130	EUR	4 130
ZPP INGENIEURE	30 000	EUR	30 000
		TOTAL EUR	**804 989**

NOTE 20 - AVERAGE HEADCOUNT of personnel under open-ended and fixed-term contracts

	2017			2016			Change		
	Executives	Non-executives	Total	Executives	Non-executives	Total	Executives	Non-executives	Total
France Operations	**1 525**	**2 299**	**3 824**	**1 515**	**2 340**	**3 855**	**10**	**(41)**	**(31)**
International Infrastructure, Energy, operations	**355**	**1 032**	**1 387**	**386**	**930**	**1 317**	**(31)**	**102**	**71**
Energy	147	375	522	144	330	475	3	45	48
BELUX	7	136	143	4	130	134	3	6	9
Germany	9	149	158	7	116	123	2	33	35
MEA & Infrastructure	111	205	316	151	166	317	(40)	39	(1)
Certification	22	86	108	19	99	118	3	(13)	(10)
Overseas France	52	80	132	53	88	141	(1)	(8)	(9)
Socotec International	7	1	8	8	1	9	(1)	0	(1)
UK	**83**	**1 016**	**1 099**	-	-	-	**83**	**1 016**	**1 099**
Holding	**36**	**1**	**37**	**45**	-	**45**	**(9)**	**1**	**(8)**
Average total headcount	**1 999**	**4 348**	**6 347**	**1 946**	**3 270**	**5 217**	**53**	**1 078**	**1 131**

NOTE 21 - EVENTS OCCURRING AFTER THE CLOSING OF THE 2017 FISCAL YEAR

In the fourth quarter of 2017, SOCOTEC began an initiative to subsidiarise its main subsidiary SOCOTEC France which accounts for nearly €400 million in revenue. At the conclusion of this project, which should occur by the end of the first half of 2018, SOCOTEC France will be divided into four operational entities which cover Construction & Real Estate, Equipment & Installations, Environment & Safety and Training, as well as a management company that will provide support functions to all the French and group subsidiaries.

NOTE 22 – TRANSACTIONS WITH RELATED PARTIES

The company SophieLux 2 holds an 82.81 % share in SOCO1, parent company of the consolidated Group. SOCO1 bought back shares held by the company Fonds J in September 2017.

The company SophieLux 2, a Luxembourger company, granted a shareholder loan to SOCO1 to finance the acquisition of the SOCOTEC Group.

The principal amount was €222.9 million the accrued interest of €26.5 million was booked to the statement of financial position on 31 December 2017.
The amount of interest entered on the income statement was €31.4 million.