

INTEGRATED REPORT

2017

Unlocking  
THE  
talents  
IN OUR SMEs

# 2017 HIGHLIGHTS



## HUMAN CAPITAL

**4** new talents  
in the Eurazeo  
PME team

Alexis, Florent and Charles have joined the investment team and Margaux has joined the corporate team. In 2018, Anne will boost our competencies in management & organization. ■

**500**  
hirings at Smile  
over the next  
4 years

Following the 2017 acquisition of Smile, a French Open Source leader, Eurazeo PME approved the Open Arrow 2021 strategic plan with an objective to attract more than 500 talents in 4 years. ■



## FINANCIAL CAPITAL

**Eurazeo PME III**

**€658** M

were raised for the Eurazeo PME III fund: €408 million from Eurazeo and €250 million from third parties, including €20 million from private investors that chose French private equity. ■

**Sale of  
Colisée Group**

**2.5x**

multiple achieved on the sale of Colisée Group to IK Investment Partner for €236 million, three years after the acquisition. ■



## INDUSTRIAL CAPITAL

**Acquisition of  
In'Tech Medical**



**57%**

Eurazeo PME became a 57% shareholder of In'Tech Medical, leader in the manufacture of orthopedic surgical instruments. The ambition we shared with management is to develop the product offering and expand its worldwide coverage. ■



## INTELLECTUAL CAPITAL

**3** new digital  
projects at  
Redspher

The 3 digital projects rolled out in 2017 enabled Redspher to generate additional revenues of €7 million

**15**  
deals  
completed

**2 acquisitions  
at Eurazeo PME III**  
(Smile, In'Tech Medical)

### 11 build-ups

EF Express (Redspher Group),  
Jacques Boulard (Odealim Group),  
Upela (Redspher Group),  
P.12 (Colisée Group),  
Netwave (Orolia)  
Touvet (Odealim Group),  
Schwerdtfeger (Redspher Group),  
Envie de Fraise (MK Direct Group),  
Pyxidis (In'Tech Medical)  
Insor (Odealim Group)  
Virtua (Smile)

### 2 disposals

Colisée Group, Fondis Bioritech



## ENVIRONMENTAL CAPITAL

**AROUND €3** M  
in avoided costs

The portfolio companies are stepping up the roll-out of their CSR strategies. ■



## SOCIAL & RELATIONSHIP CAPITAL

**€3**  
**BILLION**  
in socio-  
economic  
impacts

In 2017, we analyzed for the first time the socio-economic footprint of Eurazeo PME and its investments worldwide. ■

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Virginie Morgon/ Olivier Millet

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**E**urazeo PME has embarked on a new sustainable growth cycle combining innovation and talent development.



### 2017, a thrilling year!

In addition to the successful launch of the Eurazeo PME III fund, we carried out two major acquisitions - Smile and In'Tech Medical -, sold Colisée and completed 11 external growth transactions and 2 refinancings. The results, in line with our goal (16% NAV growth on a comparable scope basis), and the Colisée sale price reflect the outstanding contributions of our teams and those of our investments.

### Eurazeo PME footprint: 89,000 jobs and €3 billion per year

For the first time, we measured the socio-economic footprint of our activities. With our co-investors, we support over 89,000 jobs worldwide and generated nearly €3 billion in economic impacts in 2016. This integrated report\* contains a sum-

mary of the study available on our website.

Other new features this year: we have promoted for a digital version for our integrated report ([www.rapport-integre-urazeo-pme.com/2017](http://www.rapport-integre-urazeo-pme.com/2017)), and completed our materiality analysis by consulting our main stakeholders. Many of you took the time to respond to our survey and we would like to thank you.

### Talent innovation and acceleration are crucial to the transformation process

Convinced that our added value lies above all in our ability to innovate and accelerate the sustainable transformation of our companies, we continue to expand our internal expertise. Following the arrival of Patrice Henry as Operating

partner last year, we are delighted to welcome Anne Dousset as Senior Advisor in Management & Organization in 2018.

At the same time, we wish to boost our international coverage in the next few years in Germany, Spain and Italy to better identify and analyze potential acquisitions.

In the same vein as Eurazeo PME II, the €658 million raised will enable us to support the growth of about ten French SMEs over the next 5 years. French SMEs/SMLs are awakening; we are ready to support them!

### Olivier Millet

*Chairman of the Eurazeo PME Executive Board and Member of the Eurazeo Executive Board*

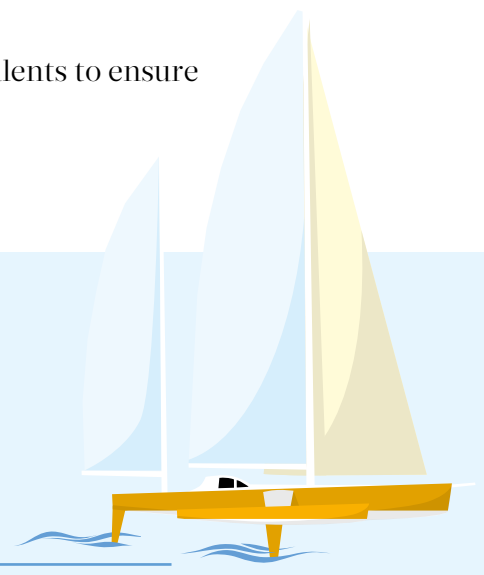
\* For further information on the integrated reporting approach: [www.integratedreporting.org](http://www.integratedreporting.org)

# OUR BUSINESS MODEL

## SPEED UP THE GROWTH OF FRENCH SMEs

Our growth over these past 10 years illustrates the robustness of our business model.

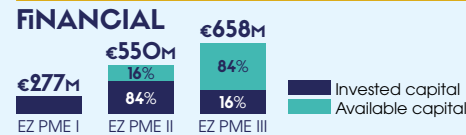
In addition to injecting capital, we pool together talents to ensure sustainable and shared growth.



### EURAZEO PME RESOURCES\*

#### HUMAN

**19 EMPLOYEES**  
 Within 3 teams  
 ■ Executive Board and investment team  
 ■ Operational support  
 ■ Corporate functions  
 with the support of the Eurazeo teams



#### INTELLECTUAL

**68 DEALS**  
 acquisitions, build-ups, disposals - have strengthened recognized know-how since 2006

#### SOCIAL & RELATIONSHIP

**80 PARTNERS**  
 banks, legal firms, consulting firms, communication agencies, etc

#### MANUFACTURING

**€785M INVESTED**  
 since 2006, including €121M in 2017

#### ENVIRONMENTAL

**10 tons of CO<sub>2</sub> eq.\***  
 emitted in 2017. A carbon footprint mainly generated by Eurazeo PME offices and travel  
 \*Scope 1 and 2



### BUSINESS MODEL



**01**

WIN THE CONFIDENCE OF FRENCH AND INTERNATIONAL INVESTORS



**02**

DETECT HIGH-GROWTH COMPANIES



**03**

ACT AS A MAJORITY SHAREHOLDER



**04**

MONETIZE AND SHARE THE VALUE CREATED



### IMPACTS ON OUR ECOSYSTEM

#### HUMAN

**6,109 JOBS**  
 in portfolio companies in 2017

#### FINANCIAL

For the 7 companies sold:  
**2.3x** the average investment multiple on divestment  
**23%** average annual return over the transformation period (IRR)

#### INTELLECTUAL

**€8.3M**  
 devoted by the companies to research & development programs in 2017

#### LABOR & SOCIETAL

**€753M**  
 in purchases that contributed to economic activity and job growth in 2017

#### MANUFACTURING

**€238M INVESTED**  
 by the companies for their development in 2017

#### ENVIRONMENTAL

**7,500 tons of CO<sub>2</sub> eq.\*** the total emissions from all companies in 2017  
 \*Scope 1 and 2

\* Excluding portfolio companies



**Olivier Millet**  
Chairman of the Eurazeo PME  
Executive Board and Member  
of the Eurazeo Executive Board

## OUR VISION TRANSFORM OUR COMPANIES WITH PASSION AND ENTHUSIASM

### INTERVIEW

#### VIRGINIE MORGON & OLIVIER MILLET

Chairwoman of  
the Eurazeo PME  
Supervisory Board

Chairman of  
the Eurazeo PME  
Executive Board

**With the change in its governance, Eurazeo has redefined its strategic priorities. How does Eurazeo PME fit into your strategy?**

**Virginie Morgon** ▶ Eurazeo has radically transformed itself over the past few years based on three primary thrusts: internationalization, business diversification and third-party fund management. Eurazeo PME, which dovetails perfectly with these strategic priorities, is a major division for the Group, as its creation was the first phase in our business expansion.

**Olivier Millet** ▶ Within Eurazeo, Eurazeo PME's role is to ramp up the transformation of French SMEs/SMLs to turn them into international

midcap champions. The successful Eurazeo PME III fundraising has enabled us to further our substantial growth and boost our socio-economic impact, while remaining very selective in terms of our investments. We have already invested in 2 companies in 2017: Smile and In'Tech Medical, two high-potential investments with committed management teams.

**V. M.** ▶ Eurazeo PME, which now comprises 19 professionals, is still the best illustration of what we hope to achieve when we transform a company. In 8 years, it has grown sixfold, the team has completed over 58 high added-value deals, and it has been a pioneer in third-party fund management.

“WE WORK  
TO TRANSFORM  
OUR COMPANIES  
AND, TO A GREATER  
EXTENT,  
SOCIETY ITSELF.”

**Olivier Millet**

**O. M.** ▶ Our exceptional growth has not changed our DNA, which is based on 4 fundamental beliefs: strict investment discipline, patience to support the long-term vision in our companies, cutting-edge expertise, and close relations with our stakeholders.

•/••



**Virginie Morgon**  
 Chairwoman of the Eurazeo PME  
 Supervisory Board and of the  
 Eurazeo Executive Board

**Beyond your skills as an investor, isn't it the ability to offer experts to support companies in their transformation that makes all the difference?**

**V. M.** ▶ We do not simply provide capital. We are entrepreneurs who, on behalf of our shareholders or commissioning agents, are committed to management teams over the long term. Our common goal: develop the necessary human and financial resources to transform our companies and seize investment opportunities to support their future growth. Our expanded international reach, and more specifically our New York office, contribute fully to achieving this goal.

**O. M.** ▶ This is a crucial time. France is awakening and rediscovering its managerial and technological talents. The key challenge is to provide companies with human, logistical, financial, international and CSR support as well as an equity stake. For example, digitization is a pivotal

issue for our companies. We have to anticipate and manage disruptions caused by Big Data, artificial intelligence or the omnichannel approach.

**In an increasingly competitive private equity industry, how do Eurazeo and Eurazeo PME stand out from other investment companies?**

**V. M.** ▶ We are ethical and committed, and we expect the same high standards from the management of our companies as we do from ourselves. For us, setting an example is essential to establishing our credibility with the investors and companies that join the Eurazeo Group.

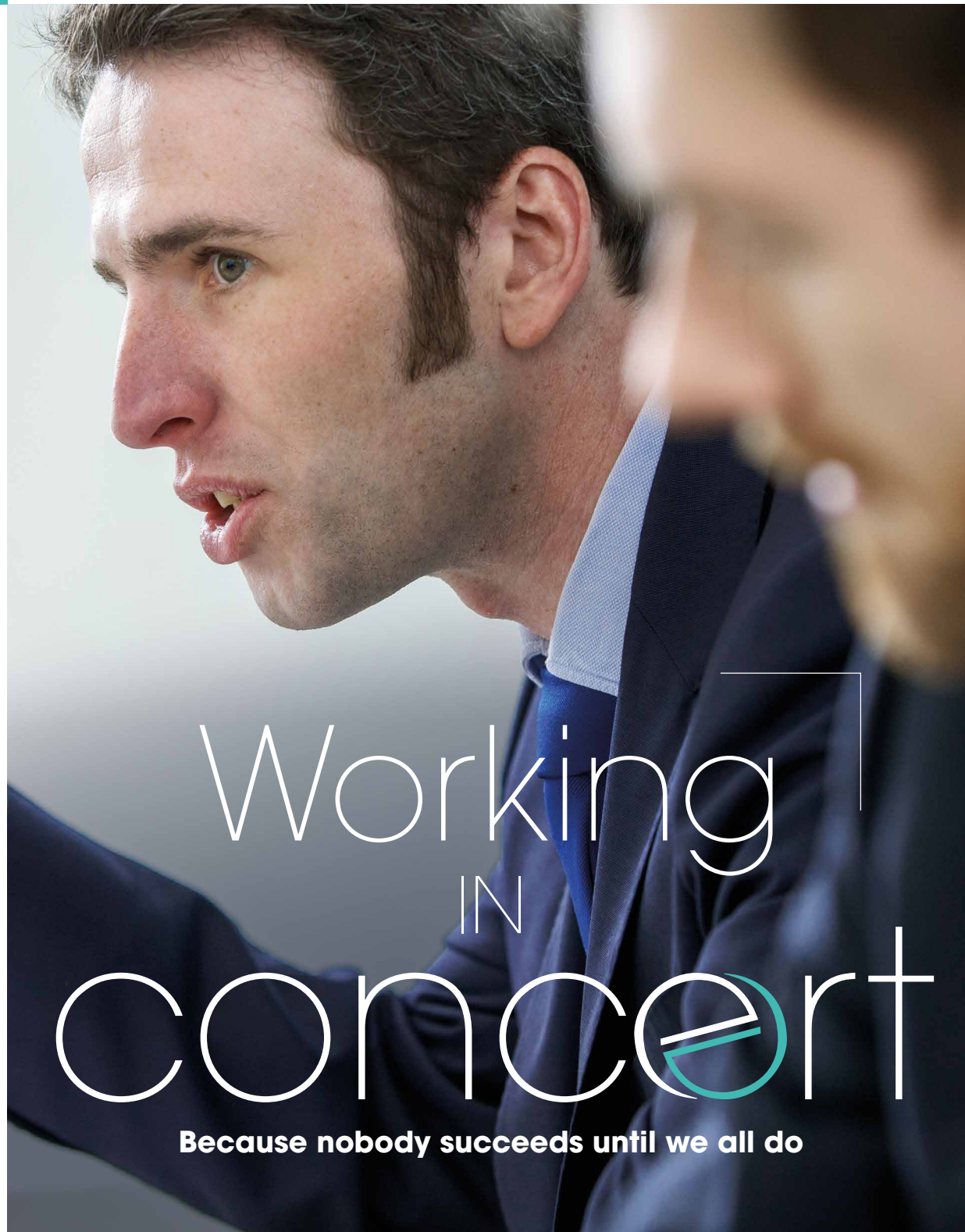
**O.M.** ▶ We work in complete trust. Based on this trust, we can obtain more capital and forge an ambitious project over the long term with the management of our companies.

**V.M.** ▶ And, finally, I'd like to add

“WE ARE ETHICAL AND COMMITTED, AND WE EXPECT THE SAME HIGH STANDARDS FROM THE MANAGEMENT OF OUR COMPANIES AS WE DO FROM OURSELVES.”

**Virginie Morgon**

that we also fill our companies and partners with enthusiasm. Many of the companies in which we invested, chose us because they were keen to join the Eurazeo Group. This is the greatest symbol of Eurazeo's success!

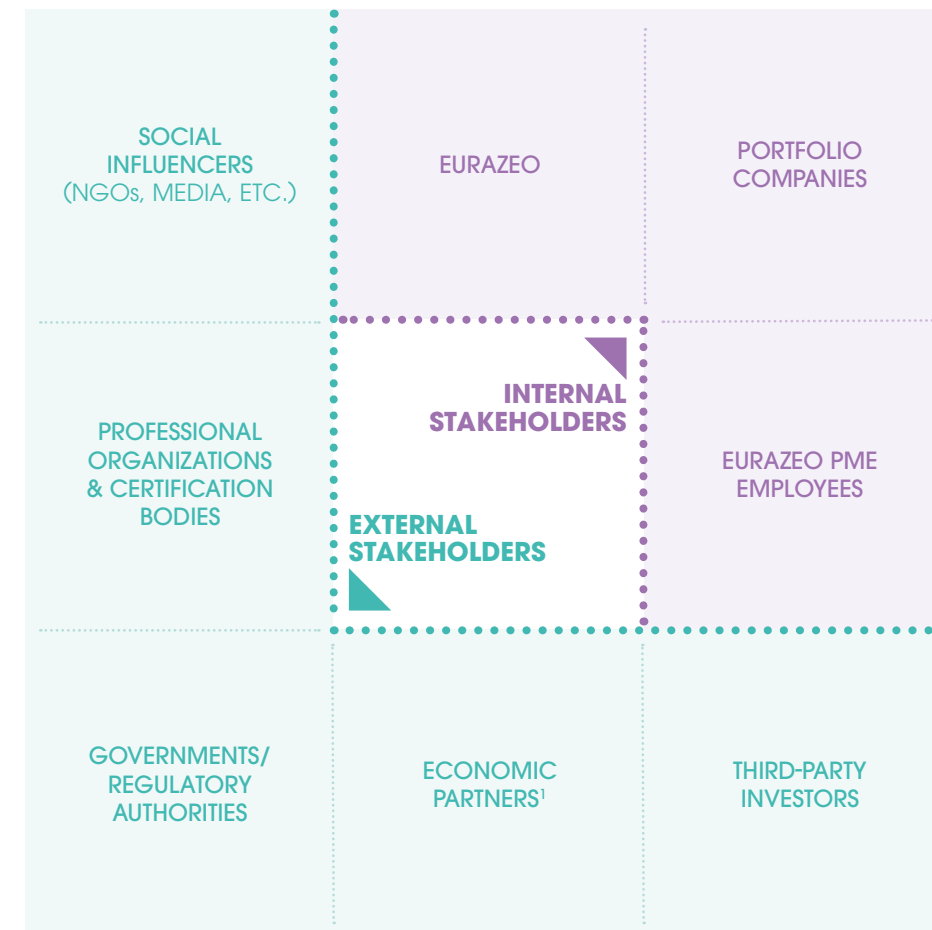


## OUR ECOSYSTEM

# WORKING WITHIN A TRUSTWORTHY NETWORK

Maintaining an ongoing dialogue and understanding our stakeholders' expectations are decisive in our activities, whether it be to better anticipate new social trends, create an atmosphere of trust within our ecosystem or boost our appeal.

**1,500**  
STAKEHOLDERS  
CONSULTED



Between September and November 2017, we contacted 1,500 stakeholders as part of our materiality analysis. A broad range of respondents confirmed their engagement. What they expect from us is innovation and support for sustainable growth using a hands-on approach.

<sup>1</sup> Employees of portfolio companies, business providers, banks and lenders

OUR MATERIAL TOPICS

# COMMIT TO INCLUSIVE GROWTH OBJECTIVES

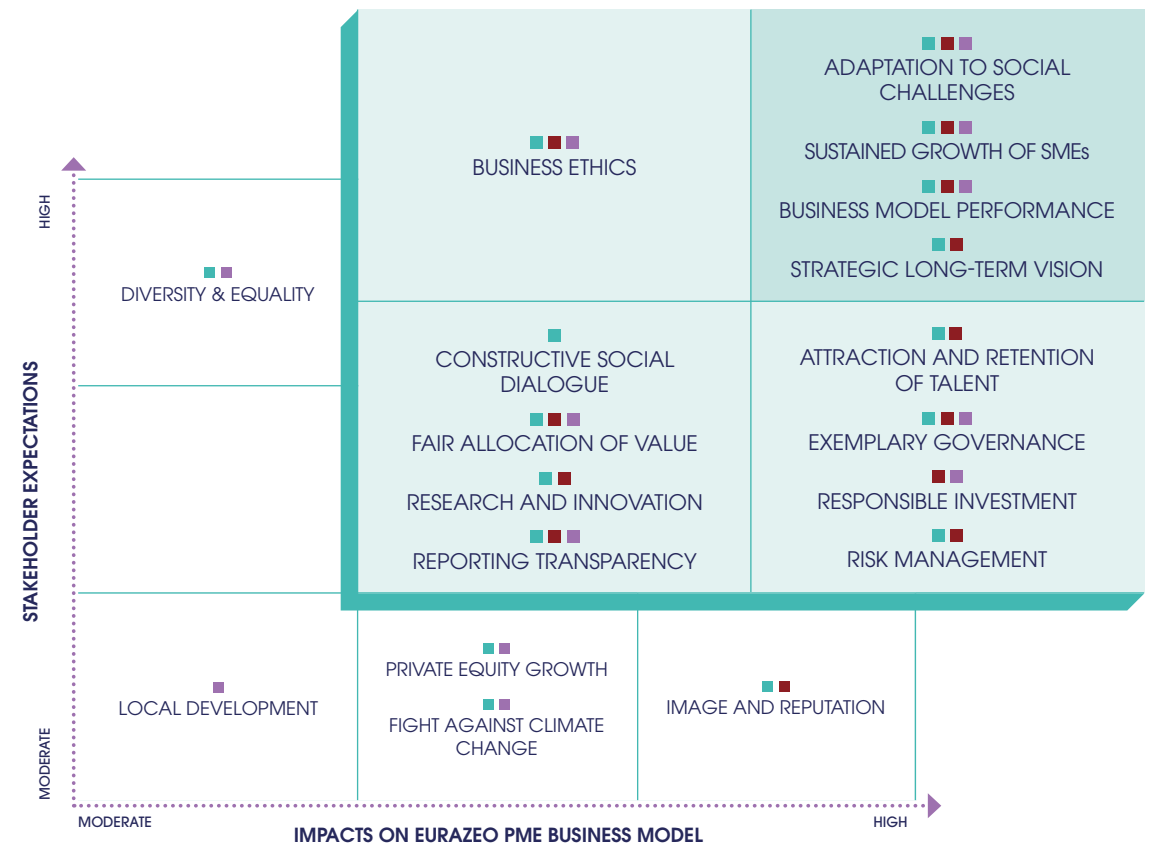
A pioneer in its CSR approach, Eurazeo PME signed the Principles for Responsible Investment (PRI) in 2009, thereby confirming its aim to incorporate non-financial criteria in its investment strategy, the coordination of its activity and the monitoring of its companies.



# FOCUS OUR INITIATIVES ON 13 MATERIAL TOPICS

At the same time, to improve our understanding of key challenges and manage them using our strategy, we conducted a materiality analysis. It was developed with several inputs: an analysis of available documentation on private equity, internal workshops and an

online survey in the second half of 2017. These challenges are prioritized according to their potential impact on our activity and their importance for the surveyed stakeholders.



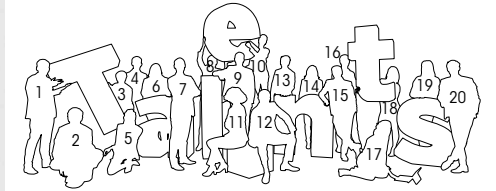
All these measures confirm our determination to make a positive contribution to the socio-economic development of our ecosystem, while making sure that any negative impacts on the environment are controlled.

- Internal stakeholders
- Investors and business partners
- Governments, social influencers and professional organizations

Our actions and impacts are described on pages 26 to 31



# Accelerating



- 1 Nicolas Becque
- 2 Alexis Bisson
- 3 Véronique Dubois
- 4 Patrice Henry
- 5 Sophie Botzke
- 6 Clara Chatillon
- 7 Emmanuel Laillier
- 8 Mathieu Betrancourt
- 9 Pierre Meignen
- 10 Joanne Dubail
- 11 Elisabeth Auclair
- 12 Olivier Millet
- 13 Clément Morin
- 14 Anne Dousset
- 15 Erwann Le Ligné
- 16 Florent Thiry
- 17 Rafaëlle Faibis
- 18 Amélie Jaran
- 19 Margaux Pinon
- 20 Charles Cornevin

**OUR TEAM AND ORGANIZATION**

**DRAWING ON THE DIVERSITY OF OUR TALENTS**



Eurazeo PME has assembled a team of 19 professionals boasting complementary state-of-the-art expertise, with in-depth knowledge of the French SME environment and extensive management and private equity know-how.

We develop their competencies by offering them a passionate vision of the world we seek to build, while continually promoting a responsible investment culture.

In 2017, we continued to roll out a series of programs designed to encourage knowledge sharing between the investment teams. Two main issues were digitization and digital disruption.

Our team and our investments benefit from the active support of Eurazeo's corporate skills.



**11 MEN**



**8 WOMEN**

**36**

Average age of Eurazeo PME employees

With the operational support of the Eurazeo corporate teams, we combine all competencies to unlock the potential of companies.

Eurazeo PME is of one of Eurazeo's 5 competency clusters: Eurazeo Capital, Eurazeo PME, Eurazeo Croissance, Eurazeo Patrimoine and Eurazeo Brands.



## OUR GOVERNANCE

# FOSTER DIVERSITY IN OUR DECISION-MAKING BODIES

In 2017, to maintain the professional nature of our governance bodies, 2 associate directors were promoted members of the Executive Board and 6 additional employees joined the governance bodies.

This new organization bolsters our current governance, which comprises an Executive Board with operational functions and a Supervisory Board with control functions.

The aim is to maintain efficient, independent and balanced decision-making, with a combination of risk management and entrepreneurial boldness.

**4**  
NEW COMMITTEES:  
OPERATIONAL COMMITTEE,  
DETECTION COMMITTEE,  
RESOURCES COMMITTEE  
AND FINANCE COMMITTEE

### ORGANIZATION OF THE GOVERNANCE BODIES



# ALIGN GOVERNANCE WITH THE MOST STRINGENT STANDARDS

Governance is a means of ensuring investor confidence and corporate integrity. Above all, it is set up to anticipate risks and make informed and fully independent decisions.

Within Eurazeo PME, we believe that it is crucial, in our role as majority shareholder, to provide our investments with robust and exemplary decision-making bodies, to ensure enhanced long-term management.

This initiative is reflected in the “CSR progress plan” that we roll out jointly with the management teams of the companies. It aligns the composition of the governing

bodies, gender equality, director independence criteria, and the role of the committees with the most stringent international standards.

It sets up an Audit Committee and a Compensation Committee in each investment.

**78%**  
OF COMPANIES  
TO HAVE AN AUDIT  
COMMITTEE AND  
A COMPENSATION  
COMMITTEE

**Our objective:**  
have 30% independent directors and 40% women directors in all our companies by 2020.

### THE REGULATIONS GOVERNING A PORTFOLIO MANAGEMENT COMPANY AUTHORIZED BY THE AMF

Eurazeo PME has the status of a portfolio management company; it manages the OFIPEC I, OFIPEC II, Eurazeo PME II-A, Eurazeo PME II-B, Eurazeo PME II co-invest, Eurazeo PME III-A and Eurazeo PME III-B. Under the AMF’s authorization, it pledges to comply with a certain number of management standards and is bound to respect the rules of good conduct. The internal control and ethics principles are precisely worded and regularly verified. Specifically, prior to any investment or divestment exceeding €0.5 million, Eurazeo PME must consult its five-member Investment Advisory Committee.

## OUR PORTFOLIO OF SMEs

# 10 COMPANIES WITH STRONG POTENTIAL

In 2017, the Eurazeo PME portfolio comprised 10 companies that are being transformed into global, integrated and responsible intermediate-sized businesses.



Serving its clients for over 100 years, Léon de Bruxelles offers mussels and chips and Belgian cuisine in its 81 restaurants.

2017 revenue	Investment date
<b>€120M</b>	<b>2008</b>
2017 Employees	% under management **
<b>1,424</b>	<b>60%</b>



With around 1,600 salons in 47 countries, DESSANGE International bases its growth on the DESSANGE, Camille Albane, Fantastic Sams and Phytodess brands.

2017 revenue	Investment date
<b>€99M</b>	<b>2008</b>
2017 Employees	% under management **
<b>599</b>	<b>76%</b>



A leading integrator and outsourcer of open source solutions, Smile has posted a 10% annual growth rate since 2007.

2017 revenue	Investment date
<b>€83M</b>	<b>2017</b>
2017 Employees	% under management **
<b>1,095</b>	<b>66%</b>



A leading manufacturer of orthopedic surgical instruments, In'Tech Medical has 2 sites in France and production facilities in the United States and Malaysia.

2017 revenue	Investment date
<b>€61M</b>	<b>2017</b>
2017 Employees	% under management **
<b>529</b>	<b>57%</b>



Odealim<sup>1</sup> is a joint ownership insurance broker based in France, and a pioneer of highly specialized property ownership services.

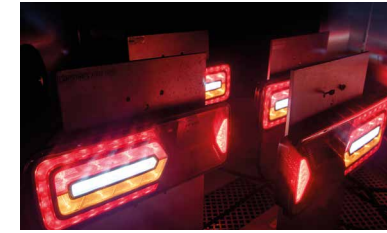
2017 revenue	Investment date
<b>€27M</b>	<b>2016</b>
2017 Employees	% under management **
<b>117</b>	<b>47%</b>

<sup>1</sup>The Odealim Group is the result of a merger between Assur Copro, Inter Assurances, INSOR and Jacques Boulard.



World specialist in reliable GPS-type signals, Orolia has consolidated its coverage in the United States.

2017 revenue	Investment date
<b>€101M</b>	<b>2016</b>
2017 Employees	% under management **
<b>411</b>	<b>52%</b>



European leader in lighting and signaling for industrial vehicles, Vignal Lighting Group is pursuing its digital and industrial transformation.

2017 revenue	Investment date
<b>€107M</b>	<b>2014</b>
2017 Employees	% under management **
<b>411</b>	<b>77%</b>



With its three brands, Linvosges, Françoise Saget and Envie de Fraise, the MK Direct Group is speeding up its cross-channel distribution strategy.

2017 revenue	Investment date
<b>€202M</b>	<b>2016</b>
2017 Employees	% under management **
<b>461</b>	<b>55%</b>



European leader in on-demand premium freight, the Redspher Group<sup>2</sup> operates in 18 countries and relies on its innovative digital platform.

2017 revenue	Investment date
<b>€246M</b>	<b>2015</b>
2017 Employees	% under management **
<b>473</b>	<b>43%</b>

<sup>2</sup> Formerly Flash Group



Specializing in medical equipment, Péters Surgical distributes more than 4,000 products in 90 countries.

2017 revenue	Investment date
<b>€64M</b>	<b>2013</b>
2017 Employees	% under management **
<b>589</b>	<b>87%</b>

\* Intermediate-sized businesses \*\* Held by Eurazeo PME and managed funds

## OUR AMBITION

# STAY ONE STEP AHEAD

Eurazeo PME relies on 4 ambitious strategic levers to always stay one step ahead.

1

### A selective investment strategy

In a competitive market with rising business valuations, Eurazeo PME invests more and more selectively in companies that have a solid positioning. We target companies with

top-notch management that share our values and the same economic, social and societal goals.

2

### A local presence in Europe, Asia, the United States and Brazil

Our responsiveness and flexibility in our companies' primary markets are key to their growth. Over the next 3 years, we therefore expect to hire teams in Germany, Spain and Italy, in order to better identify and analyze the local specificities of potential acquisitions. We will also continue to draw on Eurazeo's resources in the United States, China and Brazil to support the international development of our investments.



### Operational competencies

Supporting our investments is a cornerstone of our business plan and a major driver of added value within Eurazeo. Adding to the support provided by the Eurazeo Corporate team, we will boost Organization & Management and IT in 2018.

3

### Anticipating a new societal era

Societal transformation concerns all economic players and once again raises the question of the role that companies should play. Pioneers since 2008, we are convinced that companies can have a positive societal impact while delivering excellent financial performances.

4

# Accelerating innovation

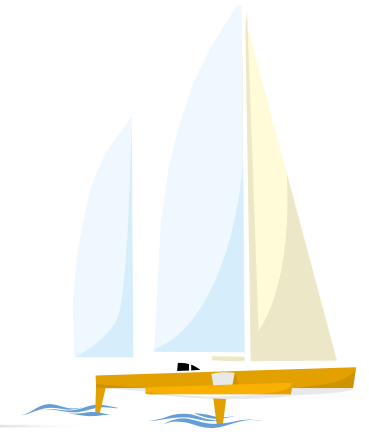
A team of multi-talents dedicated to our companies

**OUR GROWTH DRIVERS**

**FINANCE AND SUPPORT AMBITIOUS AND RESPONSIBLE ENTREPRENEURS**

**2017** was a pivotal year that enabled us to prepare for the future while materializing the potential growth of our companies.

Our talents pooled all their expertise at each stage of our value creation process.



**01**

**Attract capital**

Within Eurazeo PME, we unite investors based on a common goal: finance and support the sustainable and digital transformation of French SMEs with solid fundamentals that are seeking to expand internationally.

In 2017, we successfully concluded our 3<sup>rd</sup> fundraising for €658 million, including €250 million raised from third-party investors.

Four years after the success of Eurazeo PME II (€520 million), this fund will support our investment strategy. It involves long-term shareholding (5 to 10 years) in some ten companies, thereby providing the projects and management with the flexibility needed to fulfill our common goal.

**02**

**Detect high-potential companies**

In 2017, we were both very active and selective, with 11 external growth transactions and 2 acquisitions: In'Tech Medical and Smile. For each project, an extensive due diligence was carried out to obtain a comprehensive view of the companies' challenges, risks and opportunities.

To this end, the CSR criteria we analyzed arise from a cross-analysis between several recognized French and international frameworks, including the 10 principles of the UN Global Compact, the work of the ESG Commission of France Invest, the Responsible Investment Principles, the subjects covered by Article 225 of the Grenelle II law, or the Sustainability Accounting Standards Board's Materiality Map which Eurazeo PME has used since the end of 2016 to identify the industry-based material issues of investment targets.

**03**

**Act as a majority shareholder**

Our investments are launching a digital transformation of their culture, processes and tools. Using technology in order to stimulate innovation and productivity, we assist them while mitigating risks, boosting their competitiveness and incorporating over the long term the new disruptive models of the digital world.

Last year, we assisted several of our companies with their digital transformation through investments in start-ups such as Orolia and in Satelles (US) and Quasar DB (FR), or acquisitions such as MKD with Envie de Fraise and Redspher with Upela.

**04**

**Monetize and share the value created**

As responsible shareholders, we ensure that our companies remain attractive for new investors and that the value created is fairly distributed between our investors, management and company personnel, as well as the investment team.

In June, we sold Colisée Group, a key player in the global health care and old-age dependency sector, to IK Investment Partners. This deal was closed only 3 years after our initial investment.

In 3 years, with our help, management doubled the company's size, carried out 29 acquisitions and openings, integrated Idéal Résidences, signed a JV agreement in China, opened facilities in Italy and diversified the homecare offering.

## OUR RISK MANAGEMENT STAY AHEAD OF THE GAME

### > Have exemplary governance and act as a responsible investor

Risk description	Transformation into an opportunity	Monitoring indicators	Results
Non-compliance of Eurazeo PME or one of its investments regarding the strict rules enacted by the AMF governing oversight of the activity (fraud, anti-money laundering and terrorist financing, etc.)	<b>Structuring of decision-making processes in the investments</b> <ul style="list-style-type: none"> <li>Dedicated human resources (CFO, Audit Committee, etc.)</li> <li>Governance and stringent risk control processes (multi-party review of fund flows, procedure and due diligence, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>Percentage of portfolio companies with an audit committee</li> <li>Number of Eurazeo PME audit committee meetings</li> </ul>	<p><b>100%</b></p> <p><b>3</b></p>
Failure of the transformation project in the event of key personnel departure(s) from the companies or the investment team	<b>Association of managerial and shareholder talent</b> <ul style="list-style-type: none"> <li>Increase in collaborative and collegial work within investment management teams</li> <li>Employee involvement in the management of Eurazeo PME</li> </ul>	<ul style="list-style-type: none"> <li>Percentage of portfolio companies with a collegial executive committee</li> <li>Creation of 3 management committees coordinated by employees</li> </ul>	<p><b>100%</b></p> <p><b>EFFECTIVE</b></p>
Poor interpretation of information that was nevertheless communicated by Eurazeo PME for the sake of transparency	<b>Robust management processes and organization</b> <ul style="list-style-type: none"> <li>Dedicated resources to produce reliable financial and non-financial reporting</li> <li>Audited financial statements</li> <li>Ongoing dialogue with stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>Resources within the Eurazeo PME financial department</li> <li>Validation of the financial statements by auditors</li> <li>% of active stakeholders in the dialogue process</li> </ul>	<p><b>4 FTEs</b></p> <p><b>EFFECTIVE</b></p> <p><b>80%</b></p>
Reputation risks relating to incidents or bad practices resulting in controversies and a deterioration in Eurazeo PME's image	<b>Identification of non-financial value creation levers</b> <ul style="list-style-type: none"> <li>Due diligence processes including CSR criteria</li> <li>CSR roadmap in the portfolio companies</li> </ul>	<ul style="list-style-type: none"> <li>Percentage of due diligence processes that include CSR criteria</li> <li>Percentage of companies with a CSR roadmap</li> </ul>	<p><b>100%</b></p> <p><b>67%</b></p>

### > Have the necessary financial resources to develop our portfolio and accelerate company transformations

Risk description	Transformation into an opportunity	Monitoring indicators	Results
Default of an institutional investor curbing the ability to invest in the companies	<b>Eurazeo's continued support and preliminary analysis of investors</b> <ul style="list-style-type: none"> <li>Payment of calls for funds according to the schedule</li> <li>Resource dedicated to fund management (Eurazeo PME I, II and III)</li> </ul>	<ul style="list-style-type: none"> <li>Number of late payment days for calls for funds (days * number of investors)</li> <li>Dedicated FTEs</li> </ul>	<p><b>0</b></p> <p><b>1.2 FTE</b></p>

With increasingly rapid and widespread disruptions, robust risk and opportunity analysis is essential. Our approach is holistic, which is to say it includes material financial and non-financial risks that impact Eurazeo PME, the portfolio companies and the investors.

### > Optimize the detection and selection of growth investments

Risk description	Transformation into an opportunity	Monitoring indicators	Results
Development of non-standard financing sources without intermediation (crowdfunding) and access to low-rate debt	<b>Sourcing of opportunities by partners</b> <ul style="list-style-type: none"> <li>Promotion of the specific expertise offered by the majority shareholder in the company's transformation</li> </ul>	<ul style="list-style-type: none"> <li>Percentage of opportunities analyzed by the team</li> </ul>	<p><b>76%</b></p>
Decrease in the value of the businesses in the event of an economic decline Poor assessment of the company's growth potential	<b>Financial and operational requirement over the long term</b> <ul style="list-style-type: none"> <li>Extensive due diligence, based on a clear and stable investment strategy: international potential, experienced management, considerable competitive edge, entry barriers</li> <li>Loss of control over company roadmaps</li> </ul>	<ul style="list-style-type: none"> <li>Percentage of build-ups subject to an extensive due diligence procedure</li> <li>Percentage of companies below the forecast budget after 2 years</li> </ul>	<p><b>100%</b></p> <p><b>20%</b></p>
Insufficient liquidity to finance investment opportunities (refinancing of investments + external growth transactions)	<b>Ongoing ability to reinvest in the Eurazeo PME III fund</b> <ul style="list-style-type: none"> <li>Validation of the reinvestment strategy with investors</li> <li>Timetable of growth transactions validated with company management teams</li> </ul>	<ul style="list-style-type: none"> <li>Percentage of funds dedicated to build-ups</li> </ul>	<p><b>30%</b></p>

### > Materialize the transformation expected from each investment then Optimize the timetable and terms and conditions of investment disposals

Risk description	Transformation into an opportunity	Monitoring indicators	Results
Market turnaround at the time of sale: business cycles, new market players with disruptive innovations	<b>Long-term combined business plan</b> <ul style="list-style-type: none"> <li>Identification of the right moment to monetize value while allowing the business to develop sustainably over the long term</li> <li>Divestment project shared with management upstream</li> </ul>	<ul style="list-style-type: none"> <li>Investment multiple on divestment</li> <li>Percentage of divestments carried out in agreement with the company's management</li> </ul>	<p><b>2.5x FOR COLISÉE</b></p> <p><b>100%</b></p>

### > Be a company that is responsible for employees and attractive for candidates

Risk description	Transformation into an opportunity	Monitoring indicators	Results
Loss of competencies in the event of the departure of a key employee or executive impairing the deal flow	<b>Forecast management of competencies and resources</b> <ul style="list-style-type: none"> <li>Continuous employee training</li> <li>Monitoring of investments by two people in the investment team</li> </ul>	<ul style="list-style-type: none"> <li>Number of annual training hours per employee</li> <li>Percentage of files managed by a two-person team</li> </ul>	<p><b>50 HOURS</b></p> <p><b>100%</b></p>



BE A  
committed  
player

A company's Corporate Social Responsibility (CSR) policy is a vital sustainable growth driver

OUR RESPONSIBLE COMMITMENT

MINIMIZE OUR CSR IMPACTS

A proactive CSR policy quickly leads to financial profits

Social and environmental initiatives also help to reduce costs within our investments. Gauged for the first time in 2016, these measures helped to avoid costs of €486,000 this year.

This year, the scope was extended to include Redspheer, (formerly Flash Group).

For greater readability, we have retained the same indicators: three covering the environment (water, energy, fuel) and one covering employees (absenteeism).

**3,676**  
TONS OF CO<sub>2</sub>  
EQUIVALENT  
AVOIDED

	COLISEE***	DESSANGE	redspheer	Léon de Bruxelles	Péters surgical	VIGNAL LIGHTING GROUP
Measured indicators						
Geographical scopes	i.e. 92% of activity in 2016	i.e. 44% of activity in 2017	2 countries, i.e. 33% of activity in 2017	i.e. 100% of activity* in 2017	2 countries, i.e. 92% of activity** in 2017	2 countries, i.e. 97% of activity in 2017
Year of reference	2015	2011	2016	2009/2011*	2014	2014

\* For Léon de Bruxelles, the year of reference is 2009 for employee indicators, and 2011 for environmental indicators.

\*\* For Péters surgical, the scope was limited to France for employee indicators.

\*\*\* Sold in June 2017.

**+ €7.7 M**  
IN SAVINGS

				Measurement of expenditure avoided
Absenteeism		Reduction in absenteeism and workplace accidents	<b>136,852 hours of absence avoided</b>	i.e. the equivalent of around <b>77</b> full-time employees <b>€4,779,000</b>
Water		Reduction in water consumption	<b>74,399 m<sup>3</sup> of water avoided</b>	i.e. the equivalent consumption of around <b>914</b> EU inhabitants <b>€217,000</b>
Energy		Reduction in energy consumption	<b>29,108 MWH of energy avoided</b>	i.e. the equivalent consumption of around <b>1,137</b> EU residents <b>€2,643,000</b>
Fuel		Reduction in fuel consumption	<b>114,674 liters of fuel avoided</b>	i.e. around <b>29</b> times the earth's circumference traveled by car <b>€104,000</b>

TOTAL IMPACTS **€7,743,000**

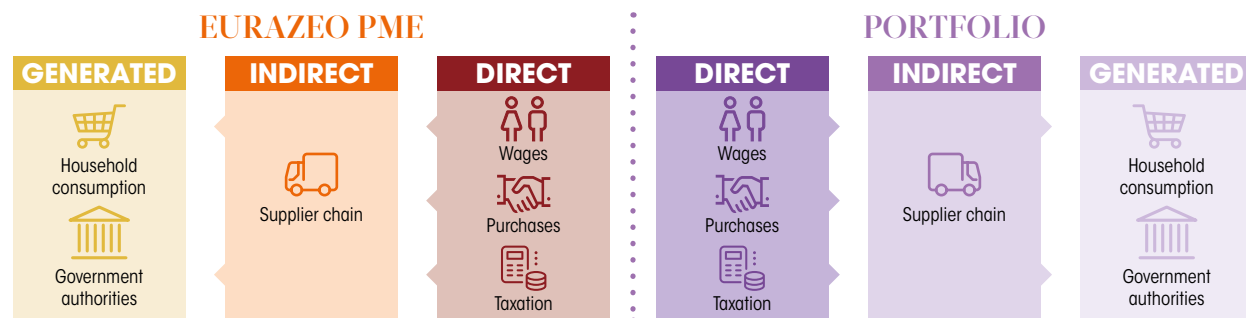
The breakdown of analyses is available on the Eurazeo PME website: <http://www.eurazeo-pme.com>



OUR SOCIO-ECONOMIC FOOTPRINT

# LEVERAGE THE SOCIO-ECONOMIC IMPACT OF OUR ACTIVITY

In 2017, we decided to measure for the first time the socio-economic footprint of our team and investments. Using the methodology developed by UTOPIES, we measured our impacts in terms of jobs and creation of economic wealth across the entire value chain.



Using 2016 accounting data for all our investments and Eurazeo PME, 3 main direct financial flows were analyzed:

- **Wages paid to employees** (total payroll or gross wages)
- **Taxes paid to government authorities** (all taxes and duties paid by the company, including employer contributions)
- **Purchases of goods and services, rents and other expenses paid to suppliers**

**Indirect flows** cover the economic impacts generated by purchases or company depreciation and amortization charges. Each euro spent enables suppliers to pay wages and purchase goods and services themselves.

The **generated flows** aggregate the consumption of employees or government authorities.

The study then used the LOCAL FOOTPRINT® model which calculates the monetary impacts for more than 380 business sectors and in 186 countries.

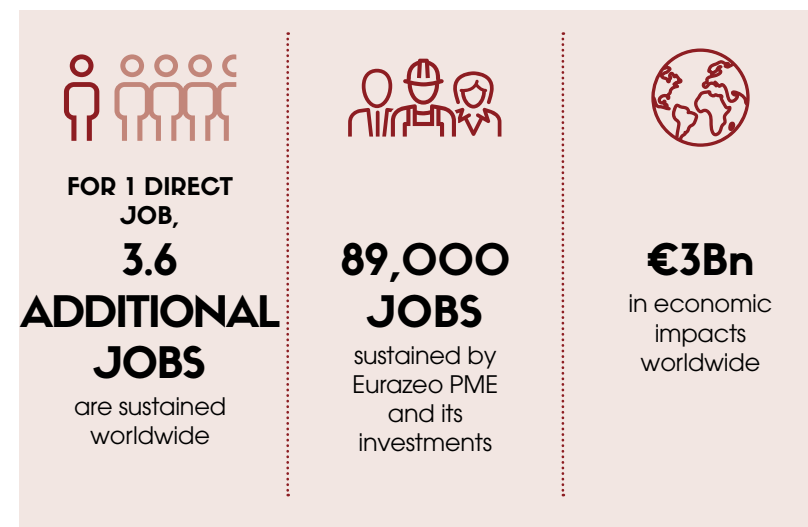
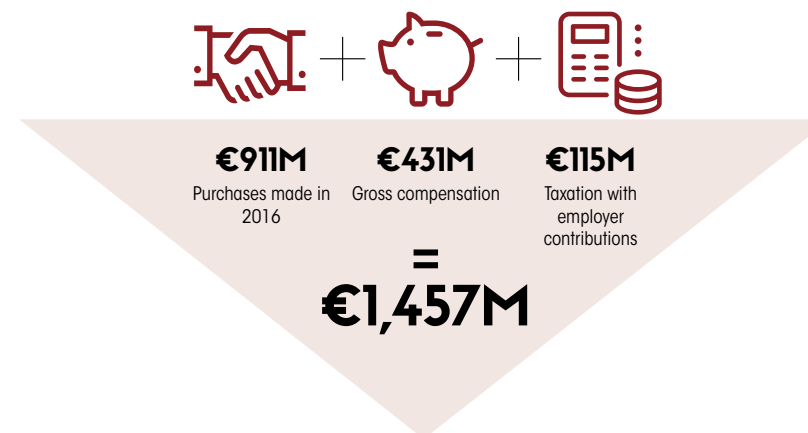


For example, in a Léon de Bruxelles restaurant,

- Waiter wages and food purchases are direct expenses,
- Mussel farmer expenses (fuel for boats, crates to transport mussels, etc.) are indirect,
- The daily expenses of waiters or mussel farmers (food, clothing, vehicle, etc.) are generated.

# KEY FINDINGS FROM THE STUDY

This study, unique in the private equity industry, revealed that Eurazeo PME and its co-investors injected over €1,457 million into the global economy in 2016.



**4.6x**  
MULTIPLIER  
COEFFICIENT OF OUR  
SOCIO-ECONOMIC  
CONTRIBUTION

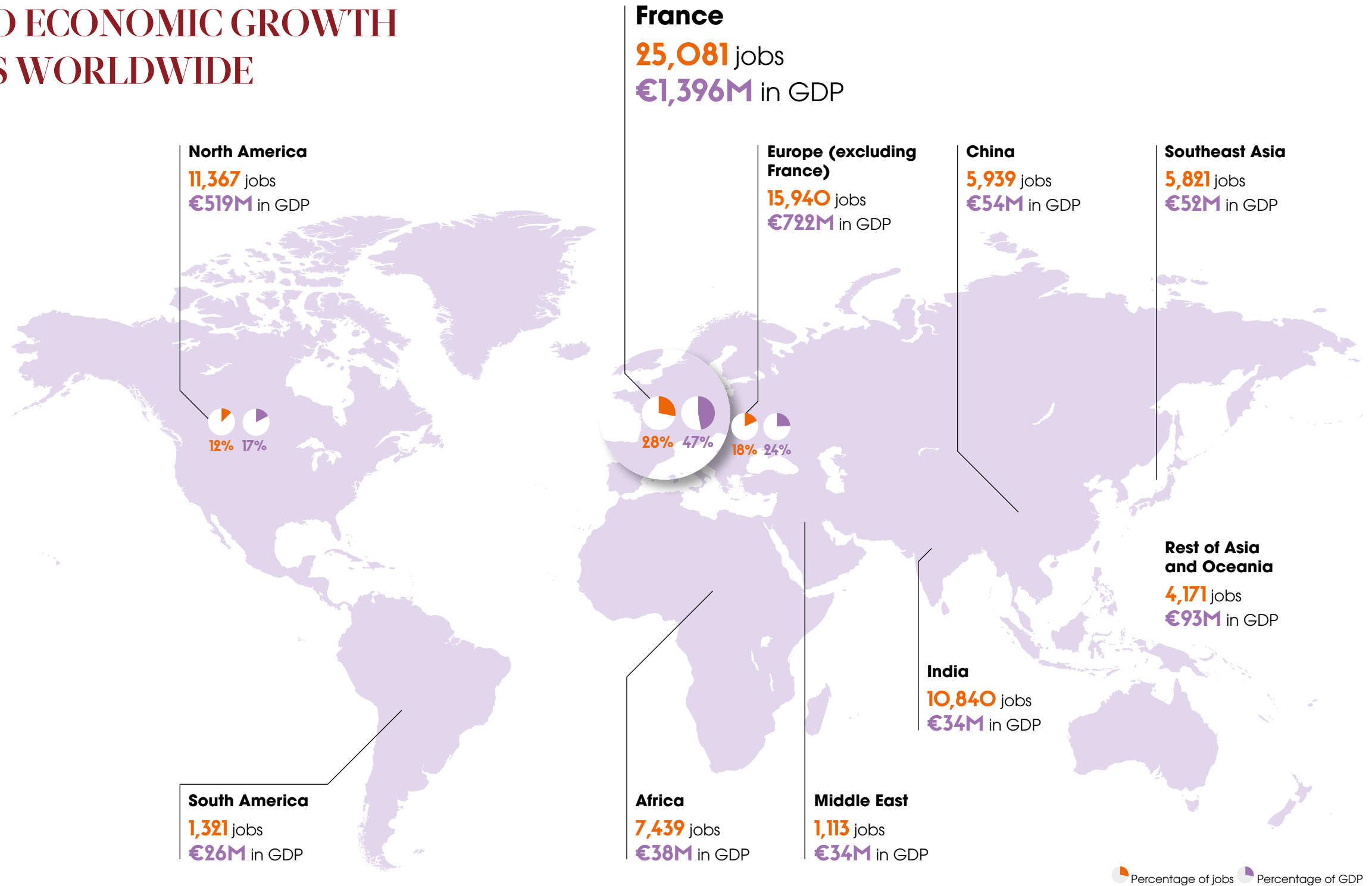
**THE STUDY WILL BE GRADUALLY EXPANDED AND IMPROVED**

Despite the study's robust methodology, the results obtained must be analyzed according to certain limits and assumptions inherent to the model. Indirect economic impacts were allocated according to the company's primary business sector without making any distinction between its activities. Furthermore, the 2016 year-end accounting data used did not take into account yearly inflation which can be considerable in certain countries.

We wish to tweak the methodology to improve data accuracy while maintaining an analytical rationale.

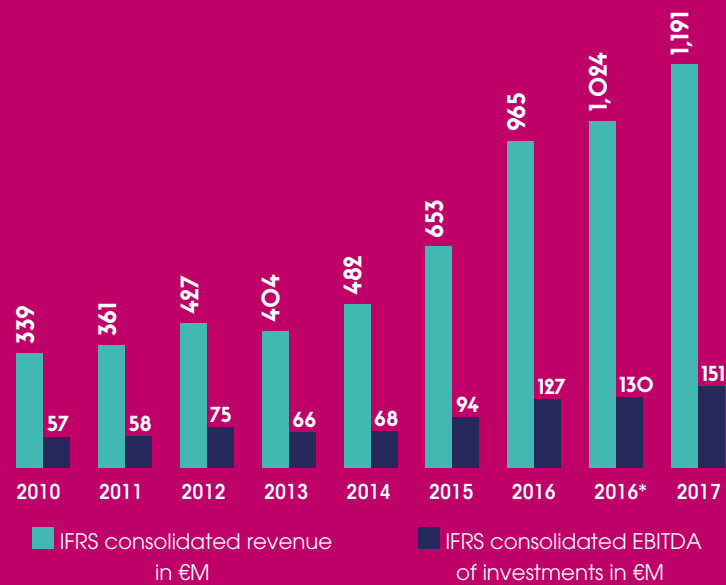
# CONTRIBUTE TO ECONOMIC GROWTH IN ALL REGIONS WORLDWIDE

The activity of Eurazeo PME and its investments sustain more than **89,000** jobs worldwide, of which **25,000** in France, and generated a worldwide GDP of around **€3 billion** in 2016, of which **47%** in France.



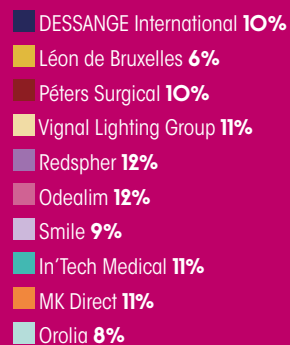
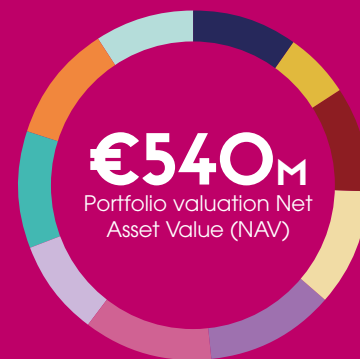
Percentage of jobs Percentage of GDP

# Financial and non-financial information



**6,109** permanent employees • Activity in **100** countries • **136,700** m<sup>3</sup> of water consumed • **7,500** tons of CO<sub>2</sub> equivalent

NAV breakdown as of 12/31/2017

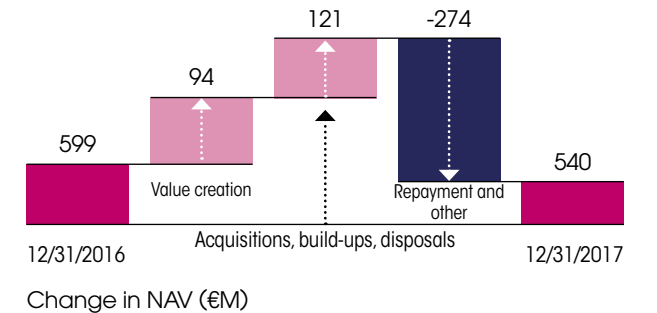


\* Pro forma

## FINANCIAL INFORMATION

### NET ASSET VALUE

The managed portfolio value was €540 million (of which €158 million for third parties), compared with €599 million as of December 31, 2016. The increase is related to the appreciation of the investments in the amount of €94 million (partly related to the profits generated by the sale of Colisée Group), scope additions (Smile and In'Tech Medical acquisitions, build-up financing and Colisée Group sale) and the early repayments to Eurazéo PME following the DESSANGE International and Péters Surgical Group refinancing for a net total of €153 million. Growth on a comparable scope basis stood at +16% for the year.



### IFRS CONSOLIDATED BALANCE SHEET (EXTRACT)

€ million	12/31/2017	12/31/2016
Goodwill	619	388
Other intangible assets	465	542
Property, plant and equipment	121	174
Other non-current assets	56	90
<b>Non-current assets</b>	<b>1,262</b>	<b>1,195</b>
Inventories and receivables	375	347
Cash and cash equivalents	112	155
<b>Current assets</b>	<b>487</b>	<b>502</b>
Assets held for sale	1	1
<b>TOTAL ASSETS</b>	<b>1,749</b>	<b>1,698</b>

Equity attributable to owners of the parent amounted to €277 million as of December 31, 2017, compared to €207 million as of December 31, 2016.

This increase was primarily attributable to the net income for the year (€86 million). Minority interests essentially comprise the share of managers and other co-investors in the holdings.

Consolidated net debt increased from €614 million as of December 31, 2016 to €674 million as of December 31, 2017,

€ million	12/31/2017	12/31/2016
Equity attributable to owners of the parent	277	207
Minority interests	257	227
<b>Total equity</b>	<b>533</b>	<b>434</b>
Long-term borrowings	697	621
Other non-current liabilities	126	183
<b>Non-current liabilities</b>	<b>823</b>	<b>804</b>
Short-term borrowings	89	147
Other current liabilities	303	312
<b>Current liabilities</b>	<b>392</b>	<b>459</b>
Liabilities held for sale	1	1
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,749</b>	<b>1,698</b>

mainly due to scope changes during the year. As a reminder, these debts are without possible recourse to Eurazéo PME Capital, as it does not act as guarantor, nor any other portfolio company. As of December 31, 2017, the consolidated net financial debt of investments stood at €640 million, representing a senior leverage of 3.9x their EBITDA over 12 months. All portfolio companies complied with the covenants governing their bank and mezzanine debts.

# NON-FINANCIAL INFORMATION

## IFRS CONSOLIDATED INCOME STATEMENT (EXTRACT)

€ million	12/31/2017	12/31/2016	12/31/2016
			Pro forma*
Revenue from operations	1,191.5	965.3	1,024.2
<b>Current operating EBITDA</b>	<b>137.5</b>	<b>117.4</b>	<b>120.7</b>
<b>of which EBITDA of investments</b>	<b>151.1</b>	<b>126.9</b>	<b>130.1</b>
<b>% of revenue of the investments</b>	<b>12.7%</b>	<b>13.1%</b>	<b>12.7%</b>
Depreciation, amortization and provisions excluding intangible assets	-27.2	-23.5	
<b>EBIT</b>	<b>110.3</b>	<b>93.9</b>	
Depreciation, amortization and provisions including intangible assets	-11.7	-5.7	
Other operating income and expenses	45.9	-19.8	
<b>Operating income</b>	<b>144.5</b>	<b>68.3</b>	
Finance cost	-55.9	-41.3	
Income tax	-2.7	-13.9	
<b>NET INCOME</b>	<b>86.0</b>	<b>13.1</b>	
Net income attributable to owners of the parent	79.1	4.6	
Minority interests	6.9	8.5	

(\*) adjusted for changes arising from the acquisition of Orolia, MK Direct Group and Odealim Group in 2016 and Smile and In'Tech Medical in 2017, and the sale of Colisée Group in 2017.

### In 2017, the Group carried out two acquisitions and eleven build-ups.

Group consolidated revenue stood at €1,191 million for the year ended December 31, 2017, up +23% on a reported basis, +16% on a constant Eurazeo PME scope basis, and +8% adjusted for external growth transactions carried out by the holdings in 2016 and 2017.

Consolidated EBITDA of the investments stood at €151 million, up +19% compared to December 31, 2016 on a reported basis, and +16% on a constant Eurazeo PME scope basis\*. Restated for the build-ups and on a constant Eurazeo scope basis, the item rose by +11%.

This improvement was due to the commendable performances of all Group companies, particularly Vignal Lighting Group and Redspher Group which posted substantial growth.

Other operating income and expenses primarily comprise the capital gain generated by the sale of Colisée Group, less costs for studies and financial arrangements covering acquisitions and build-ups of the various Group companies.

After consideration of the cost of net financial debt (€56 million) and corporate income tax, net income for the year ended December 31, 2017 amounted to €86 million, while net income attributable to owners of the parent stood at €79.1 million.

## GOALS

## 2020 OBJECTIVES

## 2017

1	<b>INVEST RESPONSIBLY</b> Integrate CSR at all stages of the investment cycle	100% of due diligence in the advanced study phase of acquisitions to incorporate a CSR section <sup>(1)</sup>	100%
		100% of portfolio companies to perform CSR reporting	100%
		100% of divestment operations to incorporate CSR information	0%
2	<b>ESTABLISH EXEMPLARY GOVERNANCE</b> Ensure that all companies have exemplary governance bodies	100% of companies to have at least 40% women directors on the Board <sup>(2)</sup>	11%
		100% of controlled companies to have at least 30% independent directors on the Board <sup>(2)</sup>	33%
		100% of companies to have an Audit Committee and a Compensation Committee	78%
3	<b>CREATE SUSTAINABLE VALUE</b> Ensure that all companies have a CSR progress plan	100% of portfolio companies to have deployed Eurazeo's "CSR essentials" <sup>(3)</sup>	67%
		<b>The 7 "CSR essentials"</b>	
		• Appoint a CSR manager	89%
		• Establish annual CSR reporting	100%
		• Create an operational CSR committee	78%
		• Include CSR issues on the agenda of Board meetings at least once a year	89%
		• Conduct an environmental and/or greenhouse gas assessment every three years	56%
		• Carry out a social barometer every three years	44%
		• Conduct CSR audits of priority suppliers	11%
		• 100% of portfolio companies to have quantified CSR progress targets	33%
• 100% of portfolio companies to be involved in at least one CSR acceleration program <sup>(4)</sup>	100%		
4	<b>ACT AS A VECTOR FOR SOCIAL PROGRESS</b> Ensure that all companies improve their societal footprint	100% of portfolio companies to improve the protection and well-being of employees	89%
		100% of portfolio companies to share value created or company profits with employees	78%
		100% of portfolio companies to reduce their environmental impact*	75%

\*Data on Odealim Group, acquired in 2016, are not relevant for this indicator

<sup>(1)</sup> Due diligence is deemed to be in the advanced study phase when a firm offer has been made. The indicator covers all companies reviewed, including those that were not ultimately acquired.

<sup>(2)</sup> On Supervisory Boards (SB) or Boards of Directors (BD).

<sup>(3)</sup> The result is expressed as an average percentage of actions undertaken by the companies.

<sup>(4)</sup> Eurazeo PME has three CSR acceleration programs: environmental footprint, gender equality and responsible purchasing. An environmental footprint (or Life Cycle Analysis) measures energy consumption, the use of raw materials and environmental emissions, as well as potential environmental impacts associated with a product, a process or a service, over the entire life cycle (based on the ISO 14040 definition).

**Companies included:** Odealim Group, DESSANGE International, Eurazeo PME, Redspher Group, Léon de Bruxelles, MK Direct Group, Orolia, Péters Surgical and Vignal Lighting Group.

Full methodology available on the Eurazeo PME website: <http://www.eurazeo-pme.com>

## LABOR

<b>WORKFORCE</b> (permanent workforce, number of employees) <sup>(1)</sup>	<b>Eurazeo PME</b>	<b>Eurazeo PME &amp; investments</b>
Number of employees	18	3,573
Percentage of women	44%	51%
Percentage of permanent employment contracts <sup>(2)</sup>	95%	92%

The coverage rate for Eurazeo PME and its investments was 100%.

<b>HIRES</b> (permanent workforce, number of employees)	<b>Eurazeo PME</b>	<b>Eurazeo PME &amp; investments</b>
Total hires	3	1,011

The coverage rate for Eurazeo PME and its investments was 100%.

<b>TRAINING</b> (permanent and non-permanent workforce)	<b>Eurazeo PME</b>	<b>Eurazeo PME &amp; investments</b>
Total number of training hours	555	36,760
Training expenses (In € thousands) <sup>(3)</sup>	82	1,620

The coverage rate for Eurazeo PME was 100%; for Eurazeo PME and its investments, it was 96%.

## SOCIETAL

<b>SPONSORSHIP - FINANCIAL SUPPORT</b> (In € thousands)	<b>Eurazeo PME</b>	<b>Eurazeo PME &amp; investments</b>
Amount allocated to associations and NGOs	7	292

The coverage rate for Eurazeo PME and its investments was 100%.

<sup>(1)</sup> The permanent workforce corresponds to all employees under open-ended contracts.

<sup>(2)</sup> The total workforce combines total permanent and temporary employees (under open-ended or fixed-term contracts).

<sup>(3)</sup> Training expenditure does not include employee costs.

<sup>(4)</sup> Emission factors used to convert the activity data: 2006 Intergovernmental Panel on Climate Change (combustibles and fuel) and the International Energy Agency (electricity consumption) following the methodology of the Greenhouse Gas Protocol.

<sup>(5)</sup> Scope 1 emissions are emissions from fuel consumption on site (gas, oil, etc.), fuel consumption in vehicles and leakage of refrigerant substances.

## ENVIRONMENT

<b>ENERGY CONSUMPTION EXCLUDING FUEL</b> (in MWh)	<b>Eurazeo PME</b>	<b>Eurazeo PME &amp; investments</b>
Electricity	74	37,010
Steam	0	3
Renewable energies	11	160
Natural gas (in MWh NCV)	22	12,340
Heavy fuel and heating fuel	0	1,006
Coal (in MWh NCV)	0	0
Other energies (other gases, urban networks)	0	0
Total energy consumption	107	50,519
Amount spent on energy (In € thousands)	9	4,546

The coverage rate for Eurazeo PME was 100%; for Eurazeo PME and its investments, it was 95%-100%.

<b>WATER CONSUMPTION</b> (in m <sup>3</sup> )	<b>Eurazeo PME</b>	<b>Eurazeo PME &amp; investments</b>
Water consumption	135	136,718
Amount spent on water consumption (in € thousands)	0,6	899

The coverage rate for Eurazeo PME was 100%; for Eurazeo PME and its investments, it was 91-93%.

<b>CO<sub>2</sub> DISCHARGE</b> <sup>(4)</sup> (in tons of CO <sub>2</sub> equivalent)	<b>Eurazeo PME</b>	<b>Eurazeo PME &amp; investments</b>
Scope 1 <sup>(5)</sup>	7	3,799
Scope 2 <sup>(6)</sup>	3	3,699
Total (Scope 1 and 2)	10	7,498
Scope 3 <sup>(7)</sup>	516	525,963
Total (Scope 1, 2 and 3)	526	533,461

The coverage rate for Eurazeo PME was 100%; for Eurazeo PME and its investments, it was 95-100%.

<sup>(6)</sup> Scope 2 emissions are emissions caused by the generation of electricity, steam, heating or cooling bought and consumed.

<sup>(7)</sup> Scope 3 emissions relate to other indirect emissions. The full Scope 3 of the portfolio companies was measured for the first time in 2017.

# CREDITS AND ACKNOWLEDGEMENTS

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Consultant on integrated reporting: Nick Landrot - Consultland

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Any comment on this integrated report can be sent to the following e-mail address:  
eurazeopme@eurazeo-pme.com

► For further information on the integrated reporting approach: [www.integratedreporting.org](http://www.integratedreporting.org)

### Eurazeo PME

1, rue Georges Berger 75017 Paris  
www.eurazeo-pme.com

