Financial performance

The Group’s revenues increased by 16.9 per cent to £3,793.6 million (2016: £3,393.6 million), and were 12.0 per cent higher in constant currency.

The Group made a statutory profit before tax of £11.7 million, an increase of 28.2 per cent (2016: £87.1 million).

In 2017, we saw another record year of progress for the Group with adjusted1 profit before tax exceeding £100 million for the first time. The Group’s adjusted1 profit before tax increased by 22.9 per cent to £106.2 million (2016: £86.4 million) and by 18.4 per cent in constant currency2.

The Group’s statutory diluted earnings per share increased by 27.2 per cent to 66.5 pence in 2017 (2016: 52.3 pence). The difference between statutory profit before tax and adjusted1 profit before tax primarily relates to the Group’s reported net gain of £5.7 million (2016: £1.4 million) from exceptional items. Further information on these can be found on page 51.

Adjusted1 diluted earnings per share, the Group’s primary measure, increased by 20.6 per cent to 65.1 pence.

Services performance

The Group’s Services revenue increased by 11.5 per cent to £1,157.2 million (2016: £1,037.9 million), and was up 7.3 per cent on a constant currency3 basis.

The UK Services business returned to growth in 2017 after a disappointing 2016 with Services revenues increasing by 6.2 per cent. The growth was led by the Professional Services business which continued the momentum seen towards the end of 2016 into and throughout 2017 with growth of 24.5 per cent driven primarily by a small number of key contracts within the Public Sector. Managed Services growth was 0.2 per cent, which does not reflect the excellent work of renewing and extending a number of key contracts, which increased the Contract Base in a market focused on cost reduction. The UK Contract Base increased by 3.9 per cent in 2017 which, coupled with opportunities currently in transition, and within the pipeline, leaves the business in a positive stance heading into 2018. The UK Services margins increased by 100 basis points during 2017. Continued efforts to reduce cost within the Managed Services business, to match increasing customer expectations of innovation and price reduction on outsourced contracts, have been complemented by well managed recovery on Professional Services engagements, particularly given the level of growth seen during the year.

The German Services business grew by 6.8 per cent in constant currency2, and by 14.4 per cent in reported pound sterling equivalents2 during 2017. Professional Services was at maximum capacity through the year, with a significant balance of resources dedicated to assisting with take-on contracts in Managed Services. Coupled with increasing resource scarcity in the market place, this led to a more modest growth rate in 2017 when compared to 2016. Managed Services continued to focus on stabilising the difficult contracts of 2016, which performed broadly in line with expectations, and with completing three complex contract take-ons with two of these contracts having revenue recognition adjustments for short-term transformation losses within operating costs. A significant focus on contract renewals saw two of the Group’s biggest contracts renewed with enhanced scope, which offset a weak year for new contract wins and resulted in an increase in the Contract Base of 1.9 per cent. German Services margins increased by 30 basis points but continue to materially lag those in the UK and remain both a source of frustration and opportunity for Management. Improving at contract take-on and executing difficult contracts would make a significant difference to the overall result, as the large majority of core performing contracts achieve acceptable margins.

The French Services business grew 15.3 per cent in constant currency2, and by 23.4 per cent in reported pound sterling equivalents2 during 2017. Whilst Professional Services remains small in a Group context, it has benefited from the recent Managed Services wins. The French Managed Services business performed well with the take-on of recent wins going very well and additional scope and contract length extensions assisting growth. The Contract Base fell by 8.7 per cent as at 31 December 2017, due to the loss of one key contract where the customer consolidated its supplier partner bases across its outsourced estate. The focus remains on growing the breadth of the Contract Base and reducing reliance on several very large customers.

The Belgian Services business grew 10.8 per cent in constant currency2, and by 19.0 per cent in reported pound sterling equivalents2 during 2017, due to increasing project activity with existing customers and the take-on of a new Managed Services customer.

It is worth noting that revenue for work performed by other Computacenter entities on behalf of several key French contracts has been reclassified to the French Segment. Historically these revenues have been recorded in the Segment where the associated underlying subsidiary recognises the revenues in its statutory accounts. For Segmental analysis, all of our offshore internal service provider entities (for example Computacenter USA) are allocated to the UK Segment apart from Computacenter Switzerland which is within the German Segment. As the work performed in certain offshore subsidiaries has grown within the UK Segment, Management decided to reallocate these revenues intersegmentally to reflect better where the portfolio coordination and operational responsibility lies and where the benefits should accrue. We have therefore restated the French and UK Managed Services revenue for 2018, to assist with understanding the growth in each business and to ensure period-on-period comparisons reflect true underlying growth. This has no impact on Group revenue or on Segmental profitability, as the margins were previously shared on the same basis that the revenue now reflects. Further information on this Segmental revenue restatement can be found in note 4 to the Consolidated Financial Statements. All discussion within this Annual Report and Accounts on Segmental Managed Services revenues for the UK and France reflect this reclassification and resultant prior period restatement.

Supply Chain performance

The Group’s Supply Chain revenue increased by 19.4 per cent to £2,636.2 million (2016: £2,207.5 million) and by 14.3 per cent on a constant currency2 basis.

Revenues for the UK Supply Chain business accelerated through the second half of the year, building on an already strong start to 2017, and saw a full year increase of 10.1 per cent. Strong growth was seen in Software and Networking, offsetting a decline in Datacenter. The value-add that the Group provides to customers across hardware and software sales is reflected in our ability to remain agile in the marketplace, so we can respond to our
Throughout the Group, customer demand is driven by customers transforming their end user experience through digitalised workplaces, increasing investment in networking and security, and a continued move to private cloud that parallels the demand for public cloud services. This is all occurring in a marketplace that is another year closer to Windows 10 migration deadlines, as legacy Windows 7 moves closer to being out of support. This is driving workplace infrastructure refreshes and re-energising our Workplace business.

### Strategic investment

To maintain its organic growth, Computacenter has continued to invest strategically, which has been a feature of recent years. Whilst the growth outlook for 2018 remains challenging after such a strong 2017, Management remains committed to this pace of investment in 2018. This will ensure the focus remains on the Group’s longer-term prospects rather than short-term growth which could be artificially inflated by reducing investment to the detriment of the long term.

Our strategy is focused on enabling users and their business to make digital work. Just six months after announcing our sales and service partnership with ServiceNow, we have made a strategic acquisition to enhance our commitment to the ServiceNow platform, continuing to guide our customers on their digital transformation journey through integrated cloud services. The acquisition during the year of TeamUltra which implements Service Management software, and is a ServiceNow Gold Services partner, makes us one of the leaders in the ServiceNow Services partner ecosystem, benefiting from one of the most experienced pools of ServiceNow specialists in Europe with over 600 projects and implementations. The TeamUltra acquisition means that we can link ServiceNow’s cloud-based Service Management platform for ITSM, customer service management, security operations, IT operations management and more, with Computacenter’s award-winning Next Generation Service Desk (NGSD) and Digital Workplace offering, launched in 2015 and 2016 respectively.

At the beginning of the year, the Group bolstered its Professional Services business in Switzerland by acquiring local company cITius. Computacenter Switzerland has traditionally operated only with Managed Services customers. The acquisition has added approximately one third to the headcount and introduced a Professional Services business to the country. The Group intends to expand its offerings in each core country, to include Managed Services, Professional Services and Supply Chain. With both Services businesses now in place in Switzerland, it will be significantly easier to add a Supply Chain capability in the future.

The new Kerpen warehouse and office complex facility is on schedule to open later in 2018. It will offer state-of-the-art premises for both our German headquarters and provide more capability and volume throughput to our Supply Chain business, which has reached the limits of our existing facility.

### Outlook

The growth rates we recorded in 2017 meant we achieved record Group revenues, adjusted profit before tax and adjusted diluted EPS, and set ourselves a high bar to outperform in 2018. However, with a tailwind from the Return of Value completed in February 2018, we expect 2018 will be a year of progress in our primary measure of adjusted diluted EPS.

We have seen good growth in our German business for the last few years, which we believe should continue with rising revenue from our Supply Chain business and margin improvement from our Services business. The UK business should return to operating profit growth in 2018, helped by recent contract wins and solid market conditions. In France, where we have experienced strong operating profit growth for the last two years, we expect 2018 to be challenging as we have significant contract renewals and we will not have the benefit of a particularly successful project that finished at the end of 2017. We are hopeful that we will grow our footprint beyond our current geographies more successfully in the coming years.

Across the Group, the two major trends that we have highlighted over the last few years have strengthened still further. Firstly, our customers’ appetite to invest in digitalisation to enhance their customers’ and users’ experience continues to grow. Secondly, our customers increasingly want to reduce the ongoing cost of running their IT, by introducing more innovative solutions such as automation. These trends are driving Computacenter’s growth in Supply Chain and Professional Services and are motivating us to invest, to enhance our competitiveness in Managed Services, which we are.
Our performance in 2017 continued

The UK had a strong return to revenue growth during 2017, driven predominantly by Supply Chain and Professional Services.

Revenues in the UK business increased by 8.8 per cent to £1,496.4 million (2016: £1,375.9 million).

The UK had a strong return to revenue growth during 2017, driven predominantly by Supply Chain and Professional Services.

Margins in the UK declined 40 basis points with total adjusted operating profit falling from 14.7 per cent to 14.3 per cent of revenues. This reflected continued competitive pressures and a change in product mix towards lower margin software revenues. Services margins increased during the year due to several large Professional Services engagements leading to improved utilisation of the central resource engines.

This resulted in overall adjusted gross profit growing by six per cent to £214.8 million (2016: £202.5 million).

Administrative expenses increased by 13.2 per cent, well ahead of the increase in adjusted gross profit. As the UK, and the Group, returned to strong profit growth, the performance bonus and other variable pay attributable to Management and employees increased. The UK Segment continues to absorb the majority of the Group’s strategic investment expenditure through its Consolidated Income Statement. Where permissible, certain Group Executive Management and Group governance costs are recharged to other Group Segments. However, the UK Segment continues to incur the majority of Group Executive Management and Group governance costs, as the Group is UK domiciled.

Overall, this resulted in adjusted operating profit decreasing by 18.2 per cent to £38.3 million (2016: £46.8 million). There was no difference between adjusted and statutory operating profit.

Services performance

The UK Services revenue increased 6.2 per cent to £505.8 million (2016: £476.1 million), with Professional Services growing 24.5 per cent and Managed Services showing 0.2 per cent growth.

The strong Professional Services revenue growth was driven by orders taken in late 2016, particularly in the Public Sector, which have been delivered and recognised during 2017.

Our continued focus on ensuring support and delivering for our customers resulted in some margin erosion during the year.

The Professional Services business saw a significant increase in demand for Networking and Security consulting in 2017. This helped us to achieve our revenue targets and continue our journey towards helping customers deliver their digital strategies in a safe environment.

Growth in Workplace was more modest than expected.

United Kingdom

<table>
<thead>
<tr>
<th>Revenue (£m)</th>
<th></th>
</tr>
</thead>
<tbody>
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<td>1,496.4</td>
<td>+8.8%</td>
</tr>
</tbody>
</table>

Adjusted operating profit (£m) -18.2%

38.3m

Services Contract Base (£m) +3.9%

321.1m

Revenue by business type (%)

1. Workplace 21%
2. Datacenter & Networking 18%
3. Software 18%
4. Resold Services 9%
5. Professional Services 10%
6. Managed Services 24%
This was another busy year for Managed Service contract renewals, particularly in the Public Sector. We believe this reflects the business’s quality of service and commitment to its customers. We remain aware, however, of customers continuing to bring renewal discussions forward, prior to the end of their initial term. Renewing contracts puts pressure on both revenue and margins within those contracts. In 2018, there are a number of key contract renewals to be undertaken and one significant low margin multinational contract, where the customer has made a decision to insource globally and early terminate the contract, and Computacenter, as one of the three global service providers will be impacted. This could have a circa £30 million impact on the overall Managed Services Contract Base but relatively small impact on profitability. We are focused on growing the Contract Base and pipeline, and delivering service quality and improvements that will support the renewal and extension of our current contracts. During the year, we were pleased to see a number of Managed Services wins, however the combined Annual Contract Value (ACV) of these were offset by losses and contracts renewed for lesser value, leading to a 3.9 per cent Contract Base growth. We are confident of successfully transitioning the new wins during the coming year.

Supply Chain performance
The Supply Chain business had another year of contrasts. It grew by 5.0 per cent in the first half and by 14.3 per cent in the second half, with the fourth quarter delivering 18.0 per cent growth, driven by strong software performance. This resulted in 10.1 per cent growth for the full year, to £990.6 million (2016: £899.8 million), despite some component availability challenges towards the end of the year. Fulfilling these orders early in the new year gave rise to a positive start to 2018. Software revenues grew by 43.0 per cent in the year and represented 27.0 per cent of Supply Chain revenue in 2017 (2016: 20.8 per cent). Supply Chain revenues were particularly strong in both Workplace and Networking, with customer expenditure declining in Datacenter. Supply Chain margins again came under pressure, most notably in Workplace, but the Datacenter margin slightly improved despite the revenue decline.
Computacenter’s creative and flexible approach enabled us to establish a cloud environment that accelerates innovation and boosts our competitive advantage.

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Improving product development through a new private cloud

We worked with Liberty Global at every stage of designing and building their new private cloud, from strategic advice to network configuration. The new environment frees Liberty Global from a 12-month development cycle, so they can launch new features every month and enrich the experience of their 25 million customers.

Colin Miles
Vice President Datacenter Technology
Liberty Global
UK
Inspiring creative teamwork through collaboration infrastructure
Innovation is key to Sennheiser’s business plans. To connect its international teams and external partners through its Innovation Campus, we developed and implemented an integrated virtual meeting and office applications platform. This makes communication faster, improves collaboration and creates optimal conditions for the teams to work.

“Computacenter completely understood our requirements and has become an IT partner we can truly rely on.”

Thorsten Traupe
Head of IT Infrastructure
Sennheiser
Germany
Services margins slightly improved but not to the extent expected. The critical contracts in our Managed Services business that affected performance throughout 2016 have been stabilised and ended up as planned from a financial perspective. However, a small number of new business take-ons underperformed as they were more complex than anticipated and substantially impacted our overall Services margin in the short term. This resulted in overall adjusted gross profit growing by 16.4 per cent to €249.6 million (2016: €214.4 million), and by 25.0 per cent in reported pound sterling equivalents.*

Administrative expenses increased by 6.1 per cent to €181.3 million (2016: €170.9 million), and by 13.6 per cent in reported pound sterling equivalents.* Whilst a pleasing overall performance and significantly lower than the increase in adjusted gross profit, this was slightly more than planned. The increase was primarily driven by higher bonuses and commissions, due to the improved performance of the business. In addition, we have taken some restructuring costs to manage low performing areas. Overall headcount remained similar to 2016.

Total revenue increased by 15.5 per cent to €1,965.9 million (2016: €1,702.6 million), and by 23.9 per cent in reported pound sterling equivalents.*

The good performance in 2017 was driven by a very strong Supply Chain business, which achieved double-digit growth. We strengthened our number one position in Germany for Cloud, Networking and Security infrastructure projects.

Margins in Germany increased by 10 basis points with adjusted gross profit increasing from 12.6 per cent to 12.7 per cent of revenues. Overall, Supply Chain margins improved during 2017, supported by our strong business mix towards Datacenter, Security and Networking. Stronger margins were seen within Networking and Security, while margins in Cloud and Datacenter were a little weaker, driven by two large procurement contracts, and margins were flat in our Workplace business.

Our performance in 2017 continued

We have seen ongoing strong customer spending on their infrastructure, based on the changes required by their digitalisation efforts.
Adjusted\textsuperscript{1} operating profit for the German business increased by 57.0 per cent to €68.3 million (2016: €43.5 million), and by 69.9 per cent in reported pound sterling equivalents\textsuperscript{2}.

Statutory operating profit increased by 49.7 per cent to €69.9 million (2016: €46.7 million), and increased by 61.9 per cent in reported pound sterling equivalents\textsuperscript{2}.

We should be able to grow the Supply Chain business again in 2018, based on the strong German economy and our customers’ ongoing investments into Network infrastructure, Security and Cloud, as well as increasing demands driven by Windows 10. Margin improvements in Managed Services will be driven by further stabilisation of difficult contracts and cost reduction. While resource shortages in the German market will be an ongoing challenge for the whole German IT industry and for Computacenter, overall the outlook remains positive.

**Services performance**

Services revenue grew by 6.8 per cent to €598.2 million (2016: €560.1 million), and grew by 14.4 per cent in reported pound sterling equivalents\textsuperscript{2}. This included growth of 2.2 per cent in Professional Services and 8.8 per cent in Managed Services, both on a constant currency\textsuperscript{3} basis.

In 2017, the Managed Services business was focused on three areas. First of all, renewals, secondly, win new business and, thirdly, stabilising the known difficult contracts won in 2016. We have had success in the first area, renewing two of our biggest Services contracts. The first of these is providing all networking services worldwide for a large automotive manufacturer. The second is a global service desk for a leading aerospace multinational. This helped to secure the base and reflects our strong customer relationships and quality of service. Whilst renewing key contracts remains crucial, we have struggled to win further significant new Managed Services contracts in 2017 and this now becomes the major focus for 2018. The difficult contracts from 2016 have been stabilised, and the overall outcome for 2017 was in line with expectations. During 2017 three significant new Managed Service contract take-ons commenced following wins in 2016. One of these has gone well, however the other two have seen overruns in time and cost, leading to revenue recognition adjustments for short-term transformation losses within operating costs taken during 2017. These contracts remain a distraction for the Managed Services business.

Whilst our Professional Services business still has a high customer demand for technology projects, proof of concepts, migrations and rollouts, we continued to have difficulty sourcing the level of resources needed to address all these demands. This resourcing issue was further impacted by the support required from the Professional Services business to assist with the new take-ons in Managed Services which required more resources for longer, impacting the ability of Professional Services to address the demand for growth in their core portfolio.

In 2018, these take-ons will come to an end and we should have more capacity for running technology projects for other customers outside of the Managed Services environment. Professional Services activities on its own was dominated by services relating to the Digital Workplace, Security, and building and expanding Cloud infrastructures for our customers.

**Supply Chain performance**

Supply Chain revenue grew by 19.7 per cent to €1,367.7 million (2016: €1,142.5 million), and grew by 28.5 per cent in reported pound sterling equivalents\textsuperscript{2}. The German Supply Chain business performed strongly in 2017, after an excellent 2016, and was the major driver for the overachievement in our overall performance.

All three business lines, Workplace, Cloud and Datacenter, and Networking and Security achieved double digit growth during 2017. We have seen an outperforming growth in Networking and Security compared to 2016. We believe that Computacenter is by far the biggest player in this market segment in Germany, as ranked by key vendor partners. As predicted we have also seen a growing Workplace business and demands in regards of Windows 10 migrations are still ahead of us. We see a strong momentum for 2018 to grow the business further.
Our performance in 2017 continued

France

Revenue [€m]  
581.3  
+13.0%

Adjusted1 operating profit [€m]  
6.3m  
+80.0%

Services Contract Base [€m]  
86.6m  
-9.7%

Revenue by business type (%)  

1. Workplace 44%  
2. Datacenter & Networking 19%  
3. Software 13%  
4. Resold Services 3%  
5. Professional Services 4%  
6. Managed Services 17%

Our Supply Chain business volume is back to the level we saw prior to our strategic decision to move away from high volume, low margin and working capital intensive activities.

Total revenue increased by 13.0 per cent to €581.3 million (2016: €514.3 million), and by 21.3 per cent in reported pound sterling equivalents1.

The French business performed well in 2017 and ended the year ahead of our expectations. This performance was driven by significant growth in both Services and Supply Chain. Our Supply Chain business volume is back to the level we saw prior to our strategic decision to move away from high volume, low margin and working capital intensive activities. Early in 2017, we successfully took on two new Managed Services contracts and both contributed well throughout the year.

After a few years of transforming our business model in France, we believe that our 2017 performance shows that our strategic investments have paid off. We are pleased with this performance and remain confident that our strategy is the right one. We will therefore continue to focus on large organisations, helping their IT decision makers to enable users with advanced support and guidance and supporting their businesses by delivering outstanding infrastructure services and solutions. However, we are also aware that 2018 will be a challenging year for our French business, as we have some important contract renewals ahead of us.

In this context, our alignment with our Group propositions and service capabilities remains key. To enforce this alignment and support further growth, we have signed off an investment plan for 2018 to increase significantly our resources in infrastructure solutions presales.

We appointed Arnaud Lepinois as the new Country Unit Director and successor to Lieven Bergmans. The handover process between Lieven and Arnaud started early in 2018 and will conclude on 1 July 2018.

Margins in France increased by 40 basis points with adjusted1 gross profit increasing from 10.1 per cent to 10.5 per cent of revenues.

Services margins improved substantially over 2016, with several key Managed Services take-ons performing well. Supply Chain margins remained strong, albeit fractionally down from their 2016 record.

This resulted in overall adjusted1 gross profit growing by 17.1 per cent to €60.9 million (2016: €52.0 million), and by 25.9 per cent in reported pound sterling equivalents2.

Administrative expenses increased by 12.6 per cent to €54.6 million (2016: €48.5 million), and by 21.0 per cent in reported pound sterling equivalents2, which was less than the increase in adjusted1 gross profit. The increase was primarily due to variable pay growth related to the French performance.

Our performance in 2017 continued
Adjusted\(^1\) operating profit for the French business increased by 80.0 per cent to €6.3 million (2016: €3.5 million), and by 93.1 per cent in reported pound sterling equivalents\(^2\).

Statutory operating profit increased by 200.0 per cent to €6.3 million (2016: €2.1 million), and increased by 229.4 per cent in reported pound sterling equivalents\(^2\).

**Services performance**

Services revenue increased by 15.3 per cent to €119.7 million (2016: €103.8 million), and increased by 23.4 per cent in reported pound sterling equivalents\(^2\).

Our expectations for our 2017 Managed Services performance were high and we were pleased to exceed even those ambitions. We achieved revenue growth of 16.6 per cent in constant currency\(^2\) and 24.9 per cent in reported pound sterling equivalents\(^2\). This performance was mainly driven by the successful implementation of the 2016 Managed Services wins and our ability to extend existing contracts with additional scope and projects.

The only disappointing aspects of the year were the loss of a key utility customer, due to its desire to consolidate suppliers, and only moderate success in winning further Managed Services opportunities to begin in 2018. This resulted in a decrease of 9.7 per cent in the Managed Services Contract Base at 31 December 2017, which creates a headwind for 2018 Managed Services growth. We are, however, encouraged by some wins in the Managed Services space at the end of 2017, such as a four-year end user support contract with Pole Emploi, the French governmental employment agency, and we have a promising short-term pipeline. In 2018, it will be of utmost importance to identify and win new Managed Services opportunities and to make our existing Contract Base future-proof, by driving innovation with our customers.

Although the volume of activity remains relatively small, our Professional Services business saw pleasing growth of 9.5 per cent in constant currency\(^2\), with similar ambitions for growth in 2018. We are confident we can achieve this, as we have further refined our target customer base, improved vendor partnerships and defined a clear portfolio of solutions around Workplace, Mobility, Datacenter, Network and Security.

**Supply Chain performance**

In 2017, we restored Supply Chain volumes to their 2015 level, after an 11.0 per cent decline in constant currency\(^2\) in 2016, due to the change in strategic approach. We achieved revenue growth in 2017 of 12.4 per cent to €461.6 million (2016: €410.5 million), and by 20.7 per cent in reported pound sterling equivalents\(^2\).

Having achieved a real improvement in gross margin in the previous year, we were pleased to increase volumes in 2017 while maintaining this improved gross margin.

Improving our business mix towards Datacenter and Networking remains a priority and we made good progress in 2017, with revenue growth in Datacenter and Security of 31 per cent, compared to growth in Workplace of approximately 5 per cent.

We will continue to drive growth by securing our market share in the Public Sector and striving for ambitious growth in strategic private sector accounts.
Enabling user independence and innovation in a high availability service
We implemented a comprehensive digital workplace service, including remote and on-site support, for Pôle Emploi’s 55,000 employees. By enabling users to take control of their workplace, digitalising the support interface and automating processes such as through chatbots, both employee engagement and productivity have been increased.

“Computacenter convinced us of their ability to support our users and to accompany us on our innovation journey.”

Gilles Collet
Purchasing Lead
Pôle Emploi
France
Belgium

Revenue (€m)

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<th>Total Revenue (€m)</th>
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<tr>
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<td>65.4</td>
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<tr>
<td>2013</td>
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+2.0%

Adjusted¹ operating profit (€m)

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<th>Year</th>
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<td>2017</td>
<td>1.5</td>
</tr>
<tr>
<td>2016</td>
<td>1.2</td>
</tr>
</tbody>
</table>

+25.0%

Jurgen Strijkers
Managing Director, Belgium

For the fifth consecutive year, we achieved the number one spot for End User Outsourcing in the Belgium-Luxembourg market.

The Belgian business performed well in 2017, which was in line with expectations, and continued to generate top line growth. Total revenue increased by 2.0 per cent to €70.8 million (2016: €69.4 million), and by 9.3 per cent in reported pound sterling equivalents².

Margins in Belgium increased by 110 basis points with adjusted¹ gross profit increasing from 13.2 per cent to 14.3 per cent of revenues. This resulted in overall adjusted¹ gross profit growing by 12.1 per cent to €10.2 million (2016: €9.1 million), and by 18.7 per cent in reported pound sterling equivalents².

Administrative expenses increased by 10.1 per cent to €8.7 million (2016: €7.9 million), and by 16.9 per cent in reported pound sterling equivalents², which was less than the increase in adjusted¹ gross profit.

Profitability in 2017 was affected by a minor restructuring exercise and by strategically important local investments, in order to take full advantage of Group capabilities and to raise efficiency in our local operations. The benefits of these investments are expected to materialise in 2018 and beyond, with the improvement of our solutions business and the momentum we see in the market.

Adjusted¹ operating profit for the Belgian business increased by 25.0 per cent to €1.5 million (2016: €1.2 million), and by 30.0 per cent in reported pound sterling equivalents².

Statutory operating profit increased by 27.3 per cent to €1.4 million (2016: €1.1 million), and increased by 33.3 per cent in reported pound sterling equivalents².

Through our Professional Services business we delivered a significant Unified Communication solution, enabling end user collaboration for an automotive customer. In addition, we delivered a mobile collaboration solution across different geographies for a customer in the pharmaceutical industry, enabling them to engage with their customers.

At the end of 2017, we renewed the end user Managed Services contract with a global customer in financial services for another four years. We believe this reflects our strong customer relationship and quality of service, which is also confirmed by the Whitelane satisfaction survey for 2017. For the fifth consecutive year, we achieved the number one spot for End User Outsourcing in the Belgium-Luxembourg market.

Supply Chain performance

Supply Chain revenue decreased by 2.4 per cent to €45.2 million (2016: €46.3 million), and grew by 4.5 per cent in reported pound sterling equivalents².

Whilst competition remains strong in the local market, we continue to benefit from the loyalty of our customers. Although revenue has decreased, our profitability in this segment has increased through a greater focus on delivering value to customers.

Services performance

Services revenue increased by 10.8 per cent to €25.6 million (2016: €23.1 million), and by 19.0 per cent in reported pound sterling equivalents². This included growth of 8.7 per cent in Professional Services and 11.1 per cent in Managed Services, both on a constant currency¹ basis. This increase was driven by additional projects with existing customers, as well as by the on-boarding of a new Managed Services customer in the automotive sector.

Jurgen Strijkers
Managing Director, Belgium