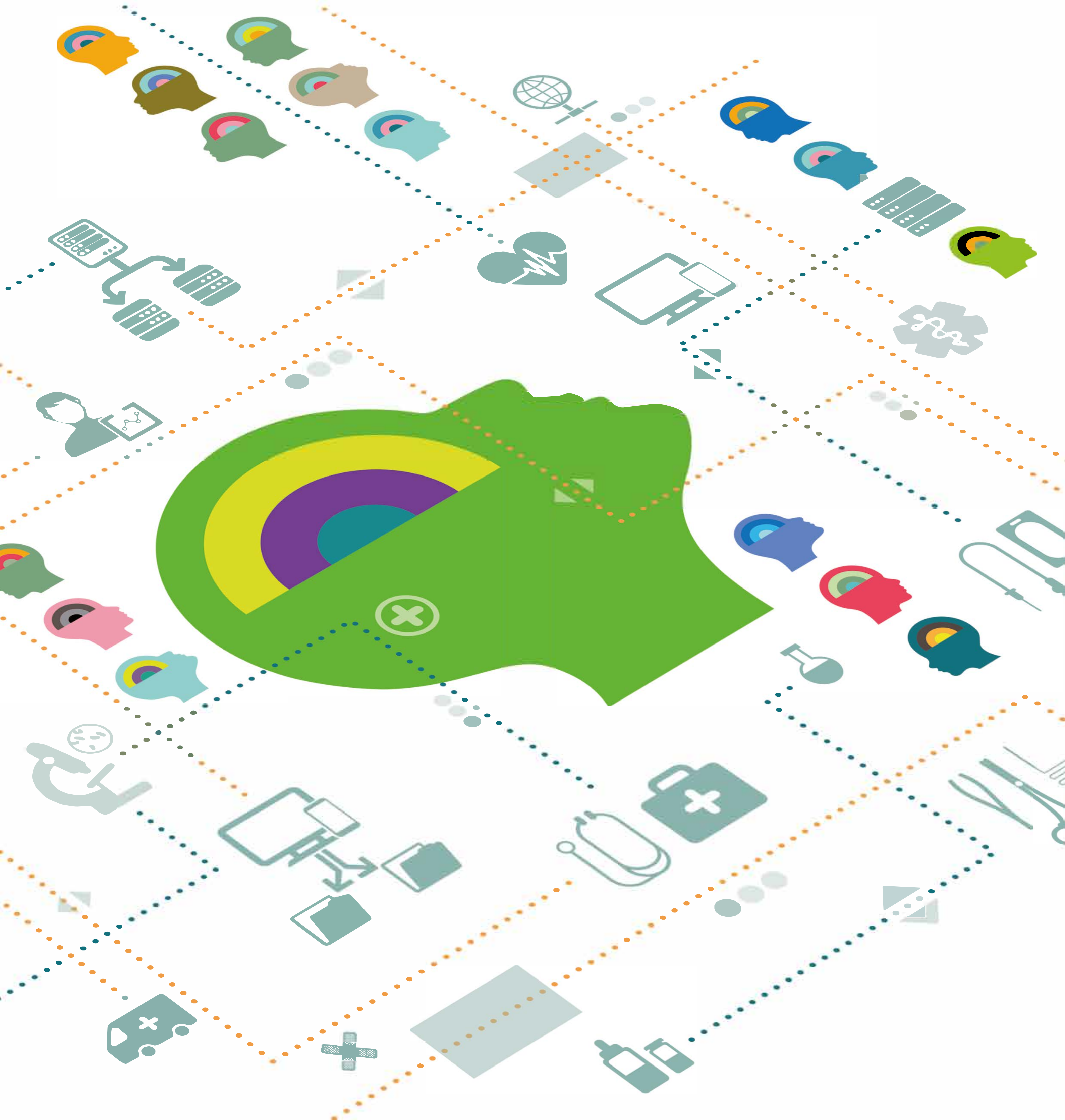
# REGISTRATION DOCUMENT 2017

# PHARMAGEST

Technologies for health



AUTORITÉ
DES MARCHÉS FINANCIERS

**PHARMAGEST INTERACTIVE**

A French public limited company (société anonyme) with share capital of €3,034,825
Registered office: 5, allée de Saint Cloud
54 600 VILLERS-LES-NANCY

The original French version of this Registration Document was filed with the French financial markets authority, the Autorité des Marchés Financiers (AMF), on 26 April 2018, in accordance with Article 212-13 of the AMF General Regulation.

It was prepared by the issuer and its signatories are liable for its content. It may not be used in connection with any financial transaction unless it is supplemented by a securities note approved by the AMF.

Included in this Registration Document by reference are: the consolidated financial statements, management reports and audit reports for the financial years ended on 31 December 2015 and 31 December 2016, which are contained in the 2015 Registration Document filed with the AMF on 29 April 2016 (D. 16-0449), and the 2016 Registration Document filed on 28 April 2017.(D. 17-0462).

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*Translation disclaimer: This document is a free translation of the original "document de référence" or registration document issued in French for the year ended 31 December 2017 filed with the AMF on 26 April 2018. As such, the English version has not been registered by this Authority. The English version of this document has not been audited by our Statutory Auditors and the English translations of their reports included herein are provided for information only. In the event of any ambiguity or conflict between corresponding statements or other items contained in these documents and the original French version, the relevant statement or item of the French version shall prevail and only the original version of the document in French is legally binding. As such, this translation may not be relied upon to sustain any legal claim, nor be used as the basis of any legal opinion and PHARMAGEST INTERACTIVE expressly disclaims all liability for any inaccuracy herein.*

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# 1 RESPONSIBILITY FOR THE FRENCH VERSION OF THE REGISTRATION DOCUMENT

## 1.1 Person responsible for information given in the French version of the registration document

Mr. Dominique PAUTRAT
Managing Director and Member of the Board of Directors of PHARMAGEST INTERACTIVE
5, Allée de Saint Cloud
54 600 VILLERS-LES-NANCY
Tel: + 33 (0)3 83 15 95 95

This Registration Document also includes our 2017 annual report and as such all items required for the annual financial report by article 222-3 of the AMF General Regulation.

## 1.2 Responsibility statement

After having taken every reasonable measure for this purpose, I hereby certify that to the best of my knowledge the information contained in this Registration Document complies with the facts and does not contain any omissions liable to alter the contents thereof.

I hereby certify that, to the best of my knowledge, the financial statements have been prepared in accordance with applicable accounting standards and that they give a true and fair view of the assets, the financial position and the results of the company and the undertakings included therein taken as a whole, and that the management report included in Section 24.1 of the 2017 Registration Document presents a faithful picture of the business trends, results and financial position of the company and the undertakings included therein taken as a whole with a description of the main risks and uncertainties they face.

I received a completion of work letter from the Statutory Auditors confirming that they have verified the information relating to the financial position and the financial statements set out in this Registration Document and read the whole Registration Document.

The historical information for the year ended 31 December 2017 covering the financial years ended on 31 December 2015 and 31 December 2016, presented in section 20.4, and incorporated herein by reference to the financial year ended on 31 December 2017, has been audited by the statutory auditors.

Dominique PAUTRAT, Managing Director, PHARMAGEST INTERACTIVE

# 2 STATUTORY AUDITORS

## 2.1 Name and addresses of the auditors

### Principal Statutory Auditors

**SA BATT AUDIT**
25, rue du Bois de la Champelle
54 500 VANDOEUVRE-LES-NANCY
Member of the Regional Association of Statutory Auditors of Nancy
First appointed on 30 May 2002 and renewed on 27 June 2014 until the Annual General Meeting called to approve the financial statements for the financial year ended on 31 December 2019,
Represented by Mr. Stéphane RONDEAU since 2014 and by Ms. Isabelle SAGOT since 2018.

**DELOITTE & ASSOCIES**
185 C avenue Charles de Gaulle
92 200 NEUILLY-SUR-SEINE
Member of the Regional Association of Statutory Auditors of Versailles
First appointed on 27 June 2017 until the Annual General Meeting called to approve the financial statements for the financial year ending on 31 December 2022.
Represented by Ms. Anne Philipona-Hintzy since 2017.

### Deputy Statutory Auditors

**REVILEC AUDIT ET ASSOCIES**
25 rue du Bois de la Champelle
54 500 VANDOEUVRE-LES-NANCY
Member of the Regional Association of Statutory Auditors of Nancy
First appointed on 27 June 2014 until the Annual General Meeting called to approve the financial statements for the financial year ending on 31 December 2019.

## 2.2 Statutory auditors who resigned or were not reappointed

The office of MAZARS (located at 61 rue Henri Regnault, 92 400 COURBEVOIE, Member of the Regional Association of Statutory Auditors of Versailles) whose term had expired, was not renewed by the Ordinary Annual General Meeting called to approve the financial statements for the period ended 31 December 2016. The office of MAZARS (located at 61 rue Henri Regnault, 92 400 COURBEVOIE, Member of the Regional Association of Statutory Auditors of Versailles) whose term had expired, was not renewed by the Ordinary Annual General Meeting called to approve the financial statements for the period ended 31 December 2016.

# 3 SELECTED FINANCIAL INFORMATION

## 3.1 Consolidated financial information relative to past years

| €m* | 2017 | 2016 | 2015 |
|---|---|---|---|
| Net revenue | 146.81 | 128.38 | 113.48 |
| Current operating income | 34.52 | 31.39 | 28.28 |
| Operating profit | 34.52 | 31.39 | 28.28 |
| Net income attributable to Group equity holders | 23.14 | 20.57 | 18.79 |
| Shareholders' equity attributable to the Group | 113.25 | 101.95 | 90.65 |
| Net cash [(1)] | 72.68 | 63.72 | 54.89 |
| Fixed assets net of depreciation, amortisation/provisions | 83.68 | 66.36 | 46.05 |
| **Total assets** | **174.53** | **150.70** | **123.98** |
| Gearing [(2)] | -49.45% | -57.34% | -58.48% |
| ROE [(3)] | 20% | 20% | 21% |
| Group full-time headcount | 904 | 892 | 817 |
| **Dividend [(4)]** | **0.75** | **0.65** | **0.60** |
| **Basic earnings per share (in euros)** | **1.55** | **1.37** | **1.25** |

** Except for the dividend and the basic earnings per share (in euros).*
*[(1)] Net cash includes the cash advance granted to MARQUE VERTE SANTE.*
*[(2)] Net debt to equity ratio.*
*[(3)] Net profit to equity ratio.*
*[(4)] The dividend per share given for the 2017 financial year is the dividend that will be proposed to the AGM on 28 June 2018.*

## 3.2 Parent company (French GAAP) financial information relative to past years

The main historical data for the separate financial statements of PHARMAGEST INTERACTIVE is presented in the financial table appended to the Management Report in Section 24.1 of this Registration Document.

# 4 RISK FACTORS

After reviewing risks potentially having a material adverse effect on its business, financial position or results (or its ability to meet its targets), Pharmagest Group considers that there are no other risks than those presented below:

## 4.1 Operating risks inherent to the business

The operating risks linked to PHARMAGEST Group's business include:

- Competition;
- The economic environment - indirect risks related to governmental decisions;
- Information systems and network security;
- Social risks;
- Risk of fraud and error;
- Insurance risks;
- Risks related to the Group's diversification strategy;
- Risks related to external growth and international development.

Detailed information about operating risks inherent to the business is provided in the management report in Section 24.1 of this Registration Document. (See Part 2 - Key risks and uncertainties - Internal control).

## 4.2 Regulatory and legal risks

Because of PHARMAGEST Group's multi-professional healthcare sector positioning, the main regulatory and legal risks are as follows:

- Loss of the SESAM-Vitale accreditation;
- Risk of losing the personal health data host accreditation;
- Technological risks related to intellectual property.

Detailed information about the regulatory and legal risks is provided in the management report in Section 24.1 of this Registration Document. (See Part 2 - Key risks and uncertainties - Internal control).

## 4.3 Financial risks

PHARMAGEST Group conducted a review of its main financial risks which are as follows:

- Liquidity risk;
- Interest rate risk;
- Foreign exchange risk;
- Risks on equities and other financial instruments;
- Credit or counterparty risk.

Detailed information about the financial risks is provided in the management report in Section 24.1 of this Registration Document. (See Part 2 - Key risks and uncertainties - Internal control). A quantitative assessment of the financial risk is presented in the notes to the consolidated financial statements in Section 20.3.1.5 - Note 6.7 of this Registration Document.

# 5 INFORMATION ABOUT THE ISSUER

## 5.1 History and development of PHARMAGEST INTERACTIVE

### 5.1.1 Company name and trade name

The Company's name is: PHARMAGEST INTERACTIVE.

### 5.1.2 Place of registration and registration number

PHARMAGEST INTERACTIVE is registered in NANCY (RCS No. B 403 561 137) - French industry code (NAF): 62.02B.

### 5.1.3 Date and duration of incorporation

PHARMAGEST INTERACTIVE was incorporated by virtue of the private agreement dated 25 January 1996, under the trading name "ROUSSEAU CPI" for a period of 99 years from the date of registration in the NANCY Trade and Companies Register, i.e. until 24 January 2095, unless extended or terminated in advance by a decision of the Extraordinary General Meeting of Shareholders.

Its financial year runs from 1 January to 31 December.

### 5.1.4 Registered office, legal form and applicable law

The Company has its registered office at 5 allée de Saint-Cloud, VILLERS-LES-NANCY (54 600), FRANCE.
Tel: +33 (0)03 83 15 95 95

PHARMAGEST INTERACTIVE is a French limited company (société anonyme) governed by French law and incorporated in France. Accordingly, the main texts applicable to it are the provisions of the French commercial code (Code de Commerce) relative to commercial companies and subsequent texts.

### 5.1.5 Significant events in the development of the Group's activities

#### 5.1.5.1 History and milestones

**1996: Creation of ROUSSEAU CPI.**

- Founded by Thierry CHAPUSOT, Thierry PONNELLE and Vincent PONNELLE. They developed the PHARMAGEST® software suite and built a distribution network in the eastern region of France. ROUSSEAU CPI was subsequently renamed PHARMAGEST INTERACTIVE.

**1998: Equity backing of pharmaceutical distributor CERP Lorraine.**

- PHARMAGEST INTERACTIVE's operations were merged with those of its IT subsidiary, MIRABEL. CERP Lorraine was renamed WELCOOP GROUP in 2008, then in 2017 became LA COOPERATIVE WELCOOP.

**2000: Initial public offering.**

- On 20 October, PHARMAGEST INTERACTIVE was listed on the Nouveau Marché of the PARIS stock exchange.

**2003: Market leader for pharmacy information systems.**

- Following a series of acquisitions in the domestic French market, the largest of which was CIP, PHARMAGEST Group became the French pharmacy information technology leader.

**2007: First stage of European expansion.**

- In September 2007, PHARMAGEST INTERACTIVE acquired the LUXEMBOURG-based SABCO and its ATS subsidiary in Belgium (renamed SABCO Services in 2009).

**2008/2009: New expertise: IT systems for elderly residential care homes (French acronym of EHPAD).**

- Following an initial strategic acquisition of the software publisher MALTA INFORMATIQUE, the Group extended its expertise to care homes. The acquisition of AZUR SOFTWARE's goodwill in April 2009 further deepened its footprint in the sector.

**2010/2012: Equity investments to expand the line-up of products and services.**

- **March 2010:** Creation of HEALTHLEASE, in which PHARMAGEST INTERACTIVE has a 35% equity stake. The company leases equipment under long-term leases to operators in the pharmaceutical industry, and to pharmacies in particular;

- **September 2010:** Acquisition of a 41.6% stake in DIATELIC, providing it with complementary expertise in telemedicine and expert systems for home monitoring of patients;

- **December 2010:** Acquisition by PHARMAGEST INTERACTIVE of a 49% equity stake in INTECUM. PHARMAGEST Group completed its offering to pharmacies with the addition of the SELLEN automated dispensing system;

- **May 2011:** PHARMAGEST INTERACTIVE acquired 35% of the Canadian DOMEDIC Group, which develops and markets a smart electronic pill dispenser. It granted exclusive distribution rights in Europe (extended to China and Japan in 2015) and a trademark licence for the dispenser to the French company, DOMEDIC EUROPE, 65%-held by PHARMAGEST INTERACTIVE.

**2013: Strengthening of e-Health and financing solutions.**

- Bolstered the Personal Health Data Host accreditations received between January 2012 and December 2013 and the creation of a datacentre, PHARMAGEST Group merged two operational subsidiaries DIATELIC and DOMEDIC EUROPE into a new e-Health Division and created a new subsidiary, KAPELSE, a designer of smart e-Health solutions for remote patient monitoring;

- Acquisition of 100% of HEALTHLEASE by acquiring 65% of Holding Lease France's capital.

**2014: Acquisitions, restructuring and equity investments.**

- Creation of CPSI - CARAIBES PHARMA SERVICES INFORMATIQUES, a limited liability company with capital of €100,000, and with its registered office in Guadeloupe. It is engaged in the sale and marketing, installation and maintenance of hardware and software for pharmacies located in the French Antilles and Guyana.

- Acquisition of additional equity in DIATELIC, bringing PHARMAGEST INTERACTIVE's share in the capital to 95.29% from 68.58%.

**2014: Derecognition and equity divestments.**

- Reduction in the equity stake and QUALITY FLUX from 21.98% to 15.5%, following a capital increase and the admission of three new shareholders; PHARMAGEST INTERACTIVE decided not to participate in this capital increase. Because this transaction resulted in the loss of significant influence, QUALITY FLUX was derecognised based on a fair value of zero;

- Disposal of 30% of KAPELSE securities without loss of control.

#### 5.1.5.2 Recent events (2015-2017)

**2015: Acquisitions, restructuring and equity investments:**

- Creation of NANCEO, a simplified French joint stock company *(société par actions simplifiée)* with capital of €1,000,000 with its registered office in Paris, offering financing solutions for leased assets in the services sector.

- Acquisition of additional shares in INTECUM, increasing PHARMAGEST INTERACTIVE's stake in the capital from 63.99% to 100%.

**2016: Acquisitions, restructuring and equity investments:**

- Acquisition by MALTA INFORMATIQUE of DICSIT INFORMATIQUE. PHARMAGEST Group in this way acquired additional expertise in information systems for HADs (Hospitals at Home), SSIADs (Home-based nursing services) and CLIC networks (Local Information and Coordination Centres for the Elderly).

- PHARMAGEST INTERACTIVE and its subsidiary KAPELSE jointly acquired, on the basis of equal stakes, 80% of NOVIATEK and its subsidiary NOVIA SEARCH, a start-up specialising in the design of innovative systems for assisting people with specific needs (Alzheimer's, older people living alone, dependent people, people living with disabilities, etc.).

- PHARMAGEST INTERACTIVE acquires a 70% equity stake in SAILENDRA, a provider of consulting services for IT systems and software applications.

**2016: Derecognition and equity divestments:**

- GROUPE DOMEDIC INC., a subsidiary of PHARMAGEST INTERACTIVE, signed a strategic partnership agreement with TELUS Health that is to gradually increase its equity stake in GROUPE DOMEDIC INC over an 18-month period;

- Absorption of DCI by PHARMAGEST INTERACTIVE by a simplified merger procedure entailing the company's dissolution and the global transfer of its assets and liabilities *(transmission universelle de patrimoine)* effective on 30 June 2016.

**2017: Acquisitions, restructuring and equity investments:**

- PHARMAGEST INTERACTIVE acquired a 51.82% equity stake in CAREMEDS Ltd., an English company, itself controlling 100% of MEDICATION SYSTEMS Ltd., an English company. This equity investment was accompanied by the acquisition of a 51% stake by PHARMAGEST INTERACTIVE in MULTIMEDS Ltd., an Irish company. These companies are specialised in developing innovative medication adherence management technologies.

  - MULTIMEDS has developed manual dispensing systems with a comprehensive and innovative patent-protected pill dispenser;
  - CAREMEDS has developed a secure cloud-based platform for tracking the medication cycle using pill dispensers. This product provides pharmacists in dispensing pharmacies and elderly residential care homes (EHPAD) with secure medication management and batch traceability for prescription drugs prepared in pill dispensers.

- PHARMAGEST INTERACTIVE acquired an initial 80% equity stake in the capital of WELFINITY GROUP S.A., a Luxembourg company, producing healthcare sector market studies;

- Acquisition by MALTA INFORMATIQUE of AXIGATE, specialised in new technologies and a French leader in the Hospital Information Systems (HIS) sector. PHARMAGEST Group in this way gained access to the complementary market of the hospital sector.

**2017: Derecognition and equity divestments:**

- Completion of the final phase of TELUS's integration within GROUPE DOMEDIC INC., bringing PHARMAGEST INTERACTIVE's stake to 28.32% compared to 29.60% at 31 December 2016.

### 5.1.5.3 Strategic developments and external growth

Initially concentrated on the needs of pharmacists and pharmacy management solutions, PHARMAGEST Group has adapted its strategy by introducing a patient-centred approach while continuing to strengthen its historical customer base.

Based on the conviction that tomorrow health professionals will become increasingly interconnected and coordinated around the patient, PHARMAGEST Group has been gradually expanding its expertise to cover all advanced information technologies in health and related sectors.

Through its products and solutions, PHARMAGEST Group seeks strengthen to different building blocks of the healthcare ecosystem with the patient at the centre.


Through this patient-centred innovation strategy, PHARMAGEST Group is establishing a position as a key contributor to the market transformation for pharmacists, healthcare professionals, private payers and public authorities.

## 5.2 Investments

### 5.2.1 Description of the issuer's principal investments for the periods covered by the historical financial information up to the date of issue of the registration document

#### 5.2.1.1 Capital expenditures for property, plant and equipment and intangible assets

The table below summarises capital expenditures during the past three years:

| In € thousands | 2017 | 2016 | 2015 |
|---|---|---|---|
| Intangible investments | 14,550 | 6,917 | 3,161 |
| *o/w goodwill* | *8,364* | *2,711* | *0* |
| Investments in tangible assets | 1,519 | 1,813 | 1,499 |
| **TOTAL** | **16,069** | **8,730** | **4,660** |

Research and development and innovation are the primary focus of PHARMAGEST Group's intangible investments in order ensure that the Group's companies remain at the cutting edge across a range of products through all Divisions.

Capital expenditure on tangible assets primarily concerns infrastructure acquisitions, renewal and investments to strengthen their security.

The Group's acquisitions and renewals are self-funded.

#### 5.2.1.2 Financial investments

PHARMAGEST Group in general adopts an opportunistic approach to external growth by proceeding with block acquisitions in line with its patient-centred strategy. These investments are financed from equity which may be refinanced according to market opportunities. PHARMAGEST Group's external growth transactions over the past three years:

- Initial equity stakes:
  - **March 2016**: 100% in DICSIT INFORMATIQUE - DEVELOPPEMENT INGENIERIE & CONCEPTION DE SYSTEMES D'INFORMATION EN INFORMATIQUE (share capital: €50,000);
  - **June 2016**: 80% in NOVIATEK (share capital: €250,100 after the investment). NOVIATEK wholly-owns NOVIA SEARCH (share capital: €33,000);
  - **December 2016**: 70% in SAILENDRA (share capital: €403,500 after the investment);
  - **February 2017**: PHARMAGEST INTERACTIVE acquired a 51.82% equity stake in CAREMEDS Ltd., an English company with a share capital of £247. CAREMEDS Ltd. controlling 100% of MEDICATION SYSTEMS Ltd., an English company, with share capital of £100;
  - **February 2017**: PHARMAGEST INTERACTIVE acquired 51% of the capital of MULTIMEDS Ltd., an Irish company with share capital of €100.
  - **February 2017**: PHARMAGEST INTERACTIVE acquired an initial 80% stake in the capital of WELFINITY GROUP S.A., a Luxembourg company, with share capital of €300,000.
  - **July 2017**: MALTA INFORMATIQUE acquired all capital of AXIGATE with share capital of €58,421.

- Creation of wholly-owned subsidiaries:
  - **January 2015:** NANCEO (share capital: €1 million).

- Increased equity stakes:
  - **In 2015:**
    - **June:** GROUPE DOMEDIC INC: capital increase taken up by PHARMAGEST Group, with no impact on capital ownership structure;
    - **December:** following a share buyback, the holding in INTECUM was increased from 63.99% to 100%.

- **2016/2017 :**
  - Execution of the first successive phases of the capital increases of GROUPE DOMEDIC INC. with TELUS Health becoming a shareholder. These capital increases were taken up by PHARMAGEST Group resulting in a dilution in its position (28.32%).

For the period covered by historical financial information, financial investments totalled €19.5 million.

### 5.2.2 Principal ongoing investments

Current capital expenditure primarily concerns innovation Research & Development costs both inside the company and for contracting experienced partners in areas requiring specific expertise.

PHARMAGEST Group is also maintaining the pace of investments in:

- Its recent accreditations as a Personal Medical Data Host;
- National and regional calls for e-Health projects in France in which the Group is a participant;
- The development of its subsidiaries in their respective fields.

In addition, the Group is continuing to pursue its acquisition strategy, examining opportunities for external growth in international markets, but also in France, with priority given to innovative Health-related services and technologies.

### 5.2.3 Main future capital expenditures

PHARMAGEST Group plans to expand its headquarters located at VILLERS-LES-NANCY, with the work to be carried out in 2018 and 2019 for an estimated expense of €10 million.

PHARMAGEST Group's senior management had no other firm investment commitments as of the date of filing of this Registration Document.

## 5.3 Financial reporting

**Information policy**

PHARMAGEST INTERACTIVE is committed to holding two information meetings every year for analysts, investors and journalists.

Press releases may be issued with information on significant developments.

In addition, for the duration of the Registration Document's validity, the deed of incorporation, Statutory Auditors' reports, and historic financial information for the issuer and its subsidiaries for each of the two financial years prior to the document's publication, will be available at the issuer's registered office.

Financial information is also available on www.pharmagest.com.

GILBERT DUPONT (the market maker) produces financial studies on PHARMAGEST INTERACTIVE on a periodic basis.

This market making agreement with GILBERT DUPONT initially implemented on 20 October 2003 remained in force in 2016.

In addition to its collaboration with Gilbert DUPONT, PHARMAGEST Group has retained the services of CM-CIC MARKET SOLUTIONS to assure coverage of the PHARMAGEST share and produce financial analysis in accordance with market standards. The contract expired on 31 December 2017 and discussions are in progress for instituting a replacement collaboration.

# 6 BUSINESS OVERVIEW

## 6.1 PHARMAGEST Group

PHARMAGEST Group consists of PHARMAGEST INTERACTIVE and its subsidiaries. The Group has expertise in advanced information technologies in health and related specialist sectors.

**Membership of a Pharmacists' Cooperative**

PHARMAGEST INTERACTIVE is majority held by LA COOPERATIVE WELCOOP (formerly WELCOOP GROUP), a pharmacists' cooperative. As a result of this specific structure, LA COOPERATIVE WELCOOP's customers may also be shareholders in this company. This strong proximity to the pharmacy profession provide the Group with an excellent understanding of the pharmacist's' ecosystem in particular and the healthcare sector in general. This helps it anticipate changes to the healthcare system and develop the necessary tools to support its customers.

### 6.1.1 Description of the issuer's operations and main business lines

To provide a more relevant understanding of its businesses and strategies, PHARMAGEST group is divided into Divisions which are in turn organised into Business Lines:

- The Pharmacy - Europe Solutions Division, which includes the Pharmacy France and Pharmacy Belgium and Luxembourg Business Lines;
- The e-Health Solutions Division, which includes the e-Patient, e-Connect and e-Pharma Business Lines;
- The Health and Social Care Facilities Solutions Division includes operations of MALTA INFORMATIQUE, DICSIT INFORMATIQUE and AXIGATE;
- The Fintech Division represents the business of NANCEO.

**Revenue by business and region (IFRS)**

| | 2017 | | 2016 | |
|---|---|---|---|---|
| Divisions | Revenues | Attributable to the Group | Revenues | Attributable to the Group |
| Pharmacy - Europe Solutions Division<br>- *of which France*<br>- *of which, in Belgium and Luxembourg* | €101.95m<br>€98.82m<br>€3.13m | 69.45 %<br>67.32 %<br>2.13 % | *€98.12m*<br>*€95.44m*<br>*€2.68m* | *76.43 %*<br>*74.34 %*<br>*2.09 %* |
| e-Health Solutions Division (France) | €11.58m | 7.89 % | €9.95m | 7.75 % |
| Health and Social Care Facilities Solutions Division (France) | €14.86m | 10.12 % | €10.29m | 8.02 % |
| Fintech Division (France) | €18.41m | 12.54 % | €10.02m | 7.80 % |

For more information on the main financial aggregates by business, readers are invited to refer to the notes to the consolidated financial statements in Section 20.3.1.5 - Note 7.2 of this Registration Document.

### Internal skills base

As a developer of IT solutions, PHARMAGEST Group delivers comprehensive expertise in pharmacy information technology. Its business is structured into:

- Independent software vendor: software design, development, maintenance and upgrades;
- Product distribution or solutions: direct marketing through the Group's network of agencies and subsidiaries;
- Integration and training: systems integration (hardware and software), data recovery and management, training and support for pharmacy users;
- Maintenance: monitoring and maintenance of the pharmacy's IT environment.

### 6.1.1.1 The Pharmacy - Europe Solutions Division

The Group's historical business, the Solutions for Pharmacy Division - Europe contributed 69.45% of total revenue (IFRS) in 2017.

This Division consists of the Pharmacy France and Pharmacy Belgium and Luxembourg Business Lines.

## Pharmacy France Business Line

Its flagship software suite, **LGPI Global Services®**, equips nearly 9,000 pharmacies or 42% of pharmacies in France. The number one pharmacy management software solution in France, LGPI Global Services® delivers a set of functions required to operate and manage pharmacies, control purchases, optimise pricing and efficiently run the business. Additional solutions and satellite products can be added on to LGPI Global Services®. This product is not only a pharmacy management tool. It also enables pharmacists to remain up-to-date about developments in their profession and provides efficient options for advising and supporting patients inside and outside the pharmacy.

### LGPI Global Services®, a comprehensive pharmacy management application

In addition to the basic sales, billing and inventory management functions, drug database, LGPI Global Services® also features tools to optimise profit and track business volumes:

- **My Pilot®:** this intuitive high-performance statistical tool helps users to manage every aspect of their business using the clear, interactive dashboards and graphs covering both front and back office;

- **OffiCentral®:** as the number of strategic mergers between pharmacies grows, OffiCentral® is the ideal system for pharmacies seeking new profit drivers, notably by allowing them to optimise grouped orders and harmonise their sales policies;

- **Offizzy®:** as a bankcard pharmacy payment solution, Offizzy prevents data entry errors, saves time and optimises patient service and adapts to different payment methods (contactless or American Express);

- **Officonnect®:** a platform for exchanges between pharmacy websites and LGPI Global Services® for sales integration and inventory synchronisation between the two systems.

### LGPI Global Services®, a safety optimisation tool for pharmacies:

- **OffiMSS®:** to help pharmacists in adapting to developments affecting their profession, PHARMAGEST Group has become a secure health messaging system operator (MSSanté), with its OffiMSS messaging services system integrated in its LGPI, guaranteeing dematerialised healthcare data exchange, between healthcare professionals;

- **Offipass® :** a contactless authentication solution guaranteeing rigorous access management for LGPI Global Services® reducing data entry errors, securing transactions at the counter and respecting the confidentiality of patient data;

- **Offiprotect®** a professional security solution combining anti-virus and spyware protection with automatic daily updates. Data and information system security requires that computers are protected by powerful antivirus capabilities specifically adapted to pharmacies.

- **Officash®** offers speed, simplicity and security at all stages of the cash management process. The closed-circuit payment terminal reduces costs (by eliminating errors, forged notes, etc.) and saves time for both customers and staff, while optimising security;

- **Offisecure®** offers professional broadband Internet access, designed specifically for pharmacies, as well as an unlimited professional telephone service and a 3G back-up service. The tool is configured for optimum security of pharmacies' local IT infrastructure;

- **Offiseen® :** this video protection system is integrated into the pharmacy software suite and provides protection against unauthorised markdowns by flagging videos related to events in the LGPI Global Services®. It also optimises security in the pharmacy and provides a secure environment for customers and staff.

### A range of solutions to strengthen patient support and advice

PHARMAGEST Group tailors its solutions to support the pharmacists' critical position the healthcare ecosystem as a provider of information and patient education, a role that will be further expanded by the introduction of new laws in France (the Hospital, Patients, Health and Territories Act - HPST):

- **LSO:** exemplifying pharmacists' evolving role, the compliance monitoring software (*Logiciel de Suivi d'Observance* or LSO) makes it easier to assist patients in their care pathway. LSO is an interconnected and secure application offering multiple functionalities such as enhanced patient record oversight, patient case detection during the dispensing process according to predefined criteria, monitoring patient vitals integrating multimedia tools or maintaining an addendum shared within the pharmacy team.

- **OffiLearning:** an e-learning tool offering an easy, rapid interactive playful and economic resource for acquiring knowledge about pathologies advice, serious disorders and pharmacy management. E-learning represents the ideal means to provide training to all the pharmacy's teams in the most cost-effective and efficient manner.

### A range of solutions for enhanced in-pharmacy performances

- **OffiTouch®:** the digital retail display designed for patients and pharmacists alike. Patients can in this way, and in complete independence, in the pharmacy, gain time, benefit from the best offers, find their products more easily and obtain advice, while benefiting from an optimal customer experience. For the pharmacist, OffiTouch® represents a real springboard for improving its attractiveness and image while increasing sales and measuring the impact of the system through its full integration with the pharmacy management application (LGPI Global Services®);

- **OffiMédia®** is a point-of-sale marketing and communication system for pharmacies. The tool analyses patient data, prescriptions and inventory to send accurate messages. Pharmacies equipped with LGPI Global Services® can also automatically relay the promotions created in their management software to the OffiMédia® screens;

- **SELLEN and SELLEN TWIST robots:** developed by its INTECUM subsidiary, the Group offers automated dispensing systems. Located in the centre of the pharmacy, the robots optimise the space available and free up the pharmacies team to advise customers, instead of spending time searching through drawers for medicines.

### PHARMAGEST Consulting, new high value added service offering

PHARMAGEST helps pharmacists adapt to the transformations in their profession and exploit all available growth drivers. With this goal, a team of consultants has been tasked by the Group to provide support to pharmacists by applying a structured approach: reviewing the pharmacy's current position, preparing action plans, follow-up and support, and results measurement.

PHARMAGEST's consulting offering is backed by **My Pilot®**, a software package available in SaaS. The analytics and management tool uses dashboards that are updated each day to facilitate devising action plans in many areas, such as the pharmacy's financials, profitability of products by category and by range, price policy, customer knowledge and point-of-sale organisation.

### Equipment financing solutions

PHARMAGEST Group introduced a range of financing services for computer and other professional equipment through its HEALTHLEASE subsidiary.

## Belgium and Luxembourg Pharmacy Business Line

### In Belgium

Since 1997, SABCO has been developing unique cutting edge software and IT solutions in the healthcare market addressing market developments by providing increased efficiencies in patients and pharmacy management alike.

Breaking new ground in the Belgian market, SABCO offers a range of two software packages suited for all types of pharmacies and available in the country's two main languages, French and Dutch: SABCO® OPTIMUM and SABCO® ULTIMATE.

**SABCO® OPTIMUM**, created in 2011, a management tool specifically adapted to the needs of Belgium pharmacists meeting all the requirements imposed on pharmacies in this country. This software includes a panel of complementary solutions to provide improved patient advice and support in monitoring their treatment: providing therapeutic datasheets, dosage information and related advice, text messaging reminders, treatment renewal services, etc.

**SABCO® ULTIMATE** is an efficient easy to use system combining optimised pharmacy management and improved patient support. It is the market reference for comprehensive pharmacy management software applications in Dutch and French-speaking Belgium, both for the management component and functionalities like unit pricing (TàU, TUH, PMI). SABCO® ULTIMATE with its OffiHome and OffiDistri offer a fully integrated management solution adapted for both independent pharmacies and pharmacy groups alike.
Integrating the use of exclusive technology, it features powerful analytics and smart dashboard functions leveraging all key pharmacy data, this solution offers pharmacists the ability to boost their decision-making capabilities and negotiating power while supporting their health expert role with patients.
SABCO teams are constantly upgrading their applications to anticipate market developments, adapt to new legislative requirements for the pharmaceutical sector, and to meet the growing and expanding needs of Belgian pharmacists.
Development teams in France and Belgium work closely on adopting SABCO applications to satellite solutions developed by PHARMAGEST Group (OffiCentral®, OffiMédia®, FarmaMobile®, OffiSeen®, OffiCash®, OffiTouch®, etc.), in order to propose a comprehensive offering to Belgian pharmacies.

### In Luxembourg

SABCO's **Officine 2016** application has a 14% market share in the Grand Duchy of LUXEMBOURG. In addition to the usual functions of a pharmacy management software package, Officine 2016 also includes management of compound solutions, direct orders and billing of veterinary customers. This product is a communications application providing exclusive access to an information portal and the DelphiCare database. Other features include a robot interface option, document scanning, an SMS function, an interface with electronic labelling, and financial order functions to calculate margins.

#### 6.1.1.2 e-Health Solutions Division

**New businesses to meet emerging healthcare needs**

PHARMAGEST Group anticipated the digital revolution which is becoming a daily fixture in the life of both healthcare professionals and patients.

PHARMAGEST Group's growth strategy focuses on improving patient health and treatment delivery and, in this way, reducing healthcare costs.

The objectives of the e-Health Solutions Division are to design and roll out new services and systems and measure the savings generated for the national health insurance system.

The added value created by this Division resides in the relevance of its role in setting direction for pharmacy industry stakeholders, and its organisational and functional expertise in all aspects of health. The e-Health Solutions Division combines the excellence and expertise of PHARMAGEST INTERACTIVE, DIATELIC, KAPELSE, SAILENDRA, NOVIATEK, NOVIA SEARCH, CAREMEDS and MULTIMEDS, as well as technology suppliers with substantial experience in health and the ability to deliver services to meet the demand from healthcare professionals for improved care for patients.

Following a phase of intensive investment, the e-Health Solutions Division contributed 7.89% of total PHARMAGEST Group revenue in 2017.

To achieve its objectives, the Division proposes three core competencies: e-Health, e-Connect and e-Pharma.

## e-Patient Business Line

To maintain its capability to offer innovative services to pharmacists to help fulfil various aspects of their role under the French healthcare reform act (HPST - Hospitals, Patients, Health and Territory Act), the Group continues to invest to develop the tools to help pharmacies consolidate their position in the healthcare ecosystem and cooperate effectively with other healthcare professionals in this patient-centred environment.

**Improved patient treatment monitoring**

- **Multimeds:** PHARMAGEST Group designed the Multimeds pill dispensers because the security of the medication dispensing process represents a key priority.
  Prepared upstream by the pharmacist, the pill dispenser is a manual device including weekly or monthly doses (7 or 28 days) based on detachable blisters. Each pill dispenser includes the patient's name, the name of the medication, the dosage, the best number and expiration date, ensuring complete traceability. The Multimeds pill dispenser thus ensures right medication, at the right dosage, administered in the right manner to the right patient. The caregiver or patient do not have direct contact with the medication with considerably reduces the risk of contamination;

- **OffiDose 2.0®:** under the terms of agreements with elderly residential care homes, pharmacies prepare medication doses for administration to patients, and are investing in automated packaging systems to prepare the sachets with the dosage times. This management application for the Preparation of Doses to be Administered (PDA) prepares the pill dispensers for a medical treatment prescribed by the doctor and automate information flows between the LGPI Global Services®, elderly residential care homes (notably through the TITAN application of the subsidiary MALTA INFORMATIQUE) and automated PDA systems;

- **DO-Pill SecuR™:** This smart electronic pill dispenser reminds patients to take the right medication at the right time with a visual and audible alert. DO-Pill SecuR™ completes PHARMAGEST Group's service offering by providing pharmacists with reliable and accurate treatment compliance summaries for patients with chronic illnesses or seniors which in turn helps improve quality of life for both patients and families.

### Artificial intelligence and expert systems enhancing medical monitoring and diagnostic tools

The e-Patient line offers powerful AI-based patient telemonitoring and medication compliance solutions. The expert systems developed by PHARMAGEST Group generate automatic alerts and sophisticated diagnostic aids for use by healthcare professionals as part of the therapeutic monitoring of patients. Its range of software covers a wide range of pathologies, from renal failure (medical tele-monitoring of home dialysis) or and respiratory insufficiency. This offering provides a relevant response to the crucial issue of how to handle the growing volume of health data generated by telemedicine or e-health systems.

To ensure continuity in the patient relationship, the e-Health Solutions Division is contributing to its digital transformation by means of a number of concrete measures:

- To improve the treatment of seniors still living independently, by supporting the coordination of doctors, nurses and pharmacists through a secure medication delivery program - PAERPA Project *(Elderly Persons at Risk of the Loss of Independence)* in place in the Lorraine region.

- To provide early detection and secure the treatment process for patients with serious disorders by using Artificial Intelligence, improving patient health and quality of life and reducing the cost of care (hospitalisations and unscheduled consultations) - *eNephro Project: with a target of 850 patients and the participation of 30 nephrologists. This project has been deployed in three regions in France since 2016*

- Securing senior housing (individual or collective) through our Silver Economy approach with solutions that respect the lifestyle habits of both the residents and home caregivers - *the "36 more months at home" program with 150 residences to be equipped thanks to the support of CARSAT Nord-Est and the Regional Council of Grand Est*.

- Simplifying the management and sharing of patient education programs (PEPs) by facilitating coordination with the healthcare structures on the front line of treatment (coordinating and validating their PEP pathways) and productivity and traceability (financing based on a fixed rate and/or per intervention) - *PHARMAGEST INTERACTIVE was selected for the regional telehealth organisation (Groupement de Coopération Sanitaire Télésanté Lorraine) for the patient education project and is applying its pilot PEP solution at three networks representing 1,800 patients.*

- Supporting patients in the treatment of their pathologies. More than 140,000 patients are or have been monitored by PHARMAGEST Group's e-Patient Solutions Division.

### Optimised sharing and protection of personal healthcare data

PHARMAGEST Group's raison d'etre from the outset has been to provide its customers with innovative applications built on tried and tested technology. Continuity of service and ongoing smooth operation of both the technical infrastructure and enterprise applications call for ever greater security for data and the pharmacy management package *(LMO - Logiciel Métier d'Officine)*.

Health professionals in general - and dispensing pharmacies in particular - must have the new tools to fulfil emerging needs for dispensing safety, traceability and personal health data security.

The Group reinforced its structure and was granted hosting of health data (HHD) accreditation by the French Ministry of Social Affairs and Health in 2012 for hosting applications with direct access by patients to their information. The TELE100T®-APS (*Accès Patient Sécurisé* - Secure Patient Access) service is now offered by the Group to its healthcare professional customers. TELE100T®-APS hosts applications managed and administered by healthcare professional customers, mainly pharmacists, who wish to create a website for on-line sales of medicines, in accordance with the latest regulatory requirements. Based on this accreditation, these applications containing personal healthcare data intended for medical follow-up will be directly accessible by patients.

Because the needs of the healthcare sector cannot be met by conventional data centres (operating according to a completely different business model), PHARMAGEST Group established a proprietary **Data Centre** in 2012. This strategic tool guarantees robust quality and strict data security to offer high added-value services to healthcare professionals, pharmacists and healthcare establishments.

## e-Connect Business Line

The e-Connect Business Line designs, develops, produces, installs and operates innovative e-Health solutions to on the one hand, secure monitoring of patients at their place of residence and, on the other hand, optimise care pathways.

Its main markets are:

- Tele-health, which includes medical tele-monitoring, tele-assistance and medical-social tele-assistance;
- Digitisation and enhanced security of administration for health professionals, robust authentication protocols to access tele-services and shared records, and patient monitoring.

### KAPELSE Solutions

Smart, user-friendly and efficient, KAPELSE solutions improve in-home monitoring of at-risk patients suffering from chronic conditions or impaired autonomy.

Engineered with robust authentication protocols and integrated in an extremely secure environment (Kap&Network), KAPELSE's solutions offer a range of functionalities, with the highest degree of security:

- Automatic recording and secure storage of healthcare data at the patient's place of residence;
- Recording and secure storage information on in-home medical procedures by Healthcare Professionals;
- Robust authentication features for both the Healthcare Professional and the patient;
- Secure and automatic transfer of data to dedicated servers managed by certified health data hosting service providers;
- Sharing healthcare data with data processing applications facilitating automated monitoring (warning systems, patient-health professional dialogue, communication between professionals,…).

At 31 December 2017, KAPELSE's offering included four systems:

- **KAP&CARE®:** an e-Health box (SATEBOX) specially designed for in-home patient monitoring, it facilitates tele-monitoring and medical tele-assistance. Patient authentication and data security are guaranteed;

- **KAP&GO®:** the mobile version of the e-Health box;

- **KAP&LINK®:** a card reader suitable for all pharmacies based on innovated patented technology, for remote transmission, updating SESAM-Vitale cards and more;

- **eS-KAP-Ad®:** a mobile device with pre-loaded software and a SESAM-Vitale billing programme to create and sign electronic healthcare data sheets during home calls to patients.

KAPELSE also contributes to projects led by the e-Patient Business Line by offering comprehensive, simple and secure systems for remote patient monitoring, as well as functionalities that are critical to treatment compliance and optimising the care pathway.

### NOVIATEK Solutions

Working closely with partners from the medical-social field, NOVIATEK developed **Noviacare™**, an assistance system designed for people with Alzheimer's and older people living alone.
The system, using carefully placed sensors and a central router, measures the person's life at home, analyses behaviour (missed meals, falls, personal care problems,…) and works preventively to reassure the persons themselves, as well as their family and carers, with a report sent on a daily basis.
Also equipped with a speech synthesis system, **Noviacare™** can provide the person with advice on taking medication, meal frequency, hydration levels and space-time guidance.
The device is not intrusive, does not require an Internet connection and is easy to install in the home (wireless, plug and play). This device can be distributed through specialised channels, B2C channels and by the pharmacist.

## e-Pharma Business Line

PHARMAGEST Group has a 30-year track record in providing software services and solutions to pharmacies. Its information technology expertise is supplemented by a deep knowledge and expertise in issues relating to the pharmaceutical industry. This unique combination makes it an ideal partner for pharmacists at every project stage.

PHARMAGEST Group is also the provider of choice for pharmaceutical companies keen to establish a customer/patient-focused marketing model. By creating new bridges between pharmaceutical companies and pharmacies and developing multi-dimensional links in both their interests, PHARMAGEST Group is a key partner for the pharmaceutical sector.

### PHARMAGEST proposes solutions for the general public, the pharmaceutical industry, public authorities and private payers servicing the general public

PHARMAGEST Group's **health observatories, prevention and information campaigns** are another means of demonstrating its public health expertise and its ability to mobilise pharmacy teams. Since 2010, 42 awareness campaigns were organised, nearly 65,000 were people surveyed and more than 11,800 patients received advice leaflets. In 2017, pharmacies equipped with LGPI Global Services® were able to participate in several initiatives: chronic kidney failure, Parkinson's disease, diabetes, tobacco cessation, Alzheimer's disease and psoriasis.

In response to the trend of increasing mobility, PHARMAGEST Group created Ma Pharmacie Mobile®. This free app, available on iPhone™ and Android™, enables patients to find the nearest open pharmacy, send a scan of their prescription, access their medication history or receive reminders to take their medication. **Ma Pharmacie Mobile®** gives pharmacists more opportunity to offer support for patients. At the end of 2017, there were more than 200,000 downloads of this application and more than 136,000 prescriptions were transmitted to pharmacies by patients.

### The Group's offering for pharmaceutical companies includes solutions to facilitate pharmacists to fulfil their new roles on the front line of patient care

Poor medication compliance results in health risks for the patient. However, experience has shown that patient information and training measures improves their compliance and commitment to treatment. PHARMAGEST Group develops services for pharmaceutical companies and pharmacists promoting patient education, through interviews conducted by pharmacists, information sheets and advice specifically adapted to the patient profile. Pharmaceutical companies have shifted the focus of their marketing from the product to the patient. Today, it is no longer the drug which is the focus of the pharmaceutical industry but rather personalised therapeutic solutions. This trend is leading to the development of new relations between healthcare professionals and the patient, solutions creating added value around their innovative drugs.

### PHARMAGEST Group proposes training solutions and services, information and communications initiatives adapted to the pharmacies' needs

Pharmaceutical companies have become keenly aware of the vital role played by pharmacists in the healthcare landscape and are now including them in their promotional and marketing strategy. The LGPI Global Services® portal is a crucial and interactive information channel through which the pharmaceutical company can provide the specific information the pharmacy team needs to fulfil their role. Pharma companies can present targeted information on new products, specific information on medicines, promotions and its support solutions to patients and healthcare professionals.

The **OffiMédia®** POS display, supplementing other promotional channels, represents a new growth driver designed to trigger the act of purchase, excluding prescription medication, at the ideal moment. Pharmacists leverage the powerful potential of on-screen advertising technology to modernise their image, enhance the retail environment and increase sales.
For pharmaceutical laboratories, PHARMAGEST Group also is able to convey the institutional audio-visual campaigns or stage the display of their products to capture customers' attention.

### 6.1.1.3 Health and Social Care Facilities Solutions Division

The Health and Social Care Facilities Solutions Division driven by MALTA INFORMATIQUE includes two direct subsidiaries, DICSIT INFORMATIQUE and AXIGATE. More than 120 employees and more than €14.86 million in revenue (10.12% of PHARMAGEST Group's IFRS revenue), the scope covered by the Division includes software application for Hospitals, Hospital at Home programs, Home-based Nursing Services (SSIAD), elderly residential care homes (EHPAD) and Local Information and Coordination Centres for Older Persons) (CLIC), representing an installed base of approximately 3,000 establishments in France and the French Overseas Departments and Territories.

#### MALTA INFORMATIQUE

A subsidiary of PHARMAGEST Group, MALTA INFORMATIQUE is a specialised independent software vendor providing applications for elderly residential care homes, day care and sheltered housing facilities for persons with disabilities. It has a high level of expertise in automated Electronic Medical Records (EMR) management for residents, the management of therapeutic and occupational activities, invoice and accounts receivable management. The company's integrated and modular software packages provide an effective and differentiating solution within the evolving health and social care landscape.

Its TITAN application, which is the only solution in the market to cover the entire medication chain for elderly residential care homes, consists of a number of modules for:

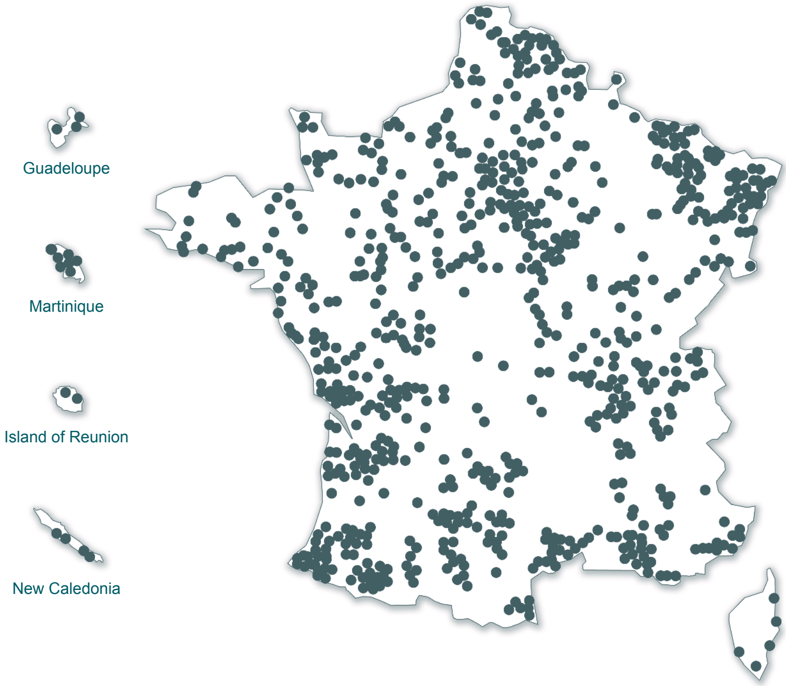
- Managing waiting periods, admissions and the administration of residents;
- Tracking therapeutic and occupational activities;
- Very accurate and integrated management of residents' personal care and support plan;
- Electronic Medical Records including the various components of the care and medication pathways;
- Mobile treatment record and traceability on touch-screen tablets;
- Invoicing, tracking receipts and their recognition in the accounts;
- Managing support staff;
- Personnel scheduling;
- Traceability using barcodes;
- Coordination with local and in-house pharmacies;
- Management of groups of healthcare facilities with a unified database and centralised management, TITAN GROUPE module;
- Digital management for elderly residential facilities: the Internet site, an e-confidence space for families, a multi-device social network connecting residents with their family members;
- Computerised management of the resident pathway across different structures: Hospital at Home programs, elderly residential facilities, home-based nursing care and hospitals.

A focus on R&D is a defining characteristic of MALTA INFORMATIQUE's culture. All software modules are upgraded on a regular basis providing the basis for a mature standard offering:

- In 2015, MALTA INFORMATIQUE bolstered its offering with a new module **TITAN WEB MEDECIN** giving doctors remote Web-based access and in this way, providing mobility to external practitioners, and initiated a development study for a new module, TITAN WEB ENTOURAGE.
- In 2016, MALTA INFORMATIQUE continued to focus on developing the **TITAN WEB ENTOURAGE** module. This tool offers the residential care facility with a website portal to provide information to relevant persons (family members, caregivers and other designated persons) about the establishment and patient care.
- In 2017, MALTA INFORMATIQUE introduced a new innovation with a smartphone app for managing alerts and events for elderly residential homes. Available with TITAN version 4.2.2 , it can be downloaded for free from Apple Store and Google Play.

MALTA INFORMATIQUE, based on its strategy of offering a high degree of specialisation, has become a key player in the sector of residential care homes for dependent seniors. The company's accelerated pace of organic growth once again confirms the market interest in TITAN solutions.

At year-end 2017, 1,812 elderly residential care homes were equipped with MALTA INFORMATIQUE software.




● Number of teams equipped with TITAN in French overseas departments and territories

## DICSIT INFORMATIQUE

In 2016, MALTA INFORMATIQUE acquired DICSIT INFORMATIQUE, a market leader in IT solutions for home-care healthcare professionals.
This acquisition will enhance the portfolio of services offered by MALTA INFORMATIQUE and strengthen its position as a key provider of IT solutions for Health and Social Care Facilities by ultimately offering a genuine pathway management for the user.

The DICSIT INFORMATIQUE offering covers three sectors:

- Hospitalisation at Home (HAD) with the ANTHADINE software and MOBISOINS mobility tool. AntHADine is a comprehensive software package that enables healthcare professionals to manage treatment and invoicing but also secure the medication cycle. MOBISOINS provides comprehensive tracking from the initial consultation with the patient to at home follow-up and validation.
- SSIADs (Home-based nursing services) with the MicroSOINS software and MOBISOINS mobility tool. MicroSOINS covers all needs of home-based nursing services through a complete patient care file (planning, targeted transmissions, validation of care, treatment plan, etc.), electronic data management and management tools.
- Local Information and Coordination Centres for older people (CLIC) with LogiCLIC, the market benchmark in this sector and gerontological coordination.

This range is supplemented by other tools like MEMORIALIS™, a tool designed to support Alzheimer's monitoring teams including a treatment file and follow-up information of treatment sessions.

### 6.1.1.4 Fintech Division

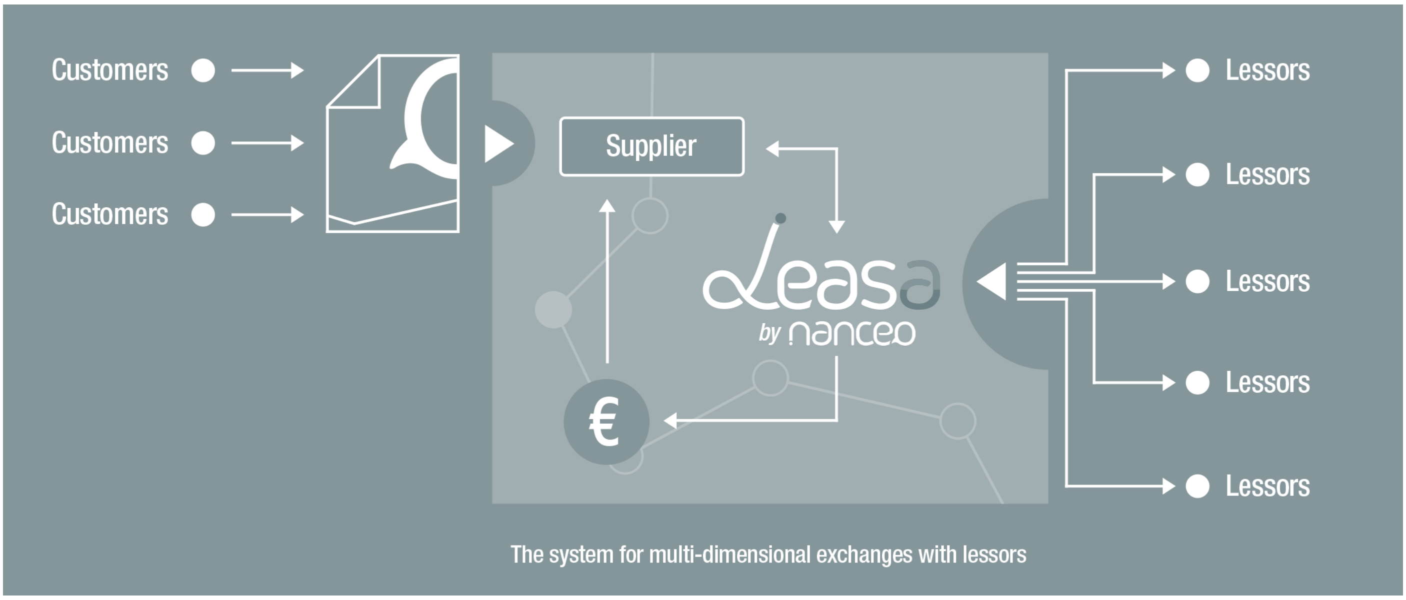
This Fintech Division contributed 12.54 % of PHARMAGEST Group's revenue for 2017.

NANCEO is a provider of equipment lease financing solutions in the services sector, addressing all companies selling products through lease arrangements, i.e. involving the payment of periodic instalments.

NANCEO created *Leasa by Nanceo*, an online marketplace operating like a hub making it possible:

- For dealers or distributors to easily submit their financing applications;
- To provide easy one-click access to the main lease financing providers on the market;
- To manage all sales financing processes automatically;
- To manage one's portfolio of customer "lessees", from the lease's inception to the end of its term.

**The *Leasa by Nanceo* online platform**
The partner (customer) submits a financing request through the dedicated web portal ensuring instantaneous dialogue with the specialised lease financing providers to obtain a financing agreement. *Leasa by Nanceo* selects and delivers the most relevant financing solution, irrespective of the lessor. Invoices are sent to NANCEO who ensures their management.




The entire process from receiving applications to their transfer to the lesser "transferee" is managed by *Leasa by Nanceo*. This ensures simple and rapid execution, accelerating the payment process for equipment suppliers.
NANCEO purchases equipment from suppliers destined for rental by end-lessees while concomitantly reselling this same equipment through a leasing contract to the lesser who bears the customer risk.

**The equipment leasing markets**
*Leasa by Nanceo* addresses companies distributing products and services through leasing arrangements. In this way, NANCEO provides financing for all types of equipment. Today, focused mainly on office, computer, telephony, security, printing, software publishing or medical equipment, NANCEO's services are constantly being expanded into new areas: energy savings, imaging, electronic document management systems (DMS), etc.

The different markets addressed by NANCEO are valued at several hundred million euros. The size and the nature of these markets are evolving with the pay-per-use invoicing model which encourages the use of rental solutions over capital investments. Leasing thus represents a simpler, more flexible and profitable solution than purchasing equipment for use.

**Business model**
The tools developed by NANCEO are agile and capable of taking into account the specific needs of each partner and propose custom-design solutions.
NANCEO's offering covers the full scope of vendor financing ranging from simple partnerships, to exclusive partnerships and the creation of captive financing solutions.
These three models provide additional earnings streams for PHARMAGEST Group's partners.

**Highly proficient resources**
NANCEO's team members (management, trade and support services) all come from the financing sector, with solid track records in financing and, in particular, lease financing.
The developments of the *Leasa by Nanceo* platform are spearheaded by an ad hoc team of developers at PHARMAGEST with substantial Web-service and API expertise.

**Investments**
All developments products for *Leasa by Nanceo* are financed from equity.

## 6.1.2 New products and/or services

### 6.1.2.1 The Pharmacy - Europe Solutions Division

### Pharmacy France Business Line

**A new LGPI Global Services portal:**
In 2017, PHARMAGEST Group developed and deployed a new version of its all-in-one pharmacy software suite, LGPI Global Services®, integrating major new developments of its information portal. This latest version of its information portal provides pharmacists and their teams a dynamic tool combining an improved design with enhanced information and news content. This new portal also features new functionalities like secure messaging (OffiMSS), access for the registered pharmacist to a dedicated customer space for all administrative or commercial questions, the creation of personal accounts, a unique authentication system for simplified and secure access to all PHARMAGEST applications.

**AFNOR NF525 certification:**
To guarantee compliance of its LGPI Global Services® application with French law (and notably the Finance Act effective as of 2018), PHARMAGEST INTERACTIVE has opted in favour of NF525 certification issued by INFOCERT, an organisation licensed by AFNOR, the French standardisation body. This certificate can be consulted at the website https://services.infocert.org/certificats/CERTIF-17-0106.pdf
The Group's choice for NF525 certification, beyond the objective of ensuring compliance of the application, highlights a new engagement in terms of service quality, based on the ISO 9001 international standard.

**Rollout of the compliance monitoring software (LSO):**
The Group continued to roll out the compliance monitoring software in 2017. This application helps pharmacists in performing their new roles (in particular as a tool for monitoring in-pharmacy patient interviews) and offers the first steps in tackling the public health challenge of compliance.
LSO is a comprehensive module integrated into the pharmacy management software. Its functions include appointment scheduling, connections with solutions and devices to monitor vitals, and secure data storage using the Group's Personal Health Data Host infrastructure. The development and deployment of LSO establishes PHARMAGEST Group as the only software company able to offer comprehensive software solutions for pharmacists.

**Commercial launch of OffiTouch®:**
The digital retail display is an interactive terminal which completes the physical shelf and other merchandising displays in the pharmacy. From the user's perspective, this system makes it possible to display through a touchscreen panel, products on sale in the pharmacy, their description and availability in addition to pages on seasonal or promotional items. Visitors fill a virtual shopping basket to be withdrawn at the counter where they can finalise their purchase. OffiTouch is in this way a channel for innovative purchasing experiences and conveys an image of modernity.
For the pharmacist this solution offers possibilities for programming sales promotions: it enables them to choose a selection of products, configure promotions and their display on the screen. The pharmacist can also access the statistics tool to monitor sales and optimise its offering in real time. The digital retail display increases the total surface for product displays and offers time savings in terms of organising and filling the shelves and reduces retail shrinkage.

**Synergies with the Group's other business lines and subsidiaries:**
the Group's long-established Pharmacy France Business Line continues to provide momentum to business development and ensures that investments of other Group subsidiaries remain consistent with the overall objectives. The Pharmacy France Business Line's products for pharmacists include:

- KAPELSE's SESAM-Vitale card readers and the KAP&CARE terminal to update the cards;
- The HEALTHLEASE's financing solution is managed by the *Leasa by Nanceo* platform.

## Belgium and Luxembourg Pharmacy Business Line

### In Belgium

SABCO teams are constantly upgrading its product line-up in response to the transformation of the healthcare market, new legislative requirements for the pharmaceutical sector, and to meet the growing and expanding needs of Belgian pharmacists. The main upgrades to the software in BELGIUM in 2017 were:

- Improvements for the Recip-e module for processing doctors' prescriptions in an electronic format;
- The addition of the "consulting pharmacist" model in the SABCO® OPTIMUM and ULTIMATE applications allows the pharmacists as consulting pharmacists to be registered and receive payment for patients with certain types of chronic disorders;
- The improvement of the OffiHome solution which enables pharmacist to provide a comprehensive and effective service to rest homes and nursing homes. OffiHome creates a link between the response and SABCO® ULTIMATE and assists the pharmacist in managing the process of preparing and packaging individual medication to be dispensed.
- The integration of OffiTouch®: the only visual retail display connected to the SABCO® ULTIMATE application provides pharmacists with a fully synchronised an automated tool for prices, products, sales and robotic inventory systems. This innovation promotes a modern image to pharmacists by contributing to a pleasant and unique in-pharmacy customer experience.

### In Luxembourg

In 2015, SABCO launched **Officine 2016** in the Grand Duchy of LUXEMBOURG, a new version of Officine II, to deliver greater performance and connectivity and introducing new features and modules: integrated mobile apps, statistics, care home management, preparation of individual medication, supplier relations and patient monitoring.

In 2017, SABCO and PHARMAGEST INTERACTIVE teams combined their efforts around a new "Patient-Centred" European healthcare platform. This platform based on the latest web and IA technologies will offer pharmacists tools enabling them to provide even more services to their patients while optimising the management of their pharmacies. As part of this project, SABCO and PHARMAGEST teams are actively cooperating with two Luxembourg pharmacies-partners in order to propose a solution that is fully adapted to the current and future requirements of the pharmacist's business.

### In Belgium and Luxembourg

The development teams in FRANCE, BELGIUM and LUXEMBOURG work closely together on adapting satellite solutions (OffiTouch, OffiCash, OffiCentral, OffiMédia, OffiDose, OffiSeen,…) developed by PHARMAGEST Group, to SABCO software to offer a comprehensive line-up to pharmacies in BELGIUM and LUXEMBOURG. By way of example, the development of a free app, **FarmaMobile** to find the nearest open pharmacy, check opening hours, send a scanned prescription and receive reminders of dosage instructions and times.

### 6.1.2.2 e-Health Solutions Division

## e-Patient Business Line

PHARMAGEST Group is a participant in several projects that are in the operational phase.

| Project | Overview of project objectives |
|---|---|
| ECHRONIC / ENEPHRO | Care programme for chronic renal failure at all stages of the illness carried out with the support of the Ministry of Industry. |
| SATELOR / The "36 more months at home" *("36 mois de plus à domicile")* programme: | To develop a solution to provide a secure care path for patients with multiple pathologies and/or losing independence in their homes. This project is supported by the Lorraine Region. |
| PAERPA | Project to improve coordination between different parts of the health system to prevent the risk of disrupting the care pathway for older people at risk of dependency. This project is supported by the French Regional Health Agency. |

After a pilot phase of the "36 more months at home" programme initiated by the Lorraine Region and the European Regional Development Fund (ERDF), CARSAT Nord-Est and PHARMAGEST Group advanced to the development phase.

In its role as a regional Social Security organisation, CARSAT Nord-Est spearheads social initiatives and measures to manage occupational risks. Its stakeholders include employees, retired persons and companies of the region. To address the needs of retired persons and maintain their autonomy at home for as long as possible, the intervention led by the Retirement Insurance division of CARSAT Nord-Est reflects a global approach that integrates all the positive factors for "growing older well" at home. In this framework, it supports and finances innovative projects designed to promote the independence of older persons.

PHARMAGEST Group is actively committed to developing innovative solutions to contributing to the autonomy of older persons and maintaining them in their homes. Its investments both of the human and industrial level establish PHARMAGEST Group as a major player in France in this area. Through the "36 more months at home" offering, PHARMAGEST Group continues to focus on developing home care solutions for elderly persons faced with the risk of a loss of autonomy.

With PHARMAGEST Group's acquisition of an equity stake in SAILENDRA, the e-Health Solutions Division has reinforced its range of expertise by the addition of AI-based behavioural analysis solutions. SAILENDRA designs and develops technologies for life course optimisation through AI products, in particular by generating recommendations when using applications and websites. The excellence of its know-how is highlighted by the scalable algorithms that can be easily updated.

## e-Connect Business Line

KAPELSE continued to invest in R&D in 2017 to develop improved monitoring patient capabilities, in addition to telehealth, and introduce services designed to combat isolation and delay the loss of autonomy. NOVIACARE's offering integration into "36 more months at home" programme has completed the SATEBOX offering which is now able to propose a large range of solutions adapted to the persons being monitored.

## e-Pharma Business Line

Since 2016, the e-Pharma Business Line expanded its offering with pharmaceutical companies and medtechs (medical device manufacturers), mutual and other insurance companies, by marketing its CAREVITAE solution. This solution contributes to patient adherence to their treatment with the objective of improving compliance. Pharmacists propose ongoing support to patients with chronic illnesses and follow a treatment protocol defined through pharmaceutical interviews, advice and recommendations according to the patient's profile and stage of treatment.

In 2017, after acquiring equity stakes in CAREMEDS and MULTIMEDS, the e-Health Solutions Division expanded its commercial offering by creating a medication adherence range with a dedicated sales force tasked with promoting these new offerings:

- DOMEDIC EUROPE's DO-Pill SecuR™ smart pill dispenser;
- CAREMEDS's Multimeds manual pill dispenser;
- The OffiDose 2.0 application to manage and schedule PDA (preparation of doses to be administered).

### 6.1.2.3 Health and Social Care Facilities Solutions Division

**AXIGATE, external growth and new expertise**

In 2017, MALTA INFORMATIQUE expanded into the Hospital Information Systems sector with the acquisition of AXIGATE.
AXIGATE develops one of the most innovative solutions on the Hospital Information Systems (HIS) market with a 100%-cloud-based and web-responsive solution (multi-device functionalities: tablets, smart phones, computers, etc.) providing traceability and comprehensive patient care management.

AXIGATE's integrated HIS solution covers the following functions:

- Patient admission: Creation of the administrative file;
- Management of movements and beds;
- Medical file: Antecedents, Observations, Prescriptions, Results;
- Configurable specialty files, summary files;
- In particular, it: Obstetrical, Anaesthesia records,…;
- Care record: Monitoring, planning, transmission;
- Paramedical interventions: Physical therapy, psychology,… ;
- Integrated medical office automation;
- Prescription pathways : medications, biology, radiology, etc.;
- Management of medical visits and resources, planning, protocols, rooms, etc.;
- Activity coding, management of the "Programme for Medicalization of Information Systems"/PMSI (Medicine, surgery, obstetrics; follow-up and rehabilitation care; psychiatry, etc.);
- Pharmacy management (validation, dispensing, etc.) ;
- Management of emergency services;
- Management of operating theatres;
- Anaesthesia and intensive care module;
- Exchange portal, hospital / private practice relations.

AXIGATE's addition as a subsidiary of MALTA INFORMATIQUE paves the way for major functional, technical and operational synergies for PHARMAGEST Group for ensuring continuity between hospital and non-hospital care pathways and pooling IT resources with the creation of Territorial Hospital Groups in France.

**MALTA INFORMATIQUE**

TITAN WEB ENTOURAGE has enhanced the TITAN range in order to fully address all needs of health and social care facilities. A ready to deploy web site, a secure communication platform for the residents' family and relations, a private social network, a shared photo library, TITAN WEB ENTOURAGE offers a solution for maintaining ties between the residents and their families.

In 2017, the Health and Social Care Facilities Solutions spearheaded by MALTA INFORMATIQUE worked on a new pathway management project for the:

- The transfer of the files of residents in care between the different structures (elderly residential homes, Hospital at Home programs, home-based nursing programs);
- Managing pathways within larger systems such as Territorial Hospital Groups or multi-activity groups in the healthcare and social care universe.

This project is expected to be launched in 2018.

**DICSIT INFORMATIQUE**

The pathway and medical file transmission offering will positively impact the home-based segment driven by DICSIT INFORMATIQUE by allowing structures through agreements with elderly residential care facilities to monitor patient files within their business applications.

In addition, DICSIT INFORMATIQUE is currently working on revamping its "MOBISOINS" smartphone mobility module to introduce major functionality enhancements and Android and iOS compatibility. These developments combined will contribute to effectively equipping healthcare professionals and private practitioners intervening in Hospital at Home and home-based nursing programs. This new model will provide unrivalled traceability and further improvements in managing the invoicing process for private practitioners working with establishments equipped with the Group's solutions.

#### 6.1.2.4 Division Fintech

The Fintech Division rolled out its application reserved for NANCEO certified partners offering mobile capabilities for its *Leasa by Nanceo* financing platform. Available on Android and iOS (telephones and tablets), this application revolutionises exchanges between lessors, sellers and end-customers. Where previously long and fastidious procedures were required, this application makes it possible to obtain immediate financing approval, without the hassle of excessive formalities.

## 6.2 Our main markets

### 6.2.1 The French pharmacy market

**Background: French national health strategy**

The world has changed and we no longer live the same way people did decades ago. That is why we must invent new solutions so that that our healthcare system is able meet major new challenges:

- French people are living longer: their life expectancy is one of the highest in Europe and their healthcare system must be capable of providing appropriate care;
- Increase in chronic conditions: while French people are living longer, the number of chronic conditions is also increasing;
- Persistent health inequalities: social inequalities continue to have a significant impact on health.

In response to these three priorities, Marisol TOURAINE, on 23 September 2013, the former French Minister of Social Affairs and Health, launched a vast overhaul of the French health system, the National Health Strategy to define the public health framework for the next decade. Prevention is now a priority. Injustices and inequalities in health and access to the health system will be tackled. FRANCE's national health system will pivot to centre on patients' needs and adapt to the major societal transformations (population ageing, the increase in chronic illnesses, increased demand for information, denser regional coverage,…).
*(Source: http://www.gouvernement.fr/action/la-loi-de-sante)*

These ambitions naturally have an impact on pharmacists' market, profession and roles.

**Impact on the French pharmacy market**

The ecosystem and business model of dispensing pharmacies is in transformation: dispensing reimbursable medicines which include a dispensing fee, the authorisation of e-pharmacies, the introduction for-payment in-pharmacy consultations, the challenge to commercial discounts and commercial cooperation agreements. etc. These will bring opportunities for growth by expansion into new activities and services for patients.

- **Overview:** at the end of 2017, there were close to 21,800 pharmacies in FRANCE and in the French Overseas Departments *(Source: French Chamber of Pharmacists)*.

- **Revenue:** revenue of pharmacies contracted marginally (-1.2%). However, given the new payment methods including dispensing fees and the resulting change to the pharmacies' revenue structure, this can no longer be taken as a relevant business volume metric for the pharmacy sector. *(Source: le moniteur des pharmacies)*

- **Margin:** pharmacies' earnings are increasingly less dependent on the "purchase/sale of reimbursable products" process For that reason, one must now look at the combined total of the sales margin and fees and services. This new indicator corresponding to the gross margin represents the earnings of the pharmacy, which has grown marginally. *(Source: Fiducial)*

- **Growth outlook:** growth drivers of French pharmacies include on the one hand, the market for medical devices and pharmacy-related products, as well as with the introduction of new services such as PDA (Preparation of Doses to be Administered), and on the other hand, the growing offering of generics providing margins that are higher than those of the original drugs.

## 6.2.2 The BELGIUM and LUXEMBOURG market

### 6.2.2.1 In Belgium

At 31 December 2017, there were 4,875 pharmacies in Belgium, with 54% in Flanders, 35% in Wallonia and 11% in Brussels.
*(Source: SABCO)*

The country has one of the densest networks of pharmacies in Europe.
Due to the situation of "excess capacity", a moratorium on opening new pharmacies due to expire in December 2014 was extended to the end of 2019.

The creation of new pharmacies requires obtaining an authorisation issued by the Council of State *(Conseil d'État)*. Between 2012 and 2016 only three new pharmacies were created. During the same period 38 pharmacies closed and 43 were merged with others.
*(Source: Belga News Agency)*

In Belgium, the pharmacy market includes independent pharmacies and pharmacy groups. These groups which vary in size (from 2 to 300 pharmacies) are occupying an increasingly important place in this market, with approximately 19% of all pharmacies belonging to such groups in 2017. *(Source: SIRIUS INSIGHT)* This trend is likely to gain momentum in the coming years in response to the external growth strategy of large-scale groups.

In a challenging economic environment, pharmacists' representative associations in the country, the APB (Belgian pharmaceutical association) and the OPHACO (Belgian cooperative pharmacies office), negotiated a New Payment System (NSR) with the government, effective as of 1 April 2010.

Pharmacists' remuneration includes a fee for the provision of pharmaceutical care accounting for 80% of their income (75% of basic fees and 5% of additional fees) plus a margin on the pharmaceutical product (20%) *(Source: Belgian Pharmaceutical Association - APB).*

In contrast to FRANCE, pharmacies cannot be opened in commercial shopping centres. Also, BELGIUM does not require the owner of a pharmacy to be a pharmacist.

It should be noted that if the online drug sales are not authorised in Belgium, there nevertheless exist a large number of parapharmaceutical websites deploying aggressive pricing policies. The emergence of this new competition will in time force Belgian pharmacies to ramp up their online presence and highlight their differentiation as providers of advice.

#### 6.2.2.2 In Luxembourg

The Luxembourg pharmacy market is characterised by significant barriers to entry, thus limiting competition. The number of pharmacies is strictly controlled by the Minister of Health with less than 100 pharmacies open to the public.

A pharmacy is managed by a registered pharmacist practising as an independent professional. There are two options for obtaining a pharmacy concession:

- Pharmacists may apply for a State concession, which is the case for more than two-thirds of pharmacies in Luxembourg. The application is placed on a list classified according to years of work experience, the date of the diploma and number of years of study;
- Or they purchase a private concession, which requires substantial funding.

*(Source : Syndicat des Pharmaciens luxembourgeois)*

### 6.2.3 The e-Health market

The e-Health market encompasses several aspects of the patient care pathway: shared medical information system (the medical file), telemedicine (teleconsultation, telecare, remote surveillance etc.), services provided to patients, self-monitoring, support and teaching good practices for patients with chronic illnesses, personal care services for dependent persons, or training for healthcare professionals.

E-Health is a genuine societal and economic priority that has the potential to meet three of the most pressing challenges for our health systems:

- The challenge of the providing quality care in conjunction with the trend of aging population (including healthcare personnel): by optimising medical time or the structure of care focused on the patient or the elderly person (the care pathway);
- The public health challenge in the face of acute health crises: through the ability to gather health data that can be used to formulate effective prevention campaigns, the emergence of connected health devices and self-monitoring practices (quantified self);
- The challenge of managing health insurance accounts and the need for substantial savings through multiple efficiency gains (e.g. avoiding duplication in medical interventions).

E-Health is a fast-growing trend on a global scale. According to the Berg Insight study, the number of remotely monitored patients worldwide grew by 44% to 7.1 million in 2016. This number includes all patients enrolled in e-Health care programmes in which connected medical devices are used as a part of the care regimen. Berg Insight estimates that the number of remotely monitored patients will reach 50.2 million by 2021.
Revenues for remote patient monitoring (RPM) solutions reached € 7.5 billion in 2016 and will gradually rise between now and 2021 to €32.4 billion.

Connected medical devices accounted for 67.5% of total RPM revenues in 2016. However, the study noted that revenues for mHealth connectivity solutions, care delivery platforms and mHealth care programs are growing at a faster rate and will account for 51.3% of total revenues in 2021.

*(Source: Etude Berg Insight of 8 February 2017)*

**The e-Patient Business Line**

The e-Patient Business Line may be attached to the homecare segment which has been growing significantly since 2010. This sector still offers genuine growth opportunities based on positive underlying factors like population aging and proactive policies of public authorities (notably the PAERPA project) to streamline health care pathways for elderly persons faced with the risk of a loss of autonomy.

This sector is attracting many market participants such as elderly residential home groups, managers of clinics or major providers of home care services. This market which remains fragmented will be restructured as market players possessing both expertise in managing dependency, an upstream presence and sufficient financial resources acquire minor players leading to market consolidation.

### The e-Connect Business Line

Given the importance of population ageing and the growing importance of homecare solutions for the elderly PHARMAGEST Group is focused on developing solutions to maintain people in their homes as long as possible. This involves facilitating early detection of the loss of autonomy by implementing innovative technological solutions and ultimately, contributing to effective management of dependency in the future.

For that reason, the e-Patient and e-Connect Business Lines of the e-Health Solutions Division are fully focused on different projects in which PHARMAGEST Group is participating and which require following joint initiatives and resources:

- Its network of pharmacies throughout France;
- Satebox (e-Health box) developed by KAPELSE;
- NoviaCare (plug & play solution) developed by NOVIATEK;
- Expert systems developed by DIATELIC (a PHARMAGEST Group subsidiary specialising in artificial intelligence and expert systems to predict the evolution of patients' health);
- Hosting personal healthcare data at its dedicated Datacentre with the authorisation by the French Minister of Social Affairs and Health since 2012.

The concrete implementation of these projects is twofold:

- With, on the one hand, changes to existing systems involving adjustments at the patient's homes by introducing technical improvements and tele-monitoring solutions. The objective here is to improve the environment of elderly persons and contribute to the coordination of healthcare delivery;
- And introducing innovative solutions in elderly residential homes.

In this way, PHARMAGEST Group intends to expand the scope of its intervention in the new market sector of the Silver Economy, and establish its position in this market as a driving force.

The solutions proposed by KAPELSE also address a large number of healthcare professionals in France.
The healthcare universe covers auxiliary health workers (paramedics, medical assistants, etc.) 820,000) and members of the medical and pharmacy professions (355,000) or 1,175,000 healthcare professionals in France. This population has grown marginally in relation to previous INSEE studies. KAPELSE's solutions are especially designed for private practice healthcare professionals filing online declarations which numbered 354,387 in 2017 according to the GIE SESAM-Vitale consortium.
(*Sources: http://www.vie-publique.fr et https://www.sesam-vitale.fr*)

NOVIATEK and NOVIA SEARCH solutions address the market of connected objects which is gradually evolving into a new healthcare market segment valued at several hundred billion euros worldwide.
This new fast-growing market is driven by the "quantified self" movement and increasing use of smartphones. While not yet clearly defined, there is no doubt that its development will have a major impact on the organisation of healthcare and the role of the different players within the healthcare system.

Since 2016, the NOVIATEK and NOVIA SEARCH solutions have been integrated in the e-Patient Business Line offering of the e-Health Solutions Division. On this basis, they are an integral part of the "36 more months at home" program designed to maintain elderly persons in their homes for an additional 36 months and facilitate early detection of the loss of autonomy.

### The e-Pharma Business Line

As the historic business of the e-Health Solutions Division, the e-Pharma Business Line supports its partners in the pharmaceutical industry in building their digital communications addressing pharmacies or patients, representing a niche market in digital advertising.

The e-Pharma Business Line also provides interactive platforms and mobile applications to monitor and assist patients which are among the many solutions designed to improve patient medication adherence.

Integrated at the end of 2017, the PDA (Preparation of Doses to be Administered) systems (OffiDose 2.0, Multimeds' manual pill dispenser; and the DO-Pill Secure™) addresses markets in which PHARMAGEST Group represents the challenger in relation to the number of established players.

The diversity of its offering gives the e-Pharma Business Line the ability to propose customise solutions to all its partners.

## 6.2.4 The Health and Social Care Facilities market in France

### The Elderly residential care homes and Day Centres market in FRANCE

The French market for elderly residential care homes and day care facilities consists of over 10,000 establishments, of which 75% are retirement homes, elderly residential care homes (EHPAD) or long-term care facilities (USLD), and 25% assisted living retirement homes (for non-dependent people).
*(Source: MALTA INFORMATIQUE)*

The market is characterised by steady growth to meet the growing need for places as the French population ages. The growth in the number of beds at elderly residential care facilities is linked mainly to medicalization of these facilities, and in so doing, modifying their status into assisted living facilities for dependent persons known as EPHAD (approximately 10% of the new beds created between 2006 and 2014 reflect this transformation). Today, these facilities count approximately 600,000 beds.

France has enacted a number of significant reforms for residential facilities since 2002-2003 with the introduction of the first tripartite agreements (EHPAD/DASS then ARS/Conseil Général), followed by the reinstatement of medical devices in their operating budgets in 2008, not to mention the inclusion of medicines currently being trialled. Since 2016, these facilities (EHPAD) have been subject to new contractual obligations (*"contrat pluriannuel d'objectifs et de moyens"*/ CPOM) with the regional health boards (ARS) providing for the adoption of a new budget planning system (*Etat Prévisionnel des Recettes et des Dépenses* or EPRD).

All these developments will lead the market to adopt specialised and high performance software solutions. Today, we consider that 90% of the structures are equipped with comprehensive solutions.
*(Source: MALTA INFORMATIQUE)*

### The market for IT solutions for home-care healthcare professionals

The Hospital at Home remains dynamic with the number of establishments stable (at around 320), representing significant capacity for providing care to around 105,000 patients.

Home-based nursing services (SSIAD) are continuing to grow with the number of places having increased from 81,000 in 2006 to 117,000 in 2014.
As organisations revamp their practices for ensuring care, and in particular in the hospital universe, the structures providing home-based services are benefiting from a very positive transfer of activity in turn driving growth in the number of places and facilities.

### The French Hospital Information Systems market

The emergence of new regional hospital groups (Groupements Hospitaliers Territoriaux or GHT) is driving major transformations in the hospital sector. 135 such groups have been formed with the purpose of providing a new form of cooperation between hospital structures within a single territory.
At the level of information systems this has led to the redesign of the Information Technology Master Plan driven by the main regional hospital tasked with achieving convergence of the different hospitals' systems. These master plans were developed as at 31 December 2017 for deployment by 2022.
These changes represent exceptional opportunities for specialised independent software vendors for hospitals. With its strong multi-establishment focus and high-level technological quality, AXIGATE is ideally positioned to address extremely demanding projects in terms of specifications and volume in this area.

## 6.2.5 Equipment lease financing solutions in the services sector

Lease financing solutions are available for virtually every type of equipment. The equipment must be durable, identifiable and suitable for depreciation. Financing is most commonly used for vehicles, computer hardware, building and agricultural machinery.

The business equipment financing market is dominated by banks which benefit from a legal monopoly on bank loans. Banks are also active in the lease financing and rental sectors through specialist subsidiaries, where many companies are active, including carmakers, large computer groups, industrial conglomerates, as well as independent players like NANCEO.

New market players are emerging relying heavily on new technologies, a disruptive financing approach and their technological expertise, particularly by creating a marketplace providing wide and easy access to financing solutions. These new players included under the term of Fintech are significantly challenging operating methods and accelerating change.

NANCEO is contributing to this business trend through its financing platform that typically operates as a marketplace.

The business and professional equipment financing market by specialist companies represented more than €31 billion in 2017, up nearly 3.5% from 2016.
*(Source: the French Association of Finance Companies (ASF - Association française des sociétés financières), report on the activities of specialised establishments - 2017)*

In the next decade, PHARMAGEST is expecting an acceleration in the pace of digitisation introducing even more simplification and administrative processes: digital contracts, the emergence of the electronic signature (already prevalent in the B2C segment, contract portfolio management, invoice flows.
The sales financing industry is also in transformation, driving the modernisation of market players (bankers, brokers, manufactures, start-ups, consultants) to facilitate and accelerate processes.

## 6.3 Exceptional factors influencing business during the year

None.

## 6.4 Dependence with regard to patents, licences, contracts or manufacturing processes

PHARMAGEST Group conducted a review of these risks, which are detailed and presented in the report on corporate governance included in Section 24.1 of this Registration Document. Specific information on Research and Development, patents and licences is given in Section 11 herein.

## 6.5 Competition

LA COOPERATIVE WELCOOP's backing represents one of PHARMAGEST Group greatest strengths. The cooperative model represents a virtuous circle of proven value: the pooling of human, material, knowledge resources so that all can benefit from the resources made available by the cooperative. This model allows PHARMAGEST Group to:

- Support its customers in an environment undergoing profound change, through boldness, innovation and sense of engagement, in defending pharmacies and the role of the pharmacist at the heart of healthcare system.
- Preserving the financial health of LA COOPERATIVE WELCOOP's co-op members from the lower prices of generic drugs through the cooperative's proprietary model which makes it possible to offset these losses with cooperative dividends in conjunction with tools to optimise pharmacy management.

## 6.5.1 The European pharmacy market

### In France

The market in computer systems for pharmacies is shared between three main operators:

- PHARMAGEST INTERACTIVE is the French market leader with a market share of nearly 42%. Its flagship software suite LGPI Global Services® equips its customer base;
- The Group's main competitor, SMART-Rx, a CEGEDIM Group subsidiary, markets a number of pharmacy software programmes through its subsidiaries, ALLIANCE, LOGIPHAR, PERIPHAR, DATA and OPUS;
- The third significant market operator is the independent company EVERYS.
  (Source: PHARMAGEST INTERACTIVE estimates)

PHARMAGEST INTERACTIVE's main strengths are based on:

- A unique **global offering** based on the leading pharmacy application on the market, supplemented by a suite of specialised business line solutions (payment, merchandising, security, e-commerce, management, etc.) and a focus on patient-centred service approach.
- **Ongoing innovations** in software, equipment and services.
- A **certified quality** level in terms of products (NF 525 certification) and services (NF Service assistance certification) and technical compliance (as government licensed personal health data hosting services provider).
- **Local service** covering all of France through 31 competency centres in France and French overseas territories and departments.
- A "key account" approach and team organisation targeting **groupings of establishments**.
- **High-level assistance** from 8 a.m. to 8 p.m., with PHARMAGEST Group's 103 experts and a dedicated portal seven days a week.

### In Belgium

SABCO operates nationwide and has a 14% market share with its software products (SABCO® ULTIMATE and SABCO® OPTIMUM). This market is expected to grow significantly to reach 18% by the end of 2018 driven by partnerships with the COOP and MULTIPHARMA cooperatives.
*(Source: SABCO estimates)*

Its main competitors are CORILUS, NEXTPHARM and FARMAD.

SABCO operates as a partner of independent Belgian pharmacies or members of pharmacy groups. SABCO develops unique IT solutions adapted to evolving healthcare market developments. By leveraging its front-line knowledge of pharmacists and market players, SABCO introduces innovation to support the pharmacists in the management of their pharmacies, assisting them in their mission of providing patient advice and as a healthcare coordinator.

### In Luxembourg

With a 14% market share in 2017, SABCO is a major player in the sector of software solutions for pharmacies with its Officine 2016 application.
*(Source: SABCO estimates)*

SABCO is the only specialised pharmacy industry independent software vendor in Luxembourg with its Officine 2016 suite, offering pharmacists multiple information and communications channels like the integrated portal, the FarmaMobile or OffiMédia solutions.

PROPHALUX is its main competitor.

## 6.5.2 In the e-Health market

### e-Patient Business Line

The complex make-up of the market which makes it difficult to define includes:

- Start-ups trying to gain a foothold in a market where prior recognition by healthcare professionals is a critical success factor;
- Suppliers of software to healthcare professionals that have expanded into this segment;
- Subsidiaries of leading companies (such as telecoms and pharmaceutical companies).

The e-Patient Business Line, in synergy with the Health and Social Care Facilities Solutions Division and D'MEDICA, a LA COOPERATIVE WELCOOP subsidiary, has a number of strengths:

- Full command over information systems to address the need to coordinate multiple players, guarantee operational efficiencies and ensure the quality and safety of care;
- Expertise covering the entire care pathway in order to steer patients to the best solutions;
- Professional teams fully focused on patient well-being and health.

### e-Connect Business Line

Created in 2013, in 2017 KAPELSE occupied the position of challenger in its market.

KAPELSE's strength resides in its ability to regularly propose solutions adapted to the needs of professionals (product ergonomics; miniaturisation, etc.) and their increased mobility (KAP&NETWORK infrastructure), while addressing the stakes of data security and homecare solutions for maintaining elderly persons with impaired autonomy in their homes.

By way of example, KAPELSE's e-Health box, **Kap&Care**, was selected, under the name of SATEBOX, for the SATELOR project. The SATEBOX centralises patient data and provides secure transfer to the processing systems of its different partners. Through its many functionalities, SATEBOX represents a highly efficient and ergonomic interface between the patient and the different data processing centres.

The market of connected health objects is rapidly growing with a multitude of market players.
NOVIATEK and NOVIA SEARCH, building on experimentations carried out by the combined entities of PHARMAGEST Group and LA COOPERATIVE WELCOOP, have gradually acquired an experience and legitimacy to propose turnkey solutions for elderly and persons at risk of impaired autonomy.

### e-Pharma Business Line

The e-Pharma Business Line has a unique comprehensive product offering based on solutions in markets with a range of different specialist operators (information for the general public or patients, studies and observatories, recruitment and training of pharmacy staff, patient inclusion in monitoring programs, etc.).

## 6.5.3 In the IT market for Health and Social Care Facilities

**MALTA INFORMATIQUE** was the second-largest player in this market in 2017 and holds almost 22% of the market for elderly residential care homes. *(Source: MALTA INFORMATIQUE estimates)*
Its main competitors include ASC2I, the BERGER LEVRAULT Group with its MAGNUS and PROGOR solutions, TERANGA SOFTWARE and SOLWARE SANTE.

**DICSIT INFORMATIQUE** is an independent software vendor specialised since 1995 in business applications for professionals providing home care to vulnerable individuals: HAD (Hospital at Home), SSIAD (home-based nursing services), SAD (home-based assistance), CLIC (Local Information and Coordination Centres for older people), ESA (Specialised Alzheimer's Teams), CSI (Nursing Home Facility).

DICSIT INFORMATIQUE is a major player it its market with nearly 900 customers in Metropolitan France and Overseas Department and Territories.

- More than 400 CLIC (No. 1 of the sector with an 86% market share and no direct specialised competitor);
- 370 SSIAD and ESA, or a 15% market share. This market is dominated by APOLOGIC and MEDISYS;
- 110 Hospital at Home programmes, with a 32% market share held by the market leader. C2SI and ARCAN share second place with 30% each, with the rest of the market held by smaller players.

Created in 2002, AXIGATE rapidly succeeded in becoming a key player in the hospital information systems market. Today, it has a bit more than 48 hospitals including  France's second largest teaching hospital (CHU), the Marseilles Public Hospital. AXIGATE is an approved supplier of solutions of the UNI.HA hospital purchasing group, providing its members simplified access to AXIGATEs offering.

Generally speaking, the complementary nature of health and social care offerings makes it possible to propose very comprehensive networked information systems The Health and Social Care Facilities Solutions Division is the only player on the market which proposes such a diversified, expert and networked solution.

## 6.5.4 The equipment lease financing market

Set up in 2015, NANCEO is a challenger in the equipment leasing market for professionals. This market is in large part dominated by banks or their specialised equipment and finance leasing companies.

NANCEO operates according to a "Vendor" model, which involves financing the sale of professional equipment sold by partners to their customers. This includes primarily high-tech equipment that quickly become obsolete, such as printers, document management, telephony, security and medical equipment. NANCEO increases its own volumes by facilitating these sales.

NANCEO's major strength lays in the simplification of exchanges between partners and lessors:

- A single financing request;
- A single contract regardless of the lessor supplier;
- Simplified invoicing;
- Highly efficient contract management.

Its "multi-lessor" approach (assignment to different lessors) increases its ability to rapidly accept requests, promotes independence in relation to lessors and develops its resiliency "to vendor financing" i.e. the withdrawal from the market or disappearance of one or more lessors.

# 7 ORGANISATIONAL STRUCTURE

## 7.1 Description of LA COOPERATIVE WELCOOP and PHARMAGEST INTERACTIVE's position within the Group

At 31 December 2017, MARQUE VERTE SANTE was the majority shareholder with 60.51% of the capital of PHARMAGEST INTERACTIVE. LA COOPERATIVE WELCOOP, MARQUE VERTE SANTE's parent, holds 6.12% of PHARMAGEST INTERACTIVE's capital directly.

Through the diverse nature of its businesses and subsidiaries, LA COOPERATIVE WELCOOP enables each patient, each customer of the pharmacy find everything they need in terms of products and services, while preserving the independence of the pharmacists' activity.

LA COOPERATIVE WELCOOP and its subsidiaries increase access to health for all by supporting pharmacists' mission as healthcare coordinator. Indeed, it offers the most extensive back office system available in France, according to three priorities:

- An economic focus with generics, OTC (over-the-counter) medicines, medical devices, pharmacy-related products, and access to European medicines;
- A service focus with Home Care products and sales support solutions (merchandising, referencing, etc.);
- A technology focus enabling pharmacists to fulfil a healthcare coordinator role backed by efficient information systems. PHARMAGEST Group represents one of its pillars.

A pharmacists' cooperative goes even farther: its true mission is ensuring the health, comfort and well-being of patients and consumers and do everything possible to strengthen the efficiency of the model for health economics.

This cooperative spirit transcends the traditional divisions between customers and suppliers in favour of a civic engagement where every employee and cooperative member of LA COOPERATIVE WELCOOP, intervenes as a **citizen in the service of health and well-being**.

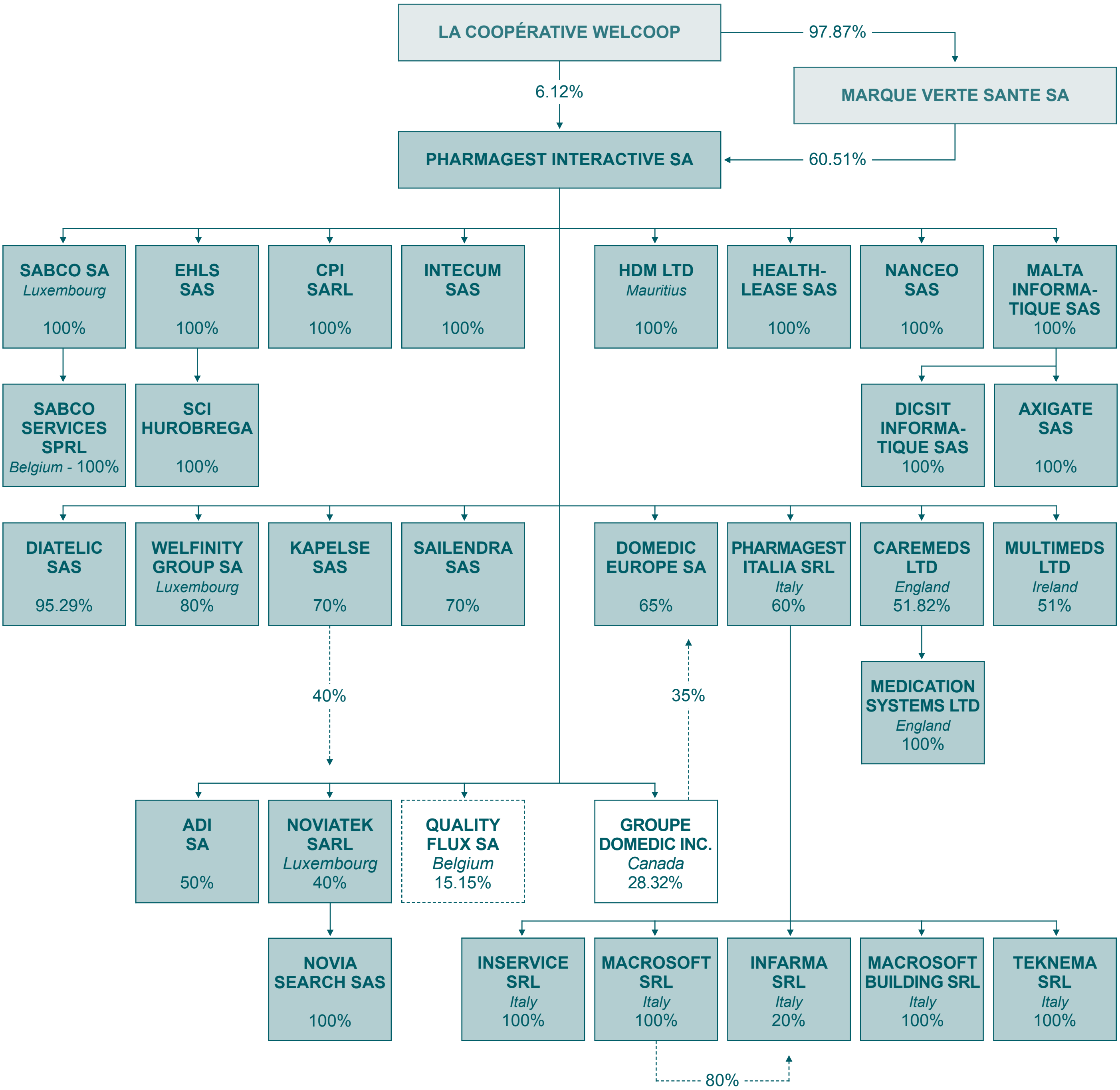
LA COOPERATIVE WELCOOP and its subsidiaries are present primarily in France and Europe.

MARQUE VERTE SANTE's registered office is at 7 allée de Vincennes, Technopole de Nancy Brabois, 54 500 VANDOEUVRE-LES-NANCY, FRANCE.

With consolidated equity capital of €156 million as at 31 December 2017, MARQUE VERTE SANTE posted €475 million in consolidated sales for 2017 (French GAAP).

For more information about LA COOPERATIVE WELCOOP and its subsidiaries: http://www.welcoop.com/

## 7.2 Significant subsidiaries at 31 March 2018*




* *Blue background: Parent companies;*
*Dark blue background: fully consolidated subsidiaries;*
*White background: equity-accounted subsidiaries;*
*Dotted outline with white background: deconsolidated subsidiaries.*

The percentage of voting rights held by PHARMAGEST INTERACTIVE in each of its subsidiaries is equal to the percentage of its equity holding in these subsidiaries.

**Changes in the scope of consolidation since 31 December 2017:**

- PHARMAGEST Group carried out a simplified merger *(transmission universelle de patrimoine)* entailing the dissolution of CPSI and the global transfer of its assets and liabilities to PHARMAGEST INTERACTIVE;

- Pharmagest Group acquired a majority equity stake (60%) in the Italian company MACROSOFT HOLDING, an Italian limited liability company with capital of €10,000 registered in MACERATA, Italy (REA No. MC 165 033). The company is specialised in IT equipment and services for pharmacy wholesalers-distributors and the sale of innovative software solutions for Italian pharmacies. MACROSOFT HOLDING controls:

  - 100% of the capital of MACROSOFT SRL, an Italian limited liability company with capital of €52,000 registered in MACERATA, Italy (REA No. MC 103 315).
  - 100% of the capital of INFARMA SRL, an Italian limited liability company with capital of €102,000 registered in BOLOGNA, Italy (REA No. BO 414 859), with 20% directly held by MACROSOFT HOLDING and 80% by MACROSOFT SRL.
  - 100% of the capital of TEKNEMA SRL, an Italian limited liability company with capital of €10,000 registered in MACERATA, Italy (REA No. MC 123 781).
  - 100% of the capital of INSERVICE SRL, an Italian limited liability company with capital of €10,000 registered in MACERATA, Italy (REA No. MC 142 975).
  - 100% of the capital of MACROSOFT BUILDING SRL, an Italian limited liability company with capital of €10,000 registered in MACERATA, Italy (REA No. MC 165 201).

  MACROSOFT HOLDING's corporate name was changed to PHARMAGEST ITALIA.

25 companies were fully consolidated in PHARMAGEST Group in 2017, including PHARMAGEST INTERACTIVE:

**ADI**, a 50%-owned subsidiary of PHARMAGEST INTERACTIVE, a French company registered in EVRY (No. 387 882 038). The company is the exclusive distributor of PHARMAGEST INTERACTIVE products in the Ile de France region.

**AXIGATE**, a wholly-owned subsidiary of MALTA INFORMATIQUE, a French company registered in PARIS (No. 490 301 991), a specialised independent application software vendor for the hospital sector.

**CAREMEDS**, a wholly-owned subsidiary of PHARMAGEST INTERACTIVE, an English company registered in the Companies House of CARDIFF (No. 07 990 372), a specialised independent application software vendor.

**CPI**, a wholly-owned subsidiary of PHARMAGEST INTERACTIVE, a French company registered in DIJON (No. 341 984 508). The company provides turnkey IT solutions to SMEs originating from various software companies.

**CPSI**, a wholly-owned subsidiary of PHARMAGEST INTERACTIVE, a French company registered in POINTE-A-PITRE (No. 799 898 069). It is engaged in the sale and marketing, installation and maintenance of hardware and software for pharmacies located in the French West Indies and French Guiana.

**DIATELIC**, a 95.29%-owned subsidiary of PHARMAGEST INTERACTIVE, a French company registered in NANCY (No. 443 656 350). The company's business is the provision and sales of tele-monitoring services and diagnostic aids.

**DICSIT INFORMATIQUE**, a wholly-owned subsidiary of PHARMAGEST INTERACTIVE, a French company registered in the NANCY Trade and Companies Register under number 400 504 387) a specialised independent application software vendor.

**DOMEDIC EUROPE**, a 65%-owned subsidiary of PHARMAGEST INTERACTIVE, a French company registered in NANCY (No. 533 081 360). It is the exclusive distributor of the "DO-Pill SecuR™" smart pill dispenser and related products in Europe, China and Japan.

**EHLS**, a wholly-owned subsidiary of PHARMAGEST INTERACTIVE, a French company registered in NANCY (No. 333 434 157). EHLS is a central purchasing service for IT hardware.

**HDM**, a wholly-owned subsidiary of PHARMAGEST INTERACTIVE, is a private Company limited by shares incorporated under Mauritian law with its registered office at PORT LOUIS (Mauritius). The company provides IT services.

**HEALTHLEASE**, a wholly-owned subsidiary of PHARMAGEST INTERACTIVE, a French company registered in PARIS (No. 522 381 441). The company's primary activity is long-term lease of hardware and other assets.

**SCI HUROBREGA**, a wholly-owned subsidiary of EHLS, a French company registered in LORIENT (No. 320 201 575). The company is the owner of the premises located at ZAC (joint development zone) of Mourillon in QUEVEN.

**INTECUM**, a wholly-owned subsidiary of PHARMAGEST INTERACTIVE, a French company registered in NANCY (No. 507 906 329) which designs, manufactures and markets automated systems.

**KAPELSE**, a 70%-owned subsidiary of PHARMAGEST INTERACTIVE, a French company registered in NANCY (No. 790 359 079). The company designs innovative health products.

**MALTA INFORMATIQUE**, a wholly-owned subsidiary of PHARMAGEST INTERACTIVE, a French company registered in BORDEAUX (No. 444 587 356), specialised in studies, the design and marketing of software and related products for elderly residential care homes.

**MEDICATION SYSTEMS LTD**, a wholly-owned subsidiary of CAREMEDS Ltd , an English company registered in the Companies House of CARDIFF (No. 07 971 144), specialised in the production of manual pill dispensers.

**MULTIMEDS**, a 51%-owned subsidiary of PHARMAGEST INTERACTIVE, an Irish company registered in the Companies Registration Office of DUBLIN (No. 533 817) specialised in the sale of manual pill dispensers.

**NANCEO**, a wholly-owned subsidiary of PHARMAGEST INTERACTIVE, a French company registered in the PARIS Trade and Companies Register under number 809 217 748. The company offers equipment lease financing solutions for the services sector.

**NOVIA SEARCH**, a wholly-owned subsidiary of EHLS, a French company registered in the THIONVILLE Trade and Companies Register under number 791 200 918, specialised in engineering and technical studies.

**NOVIATEK**, a subsidiary 40%-owned by PHARMAGEST INTERACTIVE, and 40%-owned by KAPELSE, a LUXEMBOURG company registered in the LUXEMBOURG Trade and Companies Register under number B 186.323. The company designs and manufacturers automated systems.

**SABCO**, a wholly-owned subsidiary of PHARMAGEST INTERACTIVE, a LUXEMBOURG company registered in the LUXEMBOURG Trade and Companies Register under number B 15.220. The company sells computer installations and various IT services to customers.

**SABCO SERVICES**, a wholly-owned subsidiary of PHARMAGEST INTERACTIVE, a Belgian company registered in Brussels (No. 0476 626 524). The company markets and sells products which include, amongst others, IT hardware and software.

**SAILENDRA**, a 70%-owned subsidiary of PHARMAGEST INTERACTIVE, a French company registered in Nancy (No. 502 040 900). SAILENDRA provides consulting services and designs and develops behavioural analysis-based systems and software solutions using Artificial Intelligence.

**WELFINITY GROUP**, a wholly-owned subsidiary of PHARMAGEST INTERACTIVE, a Luxembourg company registered in the Luxembourg (No. B 212.759) specialised in conducting market studies in the healthcare sector.

And one company accounted for using the equity method:

**GROUPE DOMEDIC INC.**, a 28.32%-owned subsidiary of PHARMAGEST INTERACTIVE, a Canadian company registered in QUEBEC (No. 659696-7). The company develops and markets medical devices, particularly the DO-Pill Secure™ smart pill dispenser and its accessories.

# 8. PROPERTY, PLANT AND EQUIPMENT

## 8.1 Real estate assets

The main real estate assets are based around the registered offices and sales agencies.

**Registered Offices:**

| Regional organisation | PHARMAGEST regional organisation | Registered offices | | |
|---|---|---|---|---|
| | | Municipalities | Companies | Status of real estate assets |
| Mainland France | East | VILLERS-LES-NANCY | PHARMAGEST INTERACTIVE | Owned |
| | | | DIATELIC, DOMEDIC EUROPE, KAPELSE, EHLS, INTECUM | Tenants |
| | | NANCY | SAILENDRA | Leased |
| | | DIJON | CPI | Leased |
| | | FLORANGE | NOVIA SEARCH | Leased |
| | | BEZAUMONT | DICSIT INFORMATIQUE | Leased |
| | West | QUÉVEN | SCI HUROBREGA | Owned |
| | Ile-de-France | SACLAY | ADI | Leased |
| | | PARIS | NANCEO, AXIGATE, HEALTHLEASE | Tenants |
| | Southwest | MÉRIGNAC | MALTA INFORMATIQUE | Owned |
| French Overseas Departments | French Overseas Departments and Territories | BAIE MAHAULT (Guadeloupe) | CPSI | Leased |
| England | / | EASTLEIGH | CAREMEDS, MEDICATION SYSTEMS LTD | Tenants |
| Belgium | Belux | GOSSELIES | SABCO SERVICES | Leased |
| Luxembourg | Belux | WINDHOF | SABCO, WELFINITY GROUP | Tenants |
| | | SCHIFFLANGE | NOVIATEK | Leased |
| Mauritius | / | PORT LOUIS | HDM | Leased |
| Ireland | / | BRAY | MULTIMEDS | Leased |

**PHARMAGEST sales agencies:**

| Regional organisation | PHARMAGEST regional organisation | PHARMAGEST sales agencies | |
|---|---|---|---|
| | | Municipalities | Status of real estate assets |
| Mainland France | East | LUDRES, DIJON, REIMS and SCHILTIGHEIM | Tenants |
| | West | QUEVEN | Rented from SCI HUROBREGA, the owner |
| | | NANTES, RENNES, SAINT LO and TREGUEUX | Tenants |
| | Ile-de-France | RUNGIS, CLICHY-LA-GARENNE and SAINT-CLOUD | Tenants |
| | North | ROUEN et CUINCY | Tenants |
| | Rhône-Alpes | VILLEFRANCHE-SUR-SAONE | Leased |
| | Centre | BOURGES, POITIERS, LIMOGES et CLERMONT FERRAND | Tenants |
| | Southwest | TOULOUSE, ANGOULEME et LONS | Tenants |
| | | PESSAC | Leased |
| | South-East | MEYREUIL, ANTIBES and MONTPELLIER | Tenants |
| French Overseas Departments | French Overseas Departments and Territories | LE LAMENTIN (Martinique) | Leased |
| Belgium | BELUX | GAND (Flanders) | Leased |

Wholly-owned premises represent 32% of the area of premises used by PHARMAGEST Group. Rented premises are covered by operating leases and (like all operating leases) are not restated under intangible assets (see 20.3.1.5 - Note 4.3).

In addition, the expansion of PHARMAGEST Group headquarters located at VILLERS-LES-NANCY is budgeted for an estimated expense of €10 million with the work to be carried out in 2018 and 2019.

## 8.2 The environment

PHARMAGEST Group sites are not subject to any environmental constraints (see the Corporate Social and Environmental Responsibility Report in Section 24.1.2 of this Registration Document).

# 9 OPERATING AND FINANCIAL REVIEW

Information disclosed herein is based on data and explanations provided in:

- Section 20.3.1 - Consolidated financial statements of PHARMAGEST Group of this Registration Document;
- Section 24.1.1 - Part 1 of the Management report included in this Registration Document.

## 9.1 Financial position

**Balance sheet highlights**

| Balance sheet items - In € thousands | 2017 | 2016 | Change |
|---|---|---|---|
| Non-current assets | 84,371 | 66,753 | 26% |
| Current assets | 90,155 | 83,944 | 7% |
| Shareholders' equity | 115,827 | 103,653 | 12% |
| Non-current liabilities | 21,955 | 8,178 | 168% |
| Current liabilities | 36,743 | 38,866 | -5% |

The increase in non-current assets reflects mainly he net increase in intangible assets (+ €4,707 thousand) and goodwill (+ €8,364 thousand) and non-current financial assets.(+ €4,046 thousand).

The change in non-current assets results from changes in "trade receivables and related accounts" (+ €2,690 thousand) and "other receivables" (+ €2,763 thousand) attributable to changes in the consolidation scope and receivables linked to the rebate on the 3% contribution on dividends.

Changes in non-current liabilities represent changes in long-term financial liabilities (+ €10,755 thousand) and other long-term financial liabilities (+ €1,930 thousand).

The decrease in current liabilities reflects the reduction in the current portion of long-term debt (- €4,279 thousand) corresponding to the use of bank credit facilities.

This data is to be considered in relation to the different acquisitions made by the PHARMAGEST Group in 2017.

## 9.2 Operating profit

**Changes in key P&L items**

| P&L highlights - In € thousands | 2017 | 2016 | Change |
|---|---|---|---|
| Total operating income | 146,806 | 128,381 | 14.4% |
| Total operating expenses | -112,287 | -96,995 | 15.8% |
| Current operating income | 34,519 | 31,386 | 10.0% |
| Net profit (loss) of the period | 24,251 | 21,464 | 13.0% |

The change in operating income is directly linked to the growth in revenue in relation to 2016 (+ €18,425 thousand). The main expense line items that were up included the cost of sales/costs of supplies (+ €8,880 thousand) linked to the Fintech Division's development purchases and external charges (+ €2,821 thousand) and staff costs (+ €2,549 thousand).

### 9.2.1 Factors having an impact on operating revenue

The main factors having an impact on operating revenue concern the level of sales for:

- Equipment sales linked to the normal renewal of the installed base of customers for hardware;
- Software license sales;
- Hardware or software maintenance services;
- Financing sales, up significantly, with a dilutive effect on Group earnings.

### 9.2.2 Material changes in net sales or revenues

No material changes were observed by PHARMAGEST Group in the structure of its net sales or revenues.

### 9.2.3 Policies or risk factors that have materially affected, or could materially affect, directly or indirectly, the issuer's operations

PHARMAGEST Group is not aware of any risk factors that could materially affect, directly or indirectly its operations other than those listed in section 4 of this Registration Document.

# 10 CAPITAL RESOURCES

## 10.1 Information concerning the issuer's capital resources (both short and long term)

The data with respect to PHARMAGEST Group's capital is included in the presentation of the consolidated financial statements in Section 20.3.1. of this Registration Document.

PHARMAGEST's share capital is made up of 15,174,125 shares, with each share carrying one voting right. The number of shares outstanding remains unchanged in fiscal 2017.

PHARMAGEST Group reserves stand at €87,078 thousand, of which €13,207 thousand in issue premium, €(55) thousand in translation adjustment, €459 thousand in legal reserve and €73,467 thousand in other reserves.

## 10.2 Sources and amounts of cash flows

| Consolidated cash flow highlights - In € thousands | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Net cash flows from operating and investing activities | 19,542 | 16,936 |
| *Net cash flows from operating activities* | *27,477* | *22,601* |
| *Capital expenditures* | *-7,936* | *-5,665* |
| Net cash flows from (used in) financial investments | -10,540 | -2,874 |
| Net cash from (used in) capital transactions | -11,055 | -9,273 |
| Net cash from financing activities | 6,729 | 2,957 |
| Impact of translation adjustments/financial instruments and other financial income and expenses | -23 | -15 |
| **Change in net cash** | **4,653** | **7,730** |

Operating cash flow was up 15% from 2016 to €19,542 thousand, reflecting the change in cash flow, partially offset by the changes in working capital requirements between the two periods in addition to capital expenditures.

Changes in cash flows from investing activities are primarily linked to the acquisition of consolidated equity interests net of cash.

Changes in cash flows from capital transactions is linked to dividends paid by PHARMAGEST INTERACTIVE and its subsidiaries in 2017 for the 2016 fiscal year.

Changes in cash flows from financing activities represent mainly inflows from new borrowings, the repayment of borrowings and financial liabilities and financial investments.

Net cash increased by €4,653 thousand.

## 10.3 Borrowing requirements and funding structure

PHARMAGEST Group's financing and cash management policy is focused on aligning the different sources of funding with capital flows. As with all companies PHARMAGEST Group's cash flow obligations are both of a short-term and also a relatively long-term in nature. This policy accordingly seeks to ensure the Group's has sufficient capital resources to meet its obligations.

The short-term obligations include expenditures for day-to-day operations. For this type of cash flow, PHARMAGEST Group' policy is to make use of credit lines (bank overdraft facilities) negotiated with the Group's different banking partners.

The long-term obligations generally include medium and long-term projects, for which PHARMAGEST gives priority to long-term borrowings, primarily at fixed rates. PHARMAGEST Group is particularly vigilant in the area of compliance with covenants that may be requested by banks.

The data with respect to PHARMAGEST Group's borrowing is included in the presentation of the consolidated financial statements in Section 20.3.1.5. - Note 6.5 of this Registration Document.

## 10.4 Restrictions on the use of capital resources

There are no restrictions on the use of capital resources that have materially affected or could materially affect, directly or indirectly, PHARMAGEST Group's operations.

## 10.5 Anticipated sources of funds needed to fulfil future commitments

PHARMAGEST Group intends to finance the expansion work for its headquarters as follows:

- €1,000 thousand from its own capital,
- €9,000 thousand by means of an 8-year fixed rate loan.

Other investments, working capital requirements and dividend payments will be financed from operating cash flow and, as applicable, the sale of assets or net issuances of debt.

# 11 RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

## 11.1 Research and Development (R&D)

PHARMAGEST Group's R&D policy aims to design innovative software and satellite solutions, to offer new products, to maintain and upgrade existing solutions, and to meet internal development needs.

This policy is at the heart of PHARMAGEST Group's business and underpinned by a thorough knowledge of the needs and expectations of its customer base, which is reflected in:

- Continuous upgrades to systems and user support at all stages of the chain, from initial consulting, through to sales, ordering and management;
- Taking into account the complexity of the billing-related functionalities (to include direct payment, third-party payers, mutual insurance companies, etc.).

PHARMAGEST Group's R&D is based on synergies between PHARMAGEST INTERACTIVE and its different subsidiaries including DIATELIC, DICSIT INFORMATIQUE, GROUPE DOMEDIC INC., HDM, INTECUM, KAPELSE, MALTA INFORMATIQUE, NANCEO, NOVIA SEARCH, NOVIATEK and SABCO.

To support its strategy of integrating new know-how and countries, adapting to changes in its environment, adjusting to unforeseen developments and promoting a convergence of efforts for the beneficiaries of it solutions, PHARMAGEST Group has adopted an agile European, multi-professional health sector organisation, capable of being replicated, homogeneous and extendable.

Conscious of the need to create closer relations between the operating teams and the Research and Development teams, R&D is now integrated within PHARMAGEST Group's different divisions.

Under the responsibility of the Programme Managers in the Divisions, each project is headed by a project manager who leads the teams of business application analysts (engineering department), development analysts and testers tasked with ensuring the functionality of the components developed.

This Division-based R&D organisation supported by a cross-corporate Technical Department covering the entire Group ensures coherence in the developments produced.

The total expenditure for Research and Development posted to the IFRS consolidated financial statements is presented in Section 20.3.1.5, Note 3.

## 11.2 Patents

The Group owns the patent for the LGPI Global Services® software in France.

The Group subsidiaries (AXIGATE, CAREMEDS, DIATELIC, DICSIT INFORMATIQUE, GROUPE DOMEDIC INC., INTECUM, KAPELSE, MALTA INFORMATIQUE, MULTIMEDS, NOVIA SEARCH and NOVIATEK) hold the patents for systems having been developed.

# 12 TREND INFORMATION

## 12.1 Most significant trends

### 12.1.1 Revenue by Division

**The Pharmacy - Europe Solutions Division** accounted for 69.45% of PHARMAGEST Group's total revenue, or €101.95 million as of 31 December 2017, up 3.9% from 31 December 2016.

- Revenue for the Pharmacy France Business Line grew 3.5% from 2016 to €98.82 million, and was driven by the renewal of the installed base;
- The Pharmacy Belgium and Luxembourg Business Line had €3.13 million in revenue, up 16.80% from the previous period.

**The e-Health Division** reported €11.58 million in revenue as of 31 December 2017, a 16.3% increase from one year earlier. This division is driven by the sale of new CAREMEDS and MULTIMEDS products as well as connected devices developed by PHARMAGEST Group whose built-in intelligence addresses the needs and expectations of healthcare professionals.

Business Line performance highlights:

- The e-Pharma Business Line's revenue decline a further 4.7% (€1.63 million) in relation to 2016.
- The e-Patient and e-Connect Business Lines, continuing the successful marketing of connected devices, reported €9.95 million in revenue.

E-Health Solutions contributed 7.89% to PHARMAGEST Group's total revenue in 2016.

**The Health and Social Care Facilities Solutions Division** registered continuing commercial momentum. The buoyancy of this segment and its expanded offering from the successive acquisitions of DICSIT INFORMATIQUE and AXIGATE contributed to strong growth for this Division with revenue of €14.86 million at 31 December 2017, up 44.5% from one year earlier.

The Health and Social Care Facilities Solutions Division accounted for 10.12% of Group revenue at the end of 2016.

**The Fintech Division** had revenue of €18.41 million at 31 December 2017, displaying strong growth in relation to 2016. The Fintech Division accounted for 12.54% to PHARMAGEST Group's total revenue in 2017.

### 12.1.2 2017 operating highlights

**PHARMAGEST Group accelerates its expansion in Belgium**

The Pharmacy Belux Business Line, through its subsidiary SABCO, entered into a contract to supply one of the most important Belgian pharmaceutical distribution networks. MULTIPHARMA. MULTIPHARMA group has preselected and recommended SABCOs solutions to its network of more than 300 of pharmacies and parapharmacies. The terms of this partnership are based on shared engagements to improve the profitability of MULTIPHARMA member pharmacies and parapharmacies, promote the pharmacist's role and offer these members the most effective software system in the Belgian market equipped with multitude of functionalities.
Through this partnership, SABCO positive market share will increase from 12% to 18%, at the end of the deployment phase.

**Monitoring medication adherence: PHARMAGEST Group's expansion into the United Kingdom and Ireland through recent acquisitions**

Majority stakes acquired into MULTIMEDS, an Irish company, and CAREMEDS, a UK company, specialised in developing innovative technologies to manage medication compliance. MULTIMEDS has developed manual dispensing systems with a comprehensive and innovative patent-protected pill dispenser. CAREMEDS develops a secure cloud-based platform for tracking the medication adherence cycle using pill dispensers. These products provide pharmacists in dispensing pharmacies and elderly residential care homes with secure medication management and batch traceability for prescription drugs prepared in pill dispensers.
These two complementary offerings benefit from solid market positions (United Kingdom, Germany, Portugal, Spain, Malta, etc.) and fit perfectly with the PHARMAGEST Group's strategy for patient-centred medication compliance.

**A major acquisition in the hospital information systems market with MALTA INFORMATIQUE**

MALTA INFORMATIQUE, a PHARMAGEST Group subsidiary, acquired AXIGATE, a company specialised in new technologies and a French leader in the Hospital Information Systems (HIS) sector. AXIGATE is developing a 100% cloud-based solution for patient care management for hospitals. This acquisition of international scope opens up opportunities for PHARMAGEST Group to develop in the hospital sector AXIGATE's integration into the Health and Social Care Facilities Solutions Division completes its existing offer for elderly residential homes (EHPAD), Hospital at Home programs, home-based nursing programs (SSIAD) and Local Information and Coordination Centres for Older Persons) (CLIC). This will provide functional synergies, particularly for ensuring continuity and the healthcare pathways.

**Artificial Intelligence: the new clustering algorithm developed by SAILENDRA is recognised at the UMAP 2017 conference**

Researchers at Sailendra and Prof. Anne Boyer, a founding member of SAILENDRA and professor at the Laboratoire Lorrain de Recherche en Informatique et ses Applications (LORIA) of the University of Lorraine, were rewarded at the UMAP 2017 conference held in Bratislava (Slovakia) from 9 to 12 July. UMAP (User Modelling, Adaptation and Personalisation) is the premier international conference for researchers and practitioners throughout the world working on recommender systems and Artificial Intelligence. The title of the article published was: *"A New Statistical Density Clustering Algorithm based on Mutual Vote and Subjective Logic Applied to Recommender Systems".* The publication of this article in the conference proceedings constitutes major recognition by the international scientific community of the research work spearheaded by the SAILENDRA scientific team.
As a reminder, SAILENDRA is an innovative French start-up specialised in artificial intelligence-based behavioural analysis solutions that designs and develops purchase optimisation solutions for e-commerce. The excellence of its know-how is highlighted by the scalable algorithms that can be easily updated.

## 12.2 Potential developments

### Outlook for the Pharmacy - Europe Solutions Division

#### The Pharmacy France Business Line

Through its proven business models and dynamic sales teams, the Pharmacy France Business Line is expected to maintain good momentum through organic growth, the deployment of a new portal for its pharmacy management application (LGPI) and new functionalities.

The Pharmacy France Business Line in 2018 will introduce new offerings and a dedicated sales force destined to provide growth drivers. By way of example, the new OffiTag solution simplifies the management of labelling in pharmacies. This solution updates prices in pharmacies in real time, thus responding to legal obligations in terms of the display of prices, and optimises merchandising.

In addition, Pharmacy France Business Line NF Service and NF 525 standard labels highlight PHARMAGEST Group's engagement in terms of the quality of its services and products.

**Belgium and Luxembourg Pharmacy Business Line**

The Pharmacy Belgium and Luxembourg Business Line is aiming for continued growth throughout Belgium and Luxembourg and forecasts an increase in the number of pharmacies running its software. In 2018, SABCO will continue its commercial efforts focused on both pharmacy groups and independent pharmacies. The new solutions developed or under development will provide SABCO with an undisputed competitive advantage, based on state-of-the-art technologies and addressing the requirements resulting from commercial and regulatory developments of the sector.

In January 2018, with CGM, Corilus, Farmad, HDMP, iPharma Logistic, Medicalsoft, Nextpharm, Officinall and Prorec-Be, SABCO created the independent professional union, BeMeSo (ABSL). These companies represent nearly 90% of medical software sales in Belgium. As with FEIMA in France, BeMeSo's mission is to be an interlocutor for Belgian public authorities and facilitate the adoption and rationalisation of measures implemented within all front-line services. BeMeSo's mission will also be to ensure that all healthcare service providers reap the maximum benefits from digital health and e-Health developments.

More generally, the Pharmacy - Europe Solutions Division is continuing to focus on developing more global solutions exemplified by its comprehensive pharmacy management software (LMO - *Logiciel Métier d'Officine*). These programs will handle management tasks (Pharmacy Management Software such as LGPI), in addition to offering solutions for a specific pharmacy applications such as medication adherence monitoring software (*Logiciel de Suivi d'Observance* or LSO) or dispensing systems.

## Outlook for the e-Health Solutions Division

**The e-Patient Business Line**

The e-Patient Business Line will continue to deploy its solutions in the framework of national and regional calls for projects for which PHARMAGEST Group was selected.

The "36 more months at home" project is a promising industry growth driver for the Group. Currently being tested in Lorraine, the project is destined to be extended across FRANCE, and includes the construction of fully equipped retirement homes.

**The e-Connect Business Line**

The outlook for the e-Connect Business Line can be summarised as follows:

- Rollout the new telehealth solutions developed in 2017;
- Roll out new innovative services to equip its installed product base;
- Maintain growth levels;
- Be selected for new telehealth projects;
- Address new markets both for healthcare professionals and e-Health.

To these are added for all future projects, implementing synergies among the companies included in this Business Line, i.e. KAPELSE, NOVIATEK and NOVIA SEARCH, and the other subsidiaries of PHARMAGEST Group and LA COOPERATIVE WELCOOP.

**The e-Pharma Business Line**

The e-Pharma Business Line intends to develop sales through the digital communication solutions deployed by PHARMAGEST Group. The OffiMédia and OffiTouch solutions make it possible to package turnkey services for pharmaceutical companies and mutual insurers but also develop new services adapted to requirements for market access and market maintenance.

The e-Pharma Business Line should also profit from synergies with SAILENDRA, a subsidiary of PHARMAGEST Group since December 2016, that designs and develops artificial intelligence-based purchase optimisation solutions for e-commerce.

Pursuant to the acquisition of CAREMEDS and MULTIMEDS, growth of the business line will also be driven by the development of global medication adherence monitoring solutions integrating both the technological and manual components such as PDA (preparation of doses to be administered).

The growth prospects for the e-Health Solutions Division are also linked to the partnership between DOMEDIC INC. and TELUS SANTE for improving medication adherence in Canada Through this partnership, the PHARMAGEST Group hopes to deploy its e-Health solutions in the North American market. The first products originating from this partnership should be tested and then introduced on the market in 2018.

## Outlook for the Health and Social Care Facilities Solutions Division

MALTA INFORMATIQUE will continue to pursue growth in 2018 by strengthening its commercial teams.

In 2018, this reinforced team will market all offerings of MALTA INFORMATIQUE and DICSIT INFORMATIQUE and, by leveraging the high level of knowledge of decision-makers, will generate new opportunities in regional markets. This new synergy should accelerate sales by MALTA INFORMATIQUE and DICSIT INFORMATIQUE.

MALTA INFORMATIQUE, DICSIT INFORMATIQUE and AXIGATE will launch a joint offering (PATIENT PATHWAY and FILE TRANSFER) in connection with the provision of secure personal health data hosting services.

DICSIT INFORMATIQUE will continue to work on developing a web-based version of the Hospital at Home offering and will spearhead the commercial launch of MICROSOINS. Web-based versions of NET and LOGICLIC.NET in early 2018. To the success of the commercial launch, a sales representative was assigned to LOGICLIC at the end of 2017.

AXIGATE will continue to market its offerings to regional hospital groups and customers already equipped and is expecting significant sales growth in 2018.

## Outlook for the Fintech Division

The Fintech Division's performance for its first two years confirms the relevance of its business model and sets the stage for the development by NANCEO of a marketplace for equipment sales financing and services going beyond the healthcare sector, both in France and international markets.

## External growth strategy

PHARMAGEST Group will continue to explore external growth opportunities both in France and international markets in the following development areas:

- Services and technologies it could offer to its pharmacist customers to help them in their new advisory role;
- The technological areas that are promising for the development of new products or services to enhance the profitability of pharmacies and/or the efficiency of health systems.

To support this strategy, in 2016 PHARMAGEST Group established an International Development Department which had spearheaded the different acquisitions completed in 2017. In 2018, PHARMAGEST Group hopes to develop new partnerships.

# 13 PROFIT FORECASTS OR ESTIMATES

As in previous financial years, the PHARMAGEST INTERACTIVE does not disclose any profit forecasts or estimates in its Registration Document.

# 14 CORPORATE GOVERNANCE

## 14.1 Composition and operation of the administrative, management and supervisory bodies

### 14.1.1 Composition of the Board of Directors at 31 December 2017

| Member's full name or Company Name and their functions | Term expiration date (1) |
| --- | --- |
| **Mr. Thierry CHAPUSOT**<br>*Chair of the Board of Directors* | 31 December 2019 |
| **Mr. Dominique PAUTRAT**<br>*Managing Director and Director* | 31 December 2019 (MD)<br>31 December 2020 (Director) |
| **Mr. Thierry PONNELLE**<br>*Deputy Managing Director and Director* | 31 December 2019 (DMD)<br>31 December 2019 (Director) |
| **Mr. Denis SUPPLISSON**<br>*Deputy Managing Director and Director* | 31 December 2019 (DMD)<br>31 December 2020 (Director) |
| **Mr. Daniel ANTOINE**<br>*Director* | 31 December 2019 |
| **Ms. Marie-Louise LIGER**<br>*Independent Director* | 31 December 2020 |
| **Mr. François JACQUEL**<br>*Director* | 31 December 2019 |
| **Ms. Anne LHOTE**<br>*Director* | 31 December 2022 |
| **Ms. Sophie MAYEUX**<br>*Independent Director* | 31 December 2017 |
| **Ms. Céline GRIS**<br>*Independent Director* | 31 December 2022 |
| **Ms. Emilie LECOMTE**<br>*Director* | 31 December 2022 |
| **LA COOPERATIVE WELCOOP,** (formerly named GROUPE WELCOOP)<br>*represented by Mr. Hugues MOREAUX, Director* | 31 December 2019 |

(1) *The term of office ends at the close of the Annual General Meeting called to approve the financial statements for the financial year indicated.*

## 14.1.2 Biographical information for members of the administrative, management, and supervisory bodies and executive management

### BOARD MEMBERS

**Mr. Thierry CHAPUSOT:** Born on 29 April 1959 in NANCY (FRANCE).
He has an engineering degree from Polytech Nancy (ex-ESSTIN) and a post-master's degree (DESS) in Biomedical Engineering obtained in 1982.
He began his career in 1983 as a micro-electronics design engineer with TEXET Corporation in Dallas, USA.
On his return to France, he founded CP INFORMATIQUE in 1986 in DIJON, a company specialising in information systems for pharmacists.
1996 marked a new phase of his career when he founded PHARMAGEST INTERACTIVE with Thierry PONNELLE and Vincent PONNELLE. He held the position of Managing Director of the company until 31 December 2009.
In 1998 PHARMAGEST INTERACTIVE joined LA COOPERATIVE WELCOOP (formerly GROUPE WELCOOP). He has served as a member of the Management Boards of LA COOPERATIVE WELCOOP since 2006 and MARQUE VERTE SANTE since 2008.
On 1 January 2010, he was appointed Chair of the Management Board of LA COOPERATIVE WELCOOP and MARQUE VERTE SANTE and Chair of the Board of Directors of PHARMAGEST INTERACTIVE.

**Mr. Dominique PAUTRAT:** Born on 2 March 1965 in NEVERS (FRANCE).
*Brevet de Technicien Supérieur* in information technology.
1987: He held the position of sales representative at CP INFORMATIQUE DIJON (now part of PHARMAGEST INTERACTIVE).
1990-1999: Founded and headed up CP INFORMATIQUE CENTRE (now part of PHARMAGEST INTERACTIVE).
2000-2007: Founded and headed up PHARMAGEST INTERACTIVE's Pharmaceutical Companies business.
2008 to 2009: Deputy Managing Director (non-Board Member) in charge of PHARMAGEST INTERACTIVE's Pharmacy FRANCE business.
2009: Deputy Managing Director and Director of PHARMAGEST INTERACTIVE.
Appointed to the office of Managing Director and Director of PHARMAGEST INTERACTIVE on 1 January 2010.
As of 1 January 2013: Member of the Management Boards of LA COOPERATIVE WELCOOP and MARQUE VERTE SANTE.

**Mr. Thierry PONNELLE:** Born on 22 May 1960 in NANCY (FRANCE).
Thierry PONNELLE began his career in 1982 at ROUSSEAU INFORMATIQUE, the independent software vendor (ISV) that developed of PHARMAGEST® software.
He promoted sales of the PHARMAGEST® software package in the eastern region of FRANCE and managed a national distribution network for FRANCE.
In 1996, he founded PHARMAGEST INTERACTIVE with Thierry CHAPUSOT and Vincent PONNELLE
PHARMAGEST INTERACTIVE joined the LA COOPERATIVE WELCOOP in 1998 and Thierry PONNELLE was appointed to the position of Sales and Marketing Director of PHARMAGEST INTERACTIVE.
He is currently Deputy Managing Director of PHARMAGEST INTERACTIVE and Head of Sales and Marketing Strategy.

**Mr. Denis SUPPLISSON:** Born on 19 March 1969 in LUÇON (FRANCE).
He began his career in 1991 with PHARMAGEST INTERACTIVE first as a Technical Manager and then becoming Customer Services Manager for the Centre region.
2002: Head of Customer Services for France.
2010: Head of the Pharmacy France business.
November 2010: Appointed Deputy Managing Director (non-Board Member) of PHARMAGEST INTERACTIVE.
As of 1 January 2013: Deputy Managing Director and Director of PHARMAGEST INTERACTIVE and President of the Pharmacy - Europe Solutions Division.

**Mr. Daniel ANTOINE:** Born on 26 March 1952 in BLAMONT (FRANCE).
He qualified as a Pharmacist from the University of Nancy in 1977 A dispensing pharmacist with a pharmacy located at CHARMES (88) since 1978.
Vice-Chair of the Supervisory Board of LA COOPERATIVE WELCOOP.
Member of the MARQUE VERTE SANTE Supervisory Board from 2008 to 2010, then permanent representative of LA COOPERATIVE WELCOOP and member of the MARQUE VERTE SANTE Supervisory Board from 1 January 2011.
Member of the Board of Directors of PHARMAGEST INTERACTIVE.
Member of the Audit Committee of PHARMAGEST INTERACTIVE.
Chair of Syndicat des Pharmaciens des Vosges (member of the French federation of pharmacy unions - FSPF) since 1996.
Member of the Board of Directors of the FSPF since 2001.

**Ms. Marie-Louise LIGER (Independent Director):** Born on 24 January 1952 in BAGNEUX (FRANCE).
Graduated from Institut Commercial de Nancy in 1973.
1979 to 2012: Chartered accountant, Statutory Auditor (managing partner in accounting firm SECEF) until 31/12/2012 - Honorary managing partner since 01/01/2013.
Since 1982: Legal expert accredited by the NANCY Appeal Court, registered on the *Cour de Cassation*'s national list of legal experts from 2005. Expert at the NANCY Administrative Appeal Court from 2015.
1994 to 1996: Regional advisor to the LORRAINE Institute of Chartered Accountants
Since 1996: Member of the Board of Directors of the Compagnie des Experts Judiciaires at the NANCY Court of Appeals, Treasurer and then Chairperson from 2003 to 2006 - Honorary Chairperson since 2007.
1999 to 2015: Chair of the *Compagnie des Experts-Comptables Judiciaires*, NANCY-METZ section.
2005 to 2015: Member of the Board of Directors of the Conseil National des Experts de Justice (French national council of legal experts), Treasurer from 2007 to 2015, and Treasurer of the MOSELLE inter-company mediation centre *(CMIM - Centre de Médiation Inter-Entreprises de Moselle)*.
2007 to 2012: Member of FRANCE's social housing committee, the Commission HLM and CIL at the national auditing body, *Compagnie Nationale des Commissaires aux Comptes*.
As of 26 June 2015: Member of PHARMAGEST INTERACTIVE's Board of Directors and member of the Audit Committee, Chairperson of the Audit Committee since 1 July 2015.

**Mr. François JACQUEL:** Born on 26 December 1958 in PERPIGNAN (FRANCE).
He qualified as a Pharmacist from the University of Nancy in 1985.
Graduated in veterinary pharmacy from Lyon University in 1998.
1987 to 1988: Commercial pharmacist at CERP NANCY.
1989 to 1991: Director of the CERP TROYES branch.
1992 to 1994: Director of Liège Pharma, a subsidiary of the BELGIUM-based CERP LORRAINE Group.
1995 to 2001: Director of the CERP TROYES branch.
Since 2001: Practising pharmacist at MUSSY-SUR-SEINE (FRANCE).
Member of the Board of Directors of PHARMAGEST INTERACTIVE effective on 1 January 2011.
Member of the Audit Committee of PHARMAGEST INTERACTIVE effective on 1 January 2011.
Member of the Supervisory Board of LA COOPERATIVE WELCOOP.

**Ms. Anne LHOTE:** Born on 12 August 1968 in LAXOU (FRANCE).
Master's Degree in Accounting and Finance (MSTCF).
1991 to 1996: Employed in a regional accounting firm.
In 1997: qualified as a chartered accountant.
1997 to 2003: Chartered accountant, managing partner of a regional accounting firm, with responsibility for the LA COOPERATIVE WELCOOP account.
In 2003: joined LA COOPERATIVE WELCOOP as Chief Administrative and Financial Officer.
Member of the Management Board of MARQUE VERTE SANTE since September 2005.
Member of the Management Board of LA COOPERATIVE WELCOOP since 1 January 2010.
Member of the Board of PHARMAGEST INTERACTIVE since 16 June 2011.

**Ms. Sophie MAYEUX (Independent Director):** Born on 28 June 1957 in REIMS (FRANCE).
A postgraduate degree in business administration (DESS CAAE) from the Institute of Business Administration(IAE) (NANCY) in 1983.
In 1981, she created the S.D.I.C.CONSEIL business communications consultancy as a private practice in NANCY. This business is on-going.
Since 1988: Design, organisation and management of the Excelsior Breakfast Meetings in Nancy, and then the Flo Breakfast Meetings in Metz.
From October 1995 to October 2000: Managing Director of the publication, Est Eco, a subsidiary of the Est Républicain Group.
From November 2000 to April 2001: Project manager for the Est Républicain group.
Deputy Mayor of NANCY since March 2001.
General Councillor for Meurthe et Moselle (Nancy-Ouest canton) since October 2011.
Since 2002: Member of the *"Femmes débats et Société"* (FDS - Women, Debate and Society) Association.
Member of the Board of Directors of PHARMAGEST INTERACTIVE since 22 June 2012.

**Ms. Céline GRIS (Independent Director):** Born on 14 July 1977 in TOURS (FRANCE).
1997-2000: A graduate of the EFAP Image School of Communications and Media Relations.
1999-2000: Communications manager and sales engineer in a Paris-based company (B2B event organiser).
2000-2003: Communications manager, partnerships and media relations for a Paris-based company for Internet wine sales.
2004-2005: Project manager - event communications for a municipality in Brittany, France.
2005-2010: Communications manager for a family-owned company.
2010-2011: Executive assistant at a family-owned company.
2015-2016: Master's degree in Law, Economics and Management, specialty in SMEs and intermediate sized companies.
Since 2012: Managing Director of a family-owned company.
As of 27 June 2017: Director of PHARMAGEST INTERACTIVE.

**Ms. Emilie LECOMTE:** Born on 15 November 1978 in NANCY (FRANCE).
Doctorate in Pharmacy from the University of NANCY in 2004.
2005: Creation of PHARMACIE LECOMTE - DALLA COSTA (Pharmacie Patton) in HETTANGE GRANDE of which she is co-manager.
Since 2014: Member of the Supervisory Board of LA COOPERATIVE WELCOOP.
As of 27 June 2017: Director of PHARMAGEST INTERACTIVE.

**Mr. Hugues MOREAUX:** Born on 10 June 1953 in CANDERAN (FRANCE).
Doctor in Pharmacy, community Pharmacist, graduated from Bordeaux University, and established in Capbreton (FRANCE) since 1987.
Chair of the Supervisory Board of LA COOPERATIVE WELCOOP as of 1 January 2011.
Chair of the Supervisory Board of MARQUE VERTE SANTE as of 1 January 2011.
Member of the Board of Directors of PHARMAGEST INTERACTIVE, then with effect from 1 January 2011, permanent representative of LA COOPERATIVE WELCOOP, Director of PHARMAGEST INTERACTIVE.
Secretary General of the Regional Council of the Order of Pharmacists (CROP) of Aquitaine.

## 14.1.3 List of offices held during the past five years

**Mr. Thierry CHAPUSOT**

| Companies | Office/Directorship |
|---|---|
| PHARMAGEST INTERACTIVE* | As of 01/01/2010: Chair of the Board of Directors |
| LA COOPERATIVE WELCOOP *(formerly named GROUPE WELCOOP)* | Management Board member as from April 2006<br>As of 01/01/2010: Chair of the Management Board |
| MARQUE VERTE SANTE | Management Board member as of 28/07/2008<br>As of 01/01/2010: Chair of the Management Board |
| D'MEDICA | Director from 13/05/2009 to 31/12/2012, then Chairman of the Board of Directors as of 01/01/2013 |
| OBJECTIF PHARMA | Chair and Director from 05/10/2010 |
| DEVELOPPEMENT PROMOTION CRISTERS | Chair from 22/11/2013 |
| LABORATOIRE MARQUE VERTE | Board representative of LA COOPERATIVE WELCOOP from 01/01/2010 |
| SCI CERP IMMO 2 | Representative of LA COOPERATIVE WELCOOP, Manager from 01/01/2010 |
| DIATELIC | Director from 08/09/2010 to 14/05/2014 |
| SOCIETE CIVILE DE L'ERMITAGE SAINT JOSEPH | Managing |
| SARL DUVAL DE VITRIMONT | Manager as from March 2011 |
| SCI JAMERAI | Manager since 2006 |
| GROUPE DOMEDIC INC. *(Canadian company)* | Director from 05/05/2011 |
| DOMEDIC EUROPE | Chairman of the Board of Directors until 23/05/2012, then Director |
| PLANT ADVANCED TECHNOLOGIES - PAT* | Director from 30/06/2015 |
| UK PHARMA *(English company)* | Board representative of MARQUE VERTE SANTE since 01/06/2016 |
| WELFINITY GROUP *(Luxembourg company)* | Director since 22/02/2017 |

* *Listed company*

### Mr. Dominique PAUTRAT

| Companies | Office/Directorship |
|---|---|
| PHARMAGEST INTERACTIVE | Managing Director and Director from 01/01/2010 |
| ADI - APPLICATIONS ET DEVELOPPEMENTS INFORMATIQUES | Board representative of CP INTERACTIVE from 01/01/2010 |
| DC INFORMATIQUE *(company wound up by the merger procedure entailing the company's dissolution and the global transfer of its assets and liabilities on 28/06/2016)* | Managing Partner from 01/01/2010 to 28/06/2016 |
| CP INTERACTIVE | Manager as of 01/01/2010 |
| EUROPEAN HEALTH LOGISTIC SOURCING - EHLS | Representative of the Chair of PHARMAGEST INTERACTIVE from 01/01/2010 |
| SCI HUROBREGA | Manager as of 01/01/2010 |
| HDM *(Mauritius)* | Director as from 02/01/2010 |
| SABCO *(Luxembourg company)* | Chairman and Director from 24/12/2009 |
| SABCO SERVICES *(Belgian company)* | Manager as of 09/09/2009 |
| SCI MESSIRE JACQUES | Managing |
| SC CHANOINE JACOB | Manager as of 21/12/2013 |
| DIATELIC | Director until 30/01/2012, Chairman of the Board of Directors until 14/05/2014 then representative of the Chairman of PHARMAGEST INTERACTIVE |
| QUALITY FLUX *(Belgian company)* | Director from 2011 to 2015 |
| GROUPE DOMEDIC INC. *(Canadian company)* | Director from 05/05/2011 |
| DOMEDIC EUROPE | Managing Director and Director until 23/05/2012 then Chair of the Board of Directors |
| KAPELSE | Representative of the Chair of PHARMAGEST INTERACTIVE from 18/12/2012 |
| LA COOPERATIVE WELCOOP *(formerly named GROUPE WELCOOP)* | Managing Director and Director from 01/01/2013 |
| MARQUE VERTE SANTE | Managing Director and Director from 01/01/2013 |
| LABORATOIRE MARQUE VERTE | Chair of the Board of Directors from 01/01/2013 |
| UK PHARMA *(English company)* | Director as from 01/12/2016 |
| WELFINITY GROUP *(Luxembourg company)* | Managing Director from 22/02/2017 |

### Mr. Thierry PONNELLE

| Companies | Office/Directorship |
|---|---|
| PHARMAGEST INTERACTIVE | Deputy Managing Director and Director from 30/05/2002 |
| ADI - APPLICATIONS ET DEVELOPPEMENTS INFORMATIQUES | Board representative of PHARMAGEST INTERACTIVE |

### Mr. Denis SUPPLISSON

| Companies | Office/Directorship |
|---|---|
| PHARMAGEST INTERACTIVE | Deputy Managing Director (non-Board Member) from 9/11/2010 to 31/12/2012, then Deputy Managing Director and Director from 01/01/2013 |
| DOMEDIC EUROPE | Director from 10/06/2011, then Managing Director and Director as of 24/01/2014 |
| SABCO *(Luxembourg company)* | Director from 11/06/2012, then Managing Director as of 28/04/2016 |
| INTECUM | Chair from 01/01/2013 |
| CPSI | Manager as of 30/01/2014 |

### Mr. Daniel ANTOINE

| Companies | Office/Directorship |
|---|---|
| PHARMAGEST INTERACTIVE | Director from 30/05/2002 |
| LA COOPERATIVE WELCOOP *(formerly named GROUPE WELCOOP)* | Vice-Chair of the Supervisory Board |
| MARQUE VERTE SANTE | Representative of the Member of the Supervisory Board, LA COOPERATIVE WELCOOP, from 01/01/2011 |
| OBJECTIF PHARMA | Supervisory Board member from 05/10/2010 |
| INVESTIPHARM FRANCE | Director |
| SCI JADD | Managing |

### Ms. Marie-Louise LIGER

| Company | Office |
|---|---|
| PHARMAGEST INTERACTIVE | Independent Director from 26/06/2015 |

### Mr. François JACQUEL

| Companies | Office |
|---|---|
| PHARMAGEST INTERACTIVE | Director from 01/01/2011 |
| LA COOPERATIVE WELCOOP *(formerly named GROUPE WELCOOP)* | Supervisory Board member |
| SELARL FRANCOIS JACQUEL | Managing |
| SA PHARMA 10 | Supervisory Board member until 31/03/2014 |
| SCI CRAPAUDINE | Co-Manager |

### Ms. Anne LHOTE

| Companies | Office/Directorship |
|---|---|
| PHARMAGEST INTERACTIVE | Director from 16/06/2011 |
| LA COOPERATVE WELCOOP *(formerly named GROUPE WELCOOP)* | Managing Director and Director from 01/01/2010 |
| MARQUE VERTE SANTE | Management Board member since September 2005 |
| INVESTIPHARM FRANCE | Chair of the Board of Directors from 01/01/2010 |
| D'MEDICA | Director |
| UK PHARMA *(English company)* | Manager until 30/11/2016 |
| ESPAFARMED *(Spanish company)* | Director until 02/05/2017 |
| ITAFARM *(Italian company)* | Director |
| SOFAREX *(Belgian company)* | Managing Director |
| INVESTIPHARM BELGIUM *(Belgian company)* | Managing Director |
| ALPHA FINANCE REPARTITION *(Belgian company)* | Managing Director |
| ALPHA REPARTITION *(Belgian company)* | Managing Director from 20/06/2017 |
| BELGIUM INVESTMENT DISTRIBUTION *(Belgian company)* | Board representative of STALLION MANAGEMENT until 09/12/2014 |
| STALLION MANAGEMENT (Luxembourg company) | Director until 09/12/2014 |
| OBJECTIF PHARMA | Member of the Management Board since 25/06/2009 |
| AUXI EXPORT *(Belgian company)* | Manager until 28/02/2017 |
| PHARMALAB INTERNATIONAL Ltd *(Hong Kong)* | Director since 28/11/2014 |

### Ms. Sophie MAYEUX

| Company | Office |
|---|---|
| PHARMAGEST INTERACTIVE | Independent Director from 22/06/2012 |

### Ms. Céline GRIS

| Companies | Office |
|---|---|
| PHARMAGEST INTERACTIVE | Independent Director from 27/06/2017 |
| GRIS DECOUPAGE (SAS) | Managing Director since 01/01/2013 |
| GRIS INVEST INDUSTRIES - G 21 (SASU) | Managing Director as from 01/01/2012 |
| ESKARCEL *(a non-commercial partnership or société civile)* | Co-manager as from 10/12/2013 |
| STAMPEO *(SNC, revoked company)* | Manager from 01/01/2013 to 28/05/2016 |

### Ms. Emilie LECOMTE

| Companies | Office |
|---|---|
| PHARMAGEST INTERACTIVE | Director from 27/06/2017 |
| PHARMACIE LECOMTE DALLA COSTA | Co-manager sine 2005 |
| SARL LECOMTE DALLA-COSTA (SPFPL) | Co-manager sine 2014 |
| OBJECTIF PHARMA | Supervisory Board member since 05/06/2014 |
| LA COOPERATIVE WELCOOP *(formerly named GROUPE WELCOOP)* | Supervisory Board member since 06/06/2014 |

### Mr. Hugues MOREAUX

| Companies | Office/Directorship |
|---|---|
| PHARMAGEST INTERACTIVE | Board representative of LA COOPERATIVE WELCOOP as from 01/01/2011 |
| LA COOPERATIVE WELCOOP *(formerly named GROUPE WELCOOP)* | Chair of the Supervisory Board from 01/01/2011 |
| MARQUE VERTE SANTE | Chair of the Supervisory Board from 01/01/2011 |
| D'MEDICA | Board representative of LA COOPERATIVE WELCOOP as from 26/06/2009 |
| OBJECTIF PHARMA | Supervisory Board member from 25/06/2009<br>Vice-Chair of the Supervisory Board as from 01/01/2011 |
| LABORATOIRE MARQUE VERTE | Director from 01/01/2011 |
| INVESTIPHARM FRANCE | Board representative of LA COOPERATIVE WELCOOP as from 01/01/2011 |
| SNC MOREAUX DUCASSOU | Co-manager until 30/11/2017 |
| SCI DU FRONTON | Managing |

## 14.2 Absence of convictions and conflicts of interests concerning the members of the administrative, management and supervisory bodies and senior management

### Absence of convictions for fraud of members of the Board of Directors

To the best of PHARMAGEST INTERACTIVE's knowledge, none of the company's corporate officers or managing directors has:

- been convicted of fraud during at least the last five years;
- declared bankruptcy, been in receivership or liquidation during at least the last five years;
- been the subject of an accusation and/or official public sanction ordered by statutory or regulatory authorities during at least the last five years.

### Conflicts of interest involving the members of the board of directors, supervisory board and other corporate governance bodies

To the best of PHARMAGEST INTERACTIVE's knowledge, as at the date of this Registration Document, there are no potential conflicts of interest between the duties of corporate officers and managing directors of PHARMAGEST INTERACTIVE and their private interests or other duties.

To the best of PHARMAGEST INTERACTIVE's knowledge, there is no arrangement or agreement concluded with shareholders, customers, suppliers or others by virtue of which a member of the Board of Directors was appointed to the Board or as Managing Director.

None of the corporate officers has contracts providing for benefits upon termination.

The issuer is compliant with the corporate governance system in force in FRANCE.

The Board of Directors has three independent directors compared to a minimum of two recommended by the MiddleNext corporate governance code to which PHARMAGEST INTERACTIVE refers.

### Board expertise

The Board's members possess knowledge of the business sector, specific business line expertise, technical experience and/or management expertise, in human resources and financial areas.

# 15 COMPENSATION AND BENEFITS

The compensation paid by PHARMAGEST INTERACTIVE and the methods for determining compensation are set out in the report on corporate governance in Section 24.3 of this Registration Document.

The compensation paid by MARQUE VERTE SANTE and LA COOPERATIVE WELCOOP is also given in the report on corporate governance in Section 24.3 of this Registration Document.

# 16 BOARD AND MANAGEMENT PRACTICES

## 16.1 Terms of office of directors and officers

All information on the directors' offices, and notably the expiration dates of their terms, are included in the report on corporate governance presented in Section 24.3 - subsection 2.3 of this Registration Document.

## 16.2 Service contracts

To the PHARMAGEST Group’s knowledge, there are no service agreements between directors or officers of PHARMAGEST INTERACTIVE or one of its subsidiaries providing for the grant of benefits under their terms.

## 16.3 Special committees

**Audit Committee**
In 2017, the Audit Committee comprised:

- Mr. Daniel ANTOINE, Director;
- Ms. Marie-Louise LIGER, Independent Director;
- Mr. François JACQUEL, Director.

Ms. Marie-Louise LIGER was appointed Chair of the Audit Committee as of 1 July 2015.

The operating methods for the Audit Committee are set out in the report on corporate governance included under Section 24.3 – Subsection 3.5.2 of this Registration Document.

**Compensation Committee**
There is no Compensation Committee.

## 16.4 Corporate governance regime

Since 2010, PHARMAGEST INTERACTIVE has followed the MiddleNext Corporate Governance Code as the most appropriate corporate governance framework for its size and shareholder structure.

PHARMAGEST INTERACTIVE applies all the MiddleNext code's recommendations. The methods for applying these recommendations are set out in the report on corporate governance included under Section 24.3 - Subsections 1 to 4 of this Registration Document.

# 17 EMPLOYEES

## 17.1 Human resources

Human resources and the labour relations environment are described in the Corporate Social Responsibility report in Section 24.1.2 of this Registration Document.

## 17.2 Shareholding and stock options

### Equity investment

Employees hold no more than 3% of the share capital under employee savings schemes.

### Stock options

A stock option plan was introduced on 5 December 2014. The beneficiaries may exercise their options as from 5 December 2018. Corporate officers and the members of the Finance and Personnel Management Committee are not eligible for stock options.

## 17.3 Contracts and agreements

### Optional profit-sharing agreement

A profit-sharing agreement covering the scope of the PHARMAGEST Economic and Social Unit (ESU) was signed on 29 June 2017.
A profit-sharing agreement covering employees of the Health and Social Care Facilities Solutions Division was signed on 1 June 2016.
PHARMAGEST Group recorded an expense of €1,495,289 in fiscal 2017, compared to €1,359,439 in 2016.

### Mandatory profit-sharing agreement

Pursuant to Articles L. 442-1 et seq. of the French Employment Code applicable to companies usually employing at least 50 employees, PHARMAGEST INTERACTIVE is required to share the company's profits with its employees.
Accordingly, a mandatory profit-sharing agreement was signed on 29 June 2009 (without matching contributions by the company) for the PHARMAGEST ESU, as well as an agreement to amend the Corporate Savings Plan (PEE in France).

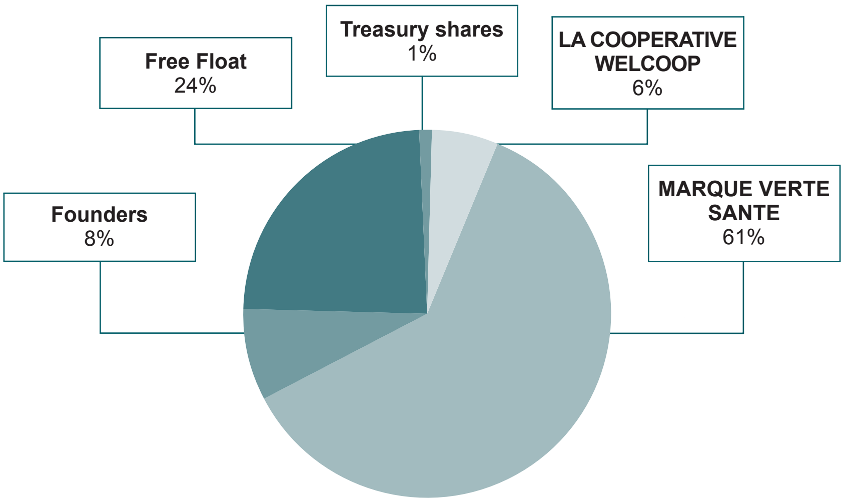
The amounts constituting the profit-sharing reserve are paid into the following corporate mutual funds (FCPE): "Perspective Monétaire A", "Perspective Obligations MT A", "Perspective Confiance 90 A", "Avenir Tempéré", "Avenir Equilibre", "Perspective Actions Europe A" and "Social Active Solidaire", which are managed by INTERSEM, 12 rue Gaillon 75002 PARIS in accordance with the said funds' rules of procedure and with current laws and regulations. The custodians of the funds' assets are Crédit Industriel et Commercial and Banque Promotrice CIC-EST.

Mandatory profit-sharing amount paid in the second quarter of 2018 by PHARMAGEST Group in respect of the 2017 financial year: €1,809,222.

# 18 MAJOR SHAREHOLDERS

## 18.1 Shareholding structure

**Capital breakdown as at 31 March 2018:**




MARQUE VERTE SANTE is 97.87%-held by LA COOPERATIVE WELCOOP (see the Organisation Chart presented in Section 7.2 of this Registration Document)

LA COOPERATIVE WELCOOP is a cooperative with a corporate structure based on the principle of cooperation, whose mission is to best serve the economic interests of its participants (cooperative members). At 31 December 2017, LA COOPERATIVE WELCOOP had 2,400 legal entity members and 1,518 individual members.

**Voting rights at 31 December 2017**

| Shareholder | Number of shares | Capital (%) | Theoretical voting rights | Voting rights exercisable at AGM | Voting rights (%) |
|---|---|---|---|---|---|
| SC Ermitage Saint Joseph *(Thierry CHAPUSOT)** | 772,200 | 5.09% | 772,200 | 772,200 | 5.17% |
| Thierry PONNELLE* | 407,950 | 2.69% | 407,950 | 407,950 | 2.73% |
| **Subtotal founding directors** | **1,180,150** | **7.78%** | **1,180,150** | **1,180,150** | **7.89%** |
| MARQUE VERTE SANTE | 9,182,595 | 60.51% | 9,182,595 | 9,182,595 | 61.43% |
| LA COOPERATIVE WELCOOP *(formerly named GROUPE WELCOOP)* | 929,260 | 6.12% | 929,260 | 929,260 | 6.22% |
| **Sub-total LA COOPERATIVE WELCOOP** | **10,111,855** | **66.64%** | **10,111,855** | **10,111,855** | **67.64%** |
| Treasury shares | 225,209 | 1.48% | 225,209 | 0 | 0.00% |
| Public share | 3,656,911 | 24.10% | 3,656,911 | 3,656,911 | 24.46% |
| **TOTAL** | **15,174,125** | **100%** | **15,174,125** | **14,948,916** | **100%** |

** Founding shareholders*

The shareholder officers are Messrs. Thierry CHAPUSOT and Thierry PONNELLE.

Mr. Thierry CHAPUSOT is Chairman of the Board of Directors and former Managing Director.
Mr. Thierry PONNELLE is a member of the Board of Directors and Deputy Managing Director.

To the best of PHARMAGEST INTERACTIVE's knowledge, no other shareholder holds more than 5% of the capital or voting rights, directly or indirectly, alone or in concert.

In the past three years, PHARMAGEST INTERACTIVE is aware of the following significant transactions:

- There were no significant disposals in 2015 resulting in the crossing of a threshold subject to disclosure requirements to the AMF.
- In 2016, Mr. Thierry PONNELLE, Deputy Managing Director, sold:
    - 3 October 2016: 30,000 shares at an average price of €31.26,
    - 10 October 2016: 20,000 shares at an average price of €31.50.
- There were no significant disposals in 2017 resulting in the crossing of a threshold subject to disclosure requirements to the AMF.

All transactions in 2016 were duly reported to the AMF in accordance with disclosure requirements.

As far as PHARMAGEST INTERACTIVE is aware, no other significant transactions took place between 31 December 2017 and the date of issue of this Registration Document.

### Voting rights at 31 December 2016

| Shareholder | Number of shares | Capital (%) | Theoretical voting rights | Voting rights exercisable at AGM | Voting rights (%) |
|---|---|---|---|---|---|
| SC Ermitage Saint Joseph *(Thierry CHAPUSOT)* | 772,200 | 5.09 % | 772,200 | 772,200 | 5.16 % |
| Thierry PONNELLE | 407,950 | 2.69 % | 407,950 | 407,950 | 2.72 % |
| **Subtotal founding directors** | **1,180,150** | **7.78 %** | **1,180,150** | **1,180,150** | **7.88 %** |
| MARQUE VERTE SANTE | 9,182,595 | 60.51 % | 9,182,595 | 9,182,595 | 61.33 % |
| LA COOPERATIVE WELCOOP *(formerly GROUPE WELCOOP)* | 929,260 | 6.12 % | 929,260 | 929,260 | 6.21 % |
| **Sub-total LA COOPERATIVE WELCOOP** | **10,111,855** | **66.64 %** | **10,111,855** | **10,111,855** | **67.54 %** |
| Treasury shares | 202,021 | 1.33 % | 202,021 | 0 | 0.00 % |
| Public share | 3,680,099 | 24.25 % | 3,680,099 | 3,680,099 | 24.58 % |
| **TOTAL** | **15,174,125** | **100 %** | **15,174,125** | **14,972,104** | **100 %** |

### Voting rights at 31 December 2015

| Shareholder | Number of shares | Capital (%) | Theoretical voting rights | Voting rights exercisable at AGM | Voting rights (%) |
|---|---|---|---|---|---|
| SC Ermitage Saint Joseph *(Thierry CHAPUSOT)* | 772,200 | 5.09 % | 772,200 | 772,200 | 5.16 % |
| Thierry PONNELLE | 457,950 | 3.02 % | 457,950 | 457,950 | 3.06 % |
| **Subtotal founding directors** | **1,230,150** | **8.11 %** | **1,230,150** | **1,230,150** | **8.21 %** |
| MARQUE VERTE SANTE | 9,182,595 | 60.51 % | 9,182,595 | 9,182,595 | 61.32 % |
| LA COOPERATIVE WELCOOP *(formerly GROUPE WELCOOP)* | 929,260 | 6.12 % | 929,260 | 929,260 | 6.21 % |
| **Sub-total LA COOPERATIVE WELCOOP** | **10,111,855** | **66.64 %** | **10,111,855** | **10,111,855** | **67.52 %** |
| Treasury shares | 198,279 | 1.31 % | 198,279 | 0 | 0.00 % |
| Public share | 3,633,841 | 23.95 % | 3,633,841 | 3,633,841 | 24.26 % |
| **TOTAL** | **15,174,125** | **100 %** | **15,174,125** | **14,975,846** | **100 %** |

## 18.2 Control

LA COOPERATIVE WELCOOP (formerly GROUPE WELCOOP) holds, directly and indirectly, 66.64% of the capital of PHARMAGEST INTERACTIVE.

The LA COOPERATIVE WELCOOP representative on PHARMAGEST INTERACTIVE's Board of Directors exercises all due diligence and care to ensure compliance with PHARMAGEST INTERACTIVE's financial and legal guidelines, in line with LA COOPERATIVE WELCOOP's overall policy.
The presence of independent Board Members and the separation of the functions of the Chairman of the Board and Managing Director serve to ensure that control is not exercised abusively.

The main shareholders do not have different voting rights.

### LA COOPERATIVE WELCOOP's general policy

LA COOPERATIVE WELCOOP and its teams are committed to serving pharmacists, their customers and patients. LA COOPERATIVE WELCOOP is a unique professional community, a genuine laboratory of ideas, services and solutions, covering a number of specialised business areas addressing all the needs of pharmacists and patients alike. Innovation is at the heart of its DNA, both for products and services. Every cooperative member, every employee is committed to making healthcare more accessible, more connected, and more efficient.

By creating the pharmacy of tomorrow, by continuously innovating with new offerings, LA COOPERATIVE WELCOOP is more than a just group of healthcare professionals focussed on optimising its members' economic performances, it is also a key stakeholder in the health ecosystem. The cooperative spirit is by definition one of sharing based on a common goal of contributing to the greater good. Those that share this spirit are motivated by a shared goal: being useful to all. The core mission of a cooperative of pharmacists is to ensure that each patient and consumer is able to find the products and services they require for their health and well-being, while at the same time maintaining the profession’s independence.

LA COOPERATIVE WELCOOP proposes pharmacists, through its different subsidiaries, an offering of products and services that are indispensable to the sustainability of pharmacies. The seven subsidiaries forming the WELCOOP pharmacists cooperative are organised into two divisions: The product division (LABORATOIRE MARQUE VERTE, CRISTERS and PHARMA LAB), and the services division (PHARMAGEST INTERACTIVE, D'MEDICA, PHARMACAP and OBJECTIF PHARMA).

LA COOPERATIVE WELCOOP's ambition is to empower each cooperative member and each employee as a genuine stakeholder in the promotion of health and well-being!

## 18.3 Shareholders agreement

There are no shareholder agreements to which PHARMAGEST INTERACTIVE is a party and which could have a material impact on the share price.

There are no shareholders agreements and no voting agreements between shareholders.

## 18.4 Agreements whose subsequent implementation could result in a change of control of PHARMAGEST INTERACTIVE

None.

# 19 RELATED PARTY TRANSACTIONS

## 19.1 Regulated agreements and commitments

All information on agreements and commitments is provided in the Auditors' special report in Section 20.4.3 of this Registration Document. The main related-party transactions were as follows:

**With MARQUE VERTE SANTE;**

***Nature and purpose:*** Financial advance

A maximum financial advance of €20,000,000 granted by PHARMAGEST INTERACTIVE to the parent company MARQUE VERTE SANTE.

***Terms:***

MARQUE VERTE SANTE has given a firm undertaking to repay the advance in whole or in part, on PHARMAGEST INTERACTIVE's request, within a maximum of three months from the date of the request.
The advance carries interest at a minimum guaranteed rate of 1.5%. Interest is calculated quarterly and due on receipt of invoice in cash. This rate may be revised upwards in line with market rates.
On that basis, PHARMAGEST INTERACTIVE recognised €162 thousand in interest under financial income in 2017. At 31 December 2017, the financial advance amounted to €7.1 million.

This agreement was initially concluded for the period from the date of its execution to 31 December 2016, and is subject to annual renewal by tacit agreement.

***Justification of its interest for the company:***

This agreement guarantees the level of interest offered by MARQUE VERTE SANTE that is 1.5% higher than the level available on the market for short-term capital-guaranteed investments.

It should also be noted that PHARMAGEST INTERACTIVE incurs no collection risk because repayment of this advance is subject to simple request on its part.

**With INTECUM, DIATELIC and CP INTERACTIVE;**

***Nature and purpose:*** Tax consolidation agreement

Authorisation of PHARMAGEST INTERACTIVE to include INTECUM, DIATELIC and CP INTERACTIVE in the French tax sharing agreement governed by Articles 223-A to 223-U of the French General Tax Code.

***Terms:***

The principle of neutrality has been retained: the parent company alone is liable for the tax expense and charges its subsidiary for the tax as if there was no tax sharing agreement.

## 19.2 Other related party transactions

### With LA COOPERATIVE WELCOOP companies;

PHARMAGEST Group is fully consolidated by LA COOPERATIVE WELCOOP (formerly named GROUPE WELCOOP) (54 500 VANDOEUVRE).

The nature of the relations between LA COOPERATIVE WELCOOP and its subsidiary MARQUE VERTE SANTE, are primarily amounts invoiced for:

- Management fees which include: strategic assistance, marketing and communications assistance, administrative, accounting and tax assistance, HR assistance and IT assistance. Services are invoiced at cost plus a mark-up of 3%;
- Share of Group insurance policies;
- Share of network contracts;
- Personnel in work-sharing arrangements;
- Sales, IT, marketing and administrative services.

On that basis, PHARMAGEST Group paid €665 thousand to LA COOPERATIVE WELCOOP.

Details of financial flows between PHARMAGEST Group and related parties are detailed in Section 20.3.1.5 - Note 12, Transactions with related parties, to the consolidated financial statements in this Registration Document.

### With PHARMAGEST Group companies;

No material related-party transactions (other than those with wholly-owned subsidiaries) exist that have not been entered into on an arm's length basis.

Details of financial flows between PHARMAGEST INTERACTIVE and its subsidiaries are presented in Section 20.3.2.3 - Note 15.2, Information on related party transactions, to the separate parent company financial statements in this Registration Document.

# 20 FINANCIAL INFORMATION CONCERNING THE ASSETS, FINANCIAL POSITION AND RESULTS OF THE ISSUER

## 20.1 Historical financial information

Incorporated in this Registration Document by reference are: the consolidated financial statements, management reports and audit reports for the financial years ended on 31 December 2015 and 31 December 2016 contained respectively in the 2015 Registration Document filed on 29 April 2016 (No. D.16-0449) and the 2016 Registration Document filed on 28 April 2017 (No. D.17-0462).

## 20.2 Pro forma financial information

Given that changes in scope and application of new standards had little impact, no pro forma financial statements were prepared.

## 20.3 Financial statements

### 20.3.1 PHARMAGEST Group consolidated financial statements

#### 20.3.1.1 Consolidated statement of financial position - IFRS standards

| Statement of Financial Position - Assets - In € thousands | Notes | 31/12/2017 | 31/12/2016 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 3.4.1/2 | 18,993 | 14,286 |
| Goodwill | 3.4.1/2 | 38,819 | 30,455 |
| Property, plant and equipment | 4.1/2 | 5,880 | 5,670 |
| Non-current financial assets | 6.1.1/2 | 19,083 | 15,037 |
| Securities valued by the equity method | 2.1.2 | 900 | 917 |
| Deferred tax assets | 9.2.2 | 696 | 388 |
| **Total non-current assets** | | **84,371** | **66,753** |
| **Current assets** | | | |
| Inventory and work in progress | 7.5 | 2,781 | 2,570 |
| Trade receivables | 7.4 | 22,937 | 20,247 |
| Other receivables | 7.4 | 8,727 | 5,964 |
| Available-for-sale securities | 6.2 | 28,134 | 27,594 |
| Other financial assets | 6.3 | 0 | 0 |
| Cash and cash equivalents | 6.4 | 27,577 | 27,569 |
| **Total current assets** | | **90,155** | **83,944** |
| **TOTAL** | | **174,526** | **150,697** |

| Statement of Financial Situation - Equity and Liabilities - In € thousands | Notes | 31/12/2017 | 31/12/2016 |
|---|---|---|---|
| **Shareholders' equity** | | | |
| Share capital | | 3,035 | 3,035 |
| Consolidated reserves | | 87,078 | 78,354 |
| Profit for the year | | 23,135 | 20,567 |
| **Shareholders' equity attributable to the Group** | | **113,248** | **101,955** |
| Reserves - Minority interests | | 1,463 | 800 |
| Earnings - Minority interests | | 1,116 | 897 |
| **Minority interests** | | **2,579** | **1,697** |
| **Total equity capital (consolidated)** | **10** | **115,827** | **103,653** |
| **Non-current liabilities** | | | |
| Non-current provisions | 11.1 | 4,184 | 3,345 |
| Long-term liabilities | 6.5 | 14,197 | 3,442 |
| Deferred tax liability | 9.2.2 | 886 | 632 |
| Other long-term payables | 7.6 | 2,688 | 758 |
| **Total non-current liabilities** | | **21,955** | **8,178** |
| **Current liabilities** | | | |
| Current provisions | 11.1 | 152 | 150 |
| Financial liabilities owed within a year | 6.5 | 2,681 | 6,960 |
| Trade payables | 7.6 | 9,560 | 8,196 |
| Current tax | 7.6 | 655 | 1,422 |
| Other short-term payables | 7.6 | 23,696 | 22,138 |
| **Total current liabilities** | | **36,743** | **38,866** |
| **TOTAL** | | **174,526** | **150,697** |

### 20.3.1.2 Consolidated profit and loss statement - IFRS

| Statement of profit or loss - In € thousands | Notes | 31/12/2017 | 31/12/2016 |
|---|---|---|---|
| Revenue<br>Other business income | 7.1 | 146,806<br>0 | 128,381<br>0 |
| **Subtotal Operating revenue** | | **146,806** | **128,381** |
| Purchases consumed<br>Staff costs<br>Purchases and external expenses<br>Taxes other than on income<br>Allowances for depreciation and amortisation<br>Allocation to provisions<br>Other income and expenditure | <br><br><br><br>7.7<br>7.7<br> | -40,363<br>-47,144<br>-17,475<br>-2,749<br>-4,236<br>-358<br>39 | -31,483<br>-44,595<br>-14,654<br>-2,615<br>-3,468<br>-341<br>161 |
| **Subtotal Operating expenses** | | **-112,287** | **-96,995** |
| **Current operating income** | | **34,519** | **31,386** |
| Other operating income<br>Other operating expenses | | 0<br>0 | 0<br>0 |
| **Operating profit** | | **34,519** | **31,386** |
| Income from cash and cash equivalents<br>Cost of gross financial debt<br>**Cost of net financial debt**<br>Other financial income and expenditure | 6.6<br>6.6<br><br>6.6 | 1,149<br>-218<br>**931**<br>-340 | 1,284<br>-131<br>**1,153**<br>-15 |
| Tax expense<br>Share of net profit/(loss) from equity-accounted entities | | -10,745<br>-114 | -10,947<br>-112 |
| **Net income from continuing operations**<br>**Profit/(loss) from discontinued operations** | | **24,251**<br>**0** | **21,464**<br>**0** |
| **Net profit (loss) of the period** | | **24,251** | **21,464** |
| **Net income (Group share)** | | **23,135** | **20,567** |
| **Net profit/(loss) Minority share** | | **1,116** | **897** |
| Basic earnings per share (group share) | 10.4 | 1.55 | 1.37 |
| Diluted earnings per share (group share) | 10.4 | 1.52 | 1.36 |

| Statement of comprehensive income - In € thousands | Notes | 31/12/2017 | 31/12/2016 |
|---|---|---|---|
| **Net Profit** | | **24,251** | **21,464** |
| **Items subsequently reclassified to net profit/(loss)** | | | |
| Foreign exchange differences<br>Changes in fair value of derivative hedging instruments<br>Financial assets available for sale<br>Related taxes | | 1<br>0<br>201<br>0 | -4<br>0<br>90<br>0 |
| **Other comprehensive income items that cannot be reclassified into net profit or loss** | | | |
| Revaluation of fixed assets<br>Revaluation/actuarial differences for defined contribution pension plans<br>Stock option expense over the period<br>Related taxes | | 0<br>-279<br>125<br>70 | 0<br>-554<br>125<br>155 |
| **Total gains and losses recorded directly in equity** | | **117** | **-188** |
| **Net profit/(loss) and gains and losses recorded directly in equity** | | **24,368** | **21,276** |
| **Net profit/(loss) and gains and losses recognised directly in equity - Attributable to equity holders of the parent** | | **23,253** | **20,379** |
| **Net profit/(loss) and total gains and losses recorded directly in equity - Attributable to non-controlling interests** | | **1,116** | **897** |
| Net income and gains and losses recognised directly in equity (attributable to the equity holders of the parent) - diluted earnings per share – basic earnings per share | | 1.56 | 1.35 |
| Net income and gains and losses recognised directly in equity (attributable to the equity holders of the parent) - diluted earnings per share | | 1.53 | 1.34 |

### 20.3.1.3 Consolidated cash flow statement - IFRS

| Consolidated cash flow statement - In € thousands | 31/12/2017 | 31/12/2016 |
|---|---|---|
| **I. Operating and investing activities** | | |
| **Operating profit** | **34,519** | **31,386** |
| Net amortisation, depreciation and provisions excluding tax and financial items | 4,618 | 3,754 |
| Other estimated expenses, excluding financial items | 125 | 125 |
| Capital gains or losses on disposals of fixed assets | -43 | -487 |
| Other adjustments | 291 | 90 |
| **Cash flow from operating activities** | **39,510** | **34,867** |
| Gross financial debt, interest paid | -218 | -131 |
| Taxes payments | -10,725 | -10,791 |
| **Cash flow after interest and taxess** | **28,567** | **23,945** |
| Stock variation | -155 | -156 |
| Change in trade receivables | -913 | -3,164 |
| Change in trade payables | 827 | 1,323 |
| Change in other receivables and payables | -849 | 653 |
| **Change in working capital** | **-1,090** | **-1,344** |
| **Net cash from operating activities** | **27,477** | **22,601** |
| Acquisitions of intangible assets and property, plant and equipment | -7,704 | -6,018 |
| Disposals of intangible assets and property, plant and equipment | 39 | 409 |
| Security deposits and other cash flows from operating investments | -270 | -56 |
| **Operating investment** | **-7,936** | **-5,665** |
| **Net cash from operating and financing activities** | **19,542** | **16,936** |
| **II. Financial investments** | | |
| Acquisitions of financial investments | 0 | 0 |
| Disposals of financial investments | 0 | 0 |
| Impact of acquisitions and disposals of investments in non-consolidated companies [(1)] | -10,540 | -2,874 |
| **Net cash from financial investments** | **-10,540** | **-2,874** |
| **III. Capital transactions** | | |
| PHARMAGEST INTERACTIVE capital increase | 0 | 0 |
| Capital increase of subsidiaries by minority interests | 0 | 0 |
| Acquisitions and disposals of PHARMAGEST INTERACTIVE shares *(treasury shares)* | -1,012 | -110 |
| Dividends received from equity-accounted entities | 0 | 0 |
| Dividends paid by PHARMAGEST INTERACTIVE | -9,731 | -8,983 |
| Dividends paid to minority interests by consolidated subsidiaries | -310 | -180 |
| Acquisitions and disposals of minority interests | 0 | 0 |
| **Net cash from capital transactions** | **-11,055** | **-9,273** |
| **IV. Cash flow from financing activities** | | |
| Loan issues or borrowings and financial liabilities | 10,572 | 3,398 |
| Repayments of borrowings and financial liabilities | -931 | -618 |
| Acquisitions and disposals of financial investments (securities available for sale/other financial assets) | -4,060 | -1,107 |
| Income from cash flow and equivalents, interest received | 1,149 | 1,284 |
| **Net cash from financing activities** | **6,729** | **2,957** |
| **V. Impact of translation adjustments/financial instruments and other financial income/expenses** | **-23** | **-15** |
| Bank and cash | 8 | 13,620 |
| Short-term bank facilities and overdrafts | -4,646 | 5,890 |
| **Net change in cash** | **4,653** | **7,730** |

[(1)] *The line item "Impact of acquisitions and disposals of investments in non-consolidated companies" includes cash contributions of €3,048 thousand from acquisitions completed in the period (investments are accordingly presented net of acquired cash).*

| Closing cash flow statement - In € thousands | 31/12/2017 | 31/12/2016 | Change in Group structure | Change |
|---|---|---|---|---|
| Cash | 27,577 | 27,569 | 1,598 | 8 |
| Short-term bank facilities and overdrafts | 1,482 | 6,128 | | -4,646 |
| **Net change in cash** | **26,095** | **21,441** | **1,598** | **-4,653** |

### 20.3.1.4 Statement of changes in equity - IFRS

| Statement of changes in equity | Group share | | | | | | |
|---|---|---|---|---|---|---|---|
| In € thousands | Share capital | Conso-lidated reserves and retained earnings | Treasury shares | Gains and losses recorded directly in equity | Equity attributable to equity holders of the parent | Equity - minority share | Total equity |
| **Equity capital as at 01/01/2016** | **3,035** | **92,047** | **-3,949** | **-488** | **90,649** | **907** | **91,557** |
| **Changes in accounting methods** | | | | | | | |
| **Equity capital as at 01/01/2016, adjusted** | **3,035** | **92,047** | **-3,949** | **-488** | **90,649** | **907** | **91,557** |
| Capital transactions | | | | | | | |
| Share-based payments | | | | | | | |
| Purchases and sales of treasury shares | | | -110 | | -110 | | -110 |
| Dividends | | -8,983 | | | -8,983 | -180 | -9,163 |
| Net profit (loss) of the period | | 20,567 | | | 20,567 | 897 | 21,464 |
| Income and expense recognised directly in equity | | | | -188 | -188 | | -188 |
| **Net profit/(loss) and gains and losses recorded directly in equity** | | **20,567** | | **-188** | **20,379** | | **21,276** |
| **Other** | | **20** | | | **20** | | **20** |
| **Changes in scope** | | | | | | **73** | **73** |
| **Change in equity interests in subsidiaries with no loss of control** | | | | | | | |
| **Equity capital as at 31/12/2016** | **3,035** | **103,651** | **-4,059** | **-676** | **101,955** | **1,698** | **103,653** |
| **Changes in accounting methods** | | | | | | | |
| **Equity capital as at 01/01/2017** | **3,035** | **103,651** | **-4,059** | **-676** | **101,955** | **1,698** | **103,653** |
| Capital transactions | | | | | | | |
| Share-based payments | | | | | | | |
| Purchases and sales of treasury shares | | | -1 012 | | -1,012 | | -1,012 |
| Dividends | | -9,731 | | | -9,731 | -310 | -10,041 |
| Net profit (loss) of the period | | 23,135 | | | 23,135 | 1,116 | 24,251 |
| Income and expense recognised directly in equity | | | | 117 | 117 | | 117 |
| **Net profit/(loss) and gains and losses recorded directly in equity** | | **23,135** | | **117** | **23,252** | **1,116** | **24,367** |
| **Other** | | **-1,213** | | | **-1,213** | **-305** | **-1,518** |
| **Changes in scope** | | | | | | **381** | **381** |
| **Change in equity interests in subsidiaries with no loss of control** | | | | | | | |
| **Equity capital as at 31/12/2017** | **3,035** | **115,842** | **-5,071** | **-559** | **113,247** | **2,578** | **115,825** |

**20.3.1.5 Notes to the consolidated financial statements**

The statement of financial position shows total assets of €174,526 thousand and net comprehensive income of €24,368 thousand.

# NOTE 1 - Accounting principles

## 1.1 Applicable texts

### 1.1.1 Change in accounting policies in 2017

PHARMAGEST Group's annual consolidated financial statements at 31 December 2017 have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations as published by the IASB and approved by the European Union (published in the OJEU).

The accounting principles applied are identical to those applied by the Group to prepare the financial statements at 31 December 2016, with the exception of the following standards, amendments and interpretations mandatory as of 1 January 2017:

- **Amendments to IAS 12** Recognition of deferred tax assets for unrealised losses;
- **Amendment to IAS 7** Statement of cash flows, "Disclosure Initiative";

Application of these texts did not have any significant impact on the 2017 consolidated financial statements.

### 1.1.2 Standards, amendments and interpretations with mantatory application as at 1 January 2018

The standards applicable to PHARMAGEST Group as of 1 January 2018 are:

- **IFRS 9** - Financial Instruments;
- **IFRS 15 and its amendments** - Revenue recognition;
- **Amendments to IFRS 4** - Insurance contracts;
- **Amendments to IFRS 2** - The classification and measurement of share based payment transactions;
- **Annual improvements** - Annual improvements (cycle 2014-2016);
- **Amendments to IAS 40** - Transfers of investment property;
- **IFRIC 21** - Foreign currency transactions and advance consideration.

These texts were not early-applied at 31 December 2017, where authorised by the texts.

Application of these standards had no material impact on PHARMAGEST Group's consolidated financial statements with the exception of IFRS 15 on revenue recognition.

IFRS 15 Revenue from contracts with customers, effective for periods beginning on or after 1 January 2018. This standard replaces IAS 18 Revenue.

IFRS 15 is based on a core principle for the recognition of revenue whereby an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework:

- Identify the contract(s) with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract;
- Recognise revenue when (or as) the entity satisfies a performance obligation.

The amendment Clarifications to IFRS 15 revenue from contracts with customers published in April 2016 provides clarifications regarding the definition of the performance obligation, provisions for making a distinction between a "principal" and an "agent", the recognition of licenses and new practical expedients to the transition requirements.

Assisted by an audit firm and a major international consulting firm other than one of its Statutory Auditors, PHARMAGEST Group launched a project to analyse the impacts of IFRS 15 on Group revenue. During the first phase of this project, the Group has concentrated on identifying the consolidated entities (PHARMAGEST INTERACTIVE, NANCEO, KAPELSE) to ensure that the main revenue flows are covered by this analysis based on a review of a selection of contracts.

Based on the initial work, the Group considers that application of IFRS 15 will have impacts on amounts recognised and disclosures given in the notes to the consolidated income statements on the following revenue streams:

- Impacts on the schedule for revenue recognition:
  - Contracts for the supply of equipment including maintenance services,
  - License agreements with a maintenance service component,
  - Contracts for the sale of equipment including a warranty component.

- Impacts of the presentation of revenues from the sale of financing files net of purchases:
  - Equipment financing offers in which the Group may intervene as an agent.

Based on PHARMAGEST Group first estimate of the quantitative impacts of IFRS 15's application, 2017 revenue would decrease from de €146,806 thousand to €129,580 thousand, operating profit would decrease to €215 thousand and net profit to €161 thousand according to the assumptions adopted.
The Group would opt to for the application of the full retrospective approach with an impact on equity at 1 January 2017 before deferred tax of €14 million, or €10 million after deferred tax.

IFRS 9 defines new principles for the classification and measurement of financial instruments, the impairment for credit risks of financial assets and general hedge accounting. PHARMAGEST Group does not anticipate a significant impact on the statement of financial position from its implementation.

### 1.1.3 Other changes to standars effective after 1 January 2018

PHARMAGEST Group formed working groups in 2018 and will continue to assess the impacts of application of the following standards:

- IFRS 16 Leases, as of 1 January 2019;
- Amendments to IAS 28 regarding long-term interests in associates and joint ventures for periods beginning on or after 1 January 2019;
- IFRIC 23 Uncertainty over income tax treatments, as of 1 January 2019.

### 1.1.4 First-Time adoption of IFRS

The Group prepared financial statements in accordance with IFRS for the first time on 31 December 2005 with a transition date of 1 January 2004.

IFRS 1 provided exceptions to retrospective application of IFRS on the transition date. The exceptions used by the Group were as follows:

#### Business combinations

PHARMAGEST Group has chosen the option offered by IFRS 1 of not restating business combinations prior to 1 January 2004, in accordance with IFRS 3. The exemption means:

- The previous accounting treatment (acquisition method or pooling of interests) is retained;
- The transaction direction is not queried.

#### Valuation of intangible assets, property, plant and equipment and investment properties

PHARMAGEST Group decided not to retain the option offered by IFRS 1 whereby some or all of intangible assets, property, plant and equipment and investment properties can be valued at their fair value in the opening balance at 1 January 2004.

**Pension obligations**

As PHARMAGEST Group has in the past recorded all actuarial gains and losses on pension liabilities, the option offered by IFRS 1 in this regard was not retained.

**Stock options**

PHARMAGEST Group has two stock option plans. As they were set up after 7 November 2002, they have been restated in accordance with IFRS 2.

## 1.2 Presentation of the financial statements

### 1.2.1 Income statement

PHARMAGEST Group's main activity is the design of specialised management software for dispensing pharmacies and the distribution of turnkey computer solutions. Operating profit for the period was generated by our recurring and non-recurring, main and accessory business.

"Other operating income and expenditure" includes items of profit/(loss) which, by their nature, amount or frequency, may not be considered as part of PHARMAGEST Group's activities and operating profit. Specifically, these items are impairments of brands and goodwill. This line also includes, if they are significant and non-recurring, the effects of changes in scope, capital gains or losses on disposals of fixed assets, restructuring costs, legal fees incurred for disputes, or any other non-current income or expenditure liable to affect operating profit comparisons between one period and another.

### 1.2.2 Statement of changes in cash flow

Changes in cash flow arising from operating activities are determined on the basis of operating profit, adjusted for transactions with no impact on cash.

Note that repayable advances received for R&D projects are presented on aggregate under "Other receivables and payables" in net cash generated by (used in) operating activities.

## 1.3 Basis for valuation, judgements and use of estimates

The financial statements were prepared according to the historical cost method, with the exception of some financial instruments measured at fair value.

The preparation of the financial statements requires the use of estimates and assumptions to determine the value of assets and liabilities, to assess positive and negative contingencies on the closing date and income and expenses for the year.

Significant estimates made by PHARMAGEST Group when preparing its financial statements relate to the recoverable amount of intangible assets and goodwill as indicated in Note 5 to the consolidated financial statements.

Due to the uncertainties inherent in any valuation process, PHARMAGEST Group regularly reviews its estimates based on updated information.

In addition to using estimates, PHARMAGEST Group management exercised its judgement to define the appropriate accounting treatment of certain activities and transactions where the IFRS standards and interpretations in force do not specifically deal with the relevant accounting issues.

# NOTE 2 - Information on consolidation

## 2.1 Basis of consolidation

PHARMAGEST Group applies the full consolidation method and the equity method:

**Full consolidation**

This method is used for companies in which it is exposed or entitled to variable returns and in which it has the capacity to influence these returns because of the Group's decision-making rights (in terms of financial and operating policies) in these companies.

All PHARMAGEST Group transactions and inter-company positions are eliminated in full on consolidation for fully consolidated companies.

**Equity method**

The equity method applies to associates in which PHARMAGEST Group exercises significant influence, which is presumed where the percentage of voting rights is higher than or equal to 20%. According to this method, PHARMAGEST Group recognises the "share of net profit/(loss) from equity-accounted entities” on a specific line in the consolidated profit and loss statement.

For all consolidated companies, the financial year is the same as the calendar year, except for companies set up or acquired during the year. The balance sheets and income statements for PHARMAGEST Group companies used for the consolidation are those as at 31 December 2017.

### 2.1.1 Fully consolidated companies

| Companies | Address | % control | % interest |
|---|---|---|---|
| PHARMAGEST INTERACTIVE | Villers-lès-Nancy (54) | Consolidating company | Consolidating company |
| ADI [(1)] | Saclay (91) | 50 | 50 |
| AXIGATE | Paris (75) | 100 | 100 |
| CAREMEDS | England | 51.82 | 51.82 |
| CPI | Dijon (21) | 100 | 100 |
| CPSI | Baie Mahault (97) | 100 | 100 |
| DIATELIC | Villers-lès-Nancy (54) | 95.29 | 95.29 |
| DICSIT INFORMATIQUE | Bezaumont (54) | 100 | 100 |
| DOMEDIC EUROPE | Villers-lès-Nancy (54) | 65 | 65 |
| EHLS | Villers-lès-Nancy (54) | 100 | 100 |
| HDM | Mauritius | 100 | 100 |
| HEALTHLEASE | Paris (75) | 100 | 100 |
| INTECUM | Villers-lès-Nancy (54) | 100 | 100 |
| KAPELSE | Villers-lès-Nancy (54) | 70 | 70 |
| MALTA INFORMATIQUE | Mérignac (33) | 100 | 100 |
| MEDICATION SYSTEMS LTD | England | 100 | 51.82 |
| MULTIMEDS | Ireland | 51 | 51 |
| NANCEO | Paris (75) | 100 | 100 |
| NOVIA SEARCH | Florange (57) | 100 | 67.97 |
| NOVIATEK | Luxembourg | 79.97 | 67.97 |
| SABCO | Luxembourg | 100 | 100 |
| SABCO SERVICES | Belgium | 100 | 100 |
| SAILENDRA | Nancy (54) | 70 | 70 |
| SCI HUROBREGA | Quéven (56) | 100 | 100 |
| WELFINITY GROUP | Luxembourg | 80 | 80 |

*[(1)] Given the economic and contractual relationship between PHARMAGEST INTERACTIVE and ADI (which distributes LGPI Global Services® products), and the control of the company (equal distribution of Board members, Chairman's appointment subject to the express agreement of PHARMAGEST Group), ADI which is 50%-owned, is fully consolidated.*

### 2.1.2 Companies consolidated under the equity method

| Companies | Address | % control | % interest |
|---|---|---|---|
| GROUPE DOMEDIC INC. | Québec (Canada) | 28.32 | 28.32 |

**GROUPE DOMEDIC INC.**'s corporate purpose is to improve the quality of life of people with health problems requiring regular medical treatment. GROUPE DOMEDIC INC. develops products to support people who are aware of the importance for their health of closely monitoring their medical treatments.
The final phase of TELUS Santé's integration within GROUPE DOMEDIC INC was competed in the 2017 first half.

As at 31 December 2017, it reported a loss of CAD 522 thousand with a positive net equity of CAD 1,325 thousand.
PHARMAGEST Group considers that it does not have significant influence.

| Balance sheet items In € thousands | Gross value at 31/12/2016 | Increase | Decrease | Reclassification | Change in Group structure | Gross value at 31/12/2017 |
|---|---|---|---|---|---|---|
| Equity-accounted investments [1] | 917 | | -3 | | -14 | 900 |

*[1] Equity-accounted investments are measured In reference to restated equity and goodwill.*

| | Shareholders' equity | Restated equity | Group share | Net goodwill | Equity method |
|---|---|---|---|---|---|
| GROUPE DOMEDIC INC. | 881 | 1 061 | 297 | 603 | 900 |

### 2.1.3 Minority interests

Pursuant to IFRS 12, please note that subsidiaries with non-controlling interests are not significant relative to the Group's financial aggregates. As a result, their financial data is not presented in the notes to PHARMAGEST Group's financial statements.

We have not identified any material restrictions on our interests in subsidiaries.

### 2.1.4 Unconsolidated companies

QUALITY FLUX was removed from the scope of consolidation in 2014 due to PHARMAGEST Group's small shareholding (15.15%) and its non-material nature. The company has since been put in liquidation.

There are no ad hoc entities in PHARMAGEST Group.

## 2.2 Changes in the scope of consolidation

### 2.2.1 Changes in scope in the period

- PHARMAGEST INTERACTIVE acquired a 51.82% equity stake in CAREMEDS Ltd., an English company registered in the Companies House of CARDIFF (No. 07 990 372). CAREMEDS Ltd. controls 100% of MEDICATION SYSTEMS Ltd., an English company registered in the Companies House of CARDIFF (No. 07 971 144). CAREMEDS' acquisition resulted in the recognition of a liability linked to put options on non-controlling interests (See Note 6.5);
- PHARMAGEST INTERACTIVE acquired a 51% equity stake in MULTIMEDS Ltd., an Irish company registered in the Companies Registration Office of DUBLIN (No. 533 817);
- PHARMAGEST INTERACTIVE acquired an initial 80% equity stake in the capital of WELFINITY GROUP S.A., a Luxembourg company, registered in LUXEMBOURG (No. B 212.759);
- Completion of the final phase of TELUS's integration within GROUPE DOMEDIC INC., bringing PHARMAGEST INTERACTIVE's stake to 28.32% compared to 29.59% at 31 December 2016;
- MALTA INFORMATIQUE acquired all capital of AXIGATE, a French company registered in PARIS (RCS No. 490 301 991). In connection with AXIGATE's acquisition, contingent consideration (earnout) for a maximum amount of €2,000 thousand linked to a budgeted objective was analysed according to criteria of the revised IFRS 3 as a component of the valuation of the acquired company and recognised under goodwill (See Note 3.4.1 Detail on the carrying value of goodwill). PHARMAGEST Group is expecting many synergies and complementarities, both organisational and functional, at the level of the solutions proposed by MALTA INFORMATIQUE and its IT subsidiary AXIGATE as an essential link in the strategy for monitoring the non-hospital and hospital patient pathway.

These combinations were recognised on a definitive basis.

Given that changes in scope had little impact, no pro forma financial statements have been drawn up.

### 2.2.2 Changes in scope during the previous year

- TELUS Health acquired an equity stake in GROUPE DOMEDIC INC., thus increasing PHARMAGEST INTERACTIVE's stake to 29.60%;
- MALTA INFORMATIQUE acquired all equity in DICSIT INFORMATIQUE, a simplified French joint stock company (*société par actions simplifiée*) with share capital of €50,000, a developer of application software, registered in the NANCY (RCS No. 400 504 387);
- PHARMAGEST Group carried out a simplified merger *(transmission universelle de patrimoine)* entailing the dissolution of DCI and the global transfer of its assets and liabilities to PHARMAGEST INTERACTIVE;
- PHARMAGEST Group acquired a majority holding through PHARMAGEST INTERACTIVE and its subsidiaries KAPELSE of 40% each, in the capital of NOVIATEK, a public limited company *(société à responsabilité limitée)* with capital of €250,100, and its registered office at L-3871 Schifflange, 1 rue de la paix, registered in LUXEMBOURG (No. B 186.323);
- NOVIATEK wholly-owns NOVIA SEARCH, a simplified French joint stock company *(société par actions simplifiée)* with share capital of €33,000 and its registered office at rue Lavoisier, FLORANGE (57190), registered in THIONVILLE (RCS No. 791 200 918), specialised in engineering and technical studies;
- PHARMAGEST INTERACTIVE acquired a 70% equity stake in SAILENDRA, a simplified French joint stock company *(société par actions simplifiée)* with share capital of €403,500, a developer of application software, registered in NANCY (RCS No. 502 040 900). SAILENDRA provides consulting services and designs and develops behavioural analysis-based systems and software solutions using artificial intelligence.

These combinations were recognised on a definitive basis.

Given that changes in scope had little impact, no pro forma financial statements have been drawn up.

## NOTE 3 - Intangible assets

### 3.1 Goodwill

When a company is acquired, its assets, liabilities and contingent liabilities are measured at fair value on the acquisition date.

Fair value adjustments of assets and liabilities must be made within 12 months of the acquisition date.

The difference between the cost of acquisition whereby control is acquired and PHARMAGEST Group's share in the fair value of these assets, liabilities and contingent liabilities is recognised under goodwill.

The takeover cost is the price paid by PHARMAGEST Group for the acquisition, or an estimate of this price if the transaction does not involve any payment in cash, excluding acquisition costs, which are posted under operating expenses.

IFRS 3 (revised) introduced an obligation to take account of the fair value of contingent payments in the cost of the price paid.

Where a company is acquired via successive transactions, fair value adjustments are made to shares held prior to the takeover and the change in value is booked as income.

From 1 January 2010, pursuant to IAS 27 (revised), (significant) transactions with non-controlling interests after the acquisition-date only affect equity as they are transactions between shareholders.

Goodwill is not amortised but tested for impairment at the end of the year, or more often where there is evidence of losses of value. The methods used for these impairment tests are presented in Note 5.1.
Negative goodwill is automatically recorded under operating profit, when not significant.

### 3.2 Research and Development costs

In accordance with IAS 38 "Intangible Assets", Research and Development expenditure is expensed in the period incurred, with the exception of development costs when all of the following conditions have been met:

- The project is clearly defined and the corresponding expenditure is separately identifiable;
- The technical feasibility of the project has been demonstrated;
- PHARMAGEST Group has the intention to complete the project and use or sell the asset;
- There is a potential market for developments resulting from the project or its usefulness in-house has been demonstrated. Thus, where a new module is developed on an existing software, its development costs are recognised as assets, provided that it makes it possible to address new customers not currently covered or address a new need;
- There are resources available to complete the project.

The development costs are depreciated over the estimated useful lives of the relevant projects. Please see note 3.4.1 therein for the assessment at 31 December 2017.

## 3.3 Other intangible assets

An intangible asset is a non-monetary asset without physical substance that must be simultaneously identifiable and controlled by the company as a result of past events and must provide an expectation of future financial benefits. An asset can be identified as intangible if it is separable from the acquired entity or if it arises from legal or contractual rights.

Intangible assets with determinable useful lives are amortised on a straight-line basis over periods that correspond to their expected useful life.

| **Intangible assets** | **Useful life** | **Depreciation method** |
|---|---|---|
| Customer relations<br>Software acquired | According to contract features<br>1 to 5 years | Straight-line<br>Straight-line |

## 3.4 Value of intangible assets and goodwill

### 3.4.1 Gross value of intangible assets

| Balance sheet items<br>In € thousands | Gross value at 31/12/2016 | Increase | Decrease | Reclassification | Change in Group structure | Gross value at 31/12/2017 |
|---|---|---|---|---|---|---|
| R&D expenses | 22,184 | 5,856 | | 164 | 6,145 [2] | 34,350 |
| Customer relations [1] | 1,493 | | | | | 1,493 |
| Other intangible assets | 7,591 | 322 | 24 | -164 | 1 | 7,726 |
| Goodwill | 30,455 | 8,364 | | | | 38,819 |
| **TOTAL** | **61,725** | **14,542** | **24** | **0** | **6,146** | **82,388** |

[1] *Acknowledgement of a client relationship following the acquisition of SABCO;*
[2] *AXIGATE R&D expenditures.*

A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The comparison between the carrying amounts of CGUs and their recoverable amounts did not show any impairment of goodwill or of other intangible assets with indefinite useful lives.

No material risks relating to the recoverable amounts were identified by conducting sensitivity tests of growth rates, discount rates and business growth.

Analysis of recoverable amount of goodwill (in € thousands):

| | The Pharmacy - Europe Solutions Division | | Health and Social Care Facilities Solutions Division | e-Heatlh Solutions Division | Total PHARMAGEST Group |
|---|---|---|---|---|---|
| | Pharmacy France Business Line | Pharmacy Belux Business Line | | | |
| Carrying value of goodwill by par CGU | 24,796 | 2,164 | 10,055 | 1,803 | 38,819 |

### 3.4.2 Amortisation of intangible assets

| Balance sheet items In € thousands | Value at 31/12/2016 | Increase | Decrease | Reclassification | Change in Group structure | Value at at 31/12/2017 |
|---|---|---|---|---|---|---|
| Research & Development | 12,197 | 2,306 | | -38 | 4,824 | 19,288 |
| Customer relations | 1,394 | 99 | | | | 1,493 |
| Other intangible assets | 3,393 | 387 | 24 | 38 | | 3,796 |
| **TOTAL** | **16,984** | **2,793** | **24** | **0** | **4,824** | **24,577** |

No impairment charges were recorded for goodwill based on impairment tests performed in 2017.

# NOTE 4 - Property, plant and equipment

## 4.1 Initial measurement and subsequent measurement

Property, plant and equipment are stated at their historical acquisition cost, production cost or entry cost in PHARMAGEST Group, less cumulative depreciation and impairment losses recognised.

The carrying amount of property, plant and equipment is not remeasured as PHARMAGEST Group has not chosen the alternative method of regularly revaluing one or more categories of property, plant and equipment.

Borrowing costs incurred in order to finance the acquisition and the construction of installations during the construction period are recorded as an expense in the period to which they relate.

Grant payments received for depreciable assets are written down according to the same rate of depreciation as the fixed assets to which they relate presented under other liabilities.

| Balance sheet items In € thousands | Gross value at 31/12/2016 | Increase | Decrease | Reclassification | Change in Group structure | Translation difference | Gross value as at 31/12/2017 |
|---|---|---|---|---|---|---|---|
| Land | 585 | | | | | | 585 |
| Buildings | 6,030 | 51 | 7 | | | -1 | 6,073 |
| Equipment | 1,168 | 196 | 19 | -6 | 25 | | 1,364 |
| Other property, plant and equipment | 6,664 | 1,271 | 249 | 6 | 275 | | 7,967 |
| **TOTAL** | **14,447** | **1,519** | **275** | **0** | **300** | **-1** | **15,989** |

## 4.2 Amortisation and depreciation

In accordance with the component method, PHARMAGEST Group uses different depreciation periods for each significant component of the same asset where one of these components has a useful life that is different from the main asset to which they relate. The main depreciation methods and periods retained are as follows:

| Property, plant and equipment | Useful life | Depreciation method |
|---|---|---|
| Buildings<br>Fittings<br>General facilities<br>Office and computer equipment<br>Transportation equipment<br>Furniture | 15 to 30 years<br>8 to 30 years<br>5 to 10 years<br>3 to 5 years<br>1 to 5 years<br>5 to 10 years | Straight-line<br>Straight-line<br>Straight-line<br>Straight-line<br>Straight-line<br>Straight-line |

| In € thousands | Gross value at 31/12/2016 | Increase | Decrease | Reclassification | Change in Group structure | Translation adjustments | Gross value as at 31/12/2017 |
|---|---|---|---|---|---|---|---|
| Property, plant and equipment | 8,777 | 1,443 | 253 | | 144 | -1 | 10,110 |

## 4.3 Leases

As part of its various activities, PHARMAGEST Group uses assets made available under leases.

These leases are analysed in reference to the situations described and indicators provided in IAS 17 to determine whether they are operating leases or finance leases:

- Operating leases: payments under operating leases (other than service costs such as for insurance and maintenance) are expensed on a straight-line basis over the term of the lease;
- Finance leases, as lessee: PHARMAGEST Group has no significant finance leases;
- Finance leases as a supplier: finance leases arranged by PHARMAGEST Group with its customers are automatically assigned to the partner-lessors HEALTHLEASE and NANCEO from the moment of purchase. PHARMAGEST Group does not incur any risks linked to these leases.

See Note 7.8 to the consolidated financial statements for related off-balance sheet commitments.

# NOTE 5 - Impairment tests

## 5.1 Impairment tests of goodwill and intangible assets

IAS 36 requires that goodwill and intangible assets with indefinite useful lives be tested for impairment (at least once a year and whenever any indicators of impairment arise) as are other long-term assets where there is evidence of a loss in value.

Such evidence may include:

- A major decline in the market value of the asset;
- A significant change in the technological, economic or legal environment.

An asset is recognised as impaired when its actual value falls below that of its net carrying value. The recoverable amount of an asset is the higher of fair value less costs to sell and its value in use. Fair value is the amount that can be obtained from the sale of an asset (or group of assets) in an arm's length transaction between knowledgeable, willing parties. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset or group of assets being tested. The discounted future cash flow method was used where comparable market information was unavailable.

Impairment losses of a CGU are allocated in priority to goodwill. Impairment losses for goodwill are not reversible.
Impairment losses for intangible assets and property, plant and equipment may be reversed subsequently if the recoverable amount rises again above their net carrying value.

Possible impairment losses are recognised under "Other operating income and expenses".

For impairment testing, goodwill was allocated to the relevant cash-generating units, in line with IFRS 8, according to the Divisions identified in PHARMAGEST Group's internal organisational structure or at the lowest CGU level of the operating sector concerned.

On that basis, all intangible assets not subject to amortisation and goodwill are allocated to each CGU (Note 3.4 to the consolidated financial statements) within the framework of these impairment tests.

The discounted cash flow method (DCF) is used for the years 2018 to 2021 based on the business plan forecasts drawn up by the Group according to its development strategy within its current competitive environment.

The discount rate adopted is that used by financial analysts with knowledge of the business sector. This discount rate is applied as is to mature business and adjusted for developing business by integrating the corresponding risk premium.

Present value is determined the addition of on the one hand the discounted value by CGU of discounted cash flows for the explicit period of 2018 to 2021 and on the other hand the terminal value defined as the value of the economic asset estimated for the last year of the explicit horizon. This terminal value is measured by the net present value of normative free cash extrapolated from the end of the explicit period until infinity by CGU based on the last year of the explicit period. The perpetuity growth rate is applied to infinity based on our perception of market trends.

**Assumptions:**

| | The Pharmacy - Europe Solutions Division | | Health and Social Care Facilities Solutions Division | e-Health Solutions Division |
|---|---|---|---|---|
| | Pharmacy France Business Line | Pharmacy Belux Business Line | | |
| Discount rate | 6.1% | 9.7% | 6.6% | 13.0% |
| Perpetuity growth rate | 2.0% | 2.0% | 2.5% | 3.0% |

The measurement obtained from our impairment tests in 2017 indicated that the recoverable value of assets tested by CGU did not incur a loss in value.

### Sensitivity analysis

The sensitivity analysis was measured in reference to the following parameters for the different CGUs:

- A change in the discount rate of +/- 0.5 bp;
- A change in the perpetuity growth rate of +/- 0.5 bp;
- Changes in the assumptions used by management in its five-year business plan of -15% and -30%.

| | Sensitivity test | Values of assets, normalised to 100 |
|---|---|---|
| Change in discount rate | -0.5 point<br>+0.5 point | 112.3<br>90.2 |
| Change in perpetuity growth rate | -0.5 point<br>+0.5 point | 91.4<br>111.0 |
| Forecasts of the 5-Year Business Plan | -15%<br>-30% | 86.0<br>72.0 |

Based on the above parameters, the sensitivity analysis did not identify any discounted items with a recoverable value lower than the carrying value of the assets tested.

## 5.2 Impairment tests of R&D expenditures

IAS 36 "Impairment of assets" requires impairment tests to be performed and documented by project:

- When there is an indication of loss in value for development expenditures in the process of amortisation;
- Annually for development expenditures not yet commissioned.

The recoverable value of projects is estimated according to the discounted cash flow method. These measurements are performed over the life of each project in order to take into account the market in question. PHARMAGEST Group did not identify any evidence of impairment.

# NOTE 6 - Financing and financial instruments

## 6.1 Non-current financial assets

### 6.1.1 Gross value of non-current financial assets

| In € thousands | Value at 31/12/2016 | Increase | Decrease | Reclassification | Change in Group structure | Value at as at 31/12/2017 |
|---|---|---|---|---|---|---|
| Loans, deposits and sureties<br>Investments [(1)]<br>Other investments | 349<br>14,689<br>0 | 270<br>3,765 | 14 | | 26 | 629<br>18,454<br>0 |
| **TOTAL** | **15,038** | **4,035** | **14** | | **26** | **19,083** |

[(1)] In December 2016, the allocation of the capital redemption contract previously in euros was shifted to a new unit-linked real estate investment fund (based on shares of a SPPICAV investment vehicle – société de placement à prépondérance immobilière à capital variable).
In 2017, the Group invested in capital-guaranteed US dollar denominated structured products with 3 year maturities.
At 31 December 2017, the balance of the investments broke down as follows:

- Unit-linked capital redemption contract: 15,119 thousand in unit-linked real estate investment fund;
- Capital-guaranteed US dollar denominated structured products: €3,335 thousand

At year-end, the investments were measured at fair value (surrender value).

### 6.1.2 Impairment of non-current financial assets

| In € thousands | Value at 31/12/2016 | Increase | Decrease | Reclassification | Change in Group structure | Value at as at 31/12/2017 |
|---|---|---|---|---|---|---|
| Other investments | 1 | | | | | 1 |

## 6.2 Available-for-sale securities

Available-for-sale financial assets are those defined by the company as available for sale that are not included in "loans and receivables", "held-to-maturity investments" or "financial assets at fair value through profit or loss".

The securities are valued at fair value at the time of acquisition, net of transaction costs. They are then recognised at fair value on each closing date. The fair value of shares in listed companies is determined in reference to their trading price on the relevant closing date. Fair value of shares in unlisted companies is determined using established valuation methods i.e. reference to recent transactions, discounting future cash flows, etc. Securities not listed on an active market and for which fair value cannot be reliably measured are valued at amortised cost.

Unrealised capital gains and losses in reference to the purchase price of these investments invested in euro funds are systematically recognised in profit or loss until the asset is sold.

| Net values - In € thousands | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Capital redemption contracts [(1)] | 28,134 | 27,594 |
| **TOTAL** | **28,134** | **27,594** |

*[(1)] This is a euro fund investment contract subscribed with AXA, which has an investment profile similar to French government bonds (OAT) with a guarantee of the net capital invested and past interest. This investment contract is classified under Securities available for sale. The fair value of the contract is the net asset value at any time, i.e. the carrying amount. The yield was confirmed based on a guaranteed return.*

## 6.3 Other financial assets

Other financial assets mainly comprise loans and receivables at amortised cost.
In accordance with IAS 39, investments in debt instruments (bonds, debt securities, etc.) not listed on an active market may be classified in this category.

## 6.4 Cash and cash equivalents

Cash is kept on hand to meet short-term cash commitments and includes cash in bank current accounts and demand deposits. Cash equivalents refer to investments with a maturity of less than three months or readily convertible to known amounts of cash and subject to an insignificant risk of change in value held for the purpose of meeting short-term cash commitments.

| Net values - In € thousands | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Open-end investment fund/Time deposit accounts | 9,811 | 8,630 |
| Bank and cash | 10,665 | 5,696 |
| Financial advance [1] | 7,100 | 13,243 |
| **TOTAL** | **27,577** | **27,569** |

*[1] PHARMAGEST Group provided an advance to MARQUE VERTE SANTE, which was authorised by its governance bodies. PHARMAGEST Group considers the financial advance granted by MARQUE VERTE SANTE as cash equivalents as the latter has given a firm undertaking to repay the advance in whole or in part, on PHARMAGEST INTERACTIVE's request, within a maximum of three months from the date of the request.*

## 6.5 Financial liabilities

Borrowings and other interest-bearing financial liabilities are measured at amortised cost using the effective interest rate of the borrowings. Any costs and issue premiums are thus depreciated using a financial method over the term of the borrowings.

| In € thousands | 31/12/2017 | | | | Of which change in consolidation scope | 31/12/2016 Gross amount |
|---|---|---|---|---|---|---|
| | Gross amount | Less than 1 year | 1 to 5 years | More than 5 years | | |
| Bank overdrafts | 1,482 | 1,482 | | | | 6,128 |
| Bank borrowings [1] | 12,413 | 1,180 | 8,035 | 3,198 | 21 | 3,030 |
| Sureties [2] | 1,498 | | 1,498 | | | 1,237 |
| Liabilities linked to put options on non-controlling interests [3] | 1,466 | | 1,466 | | | 0 |
| Loans and financial liabilities | 18 | 18 | | | | 7 |
| **TOTAL** | **16,878** | **2,681** | **10,999** | **3,198** | **21** | **10,402** |

| In € thousands | 31/12/2016 Gross amount | Non-cash impact | Cash impact | 31/12/2017 Gross amount |
|---|---|---|---|---|
| Bank overdrafts | 6,128 | 0 | -4,646 | 1,482 |
| Bank borrowings [1] | 3,030 | 21 | 9,362 | 12,413 |
| Sureties [2] | 1,237 | 0 | 262 | 1,499 |
| Liabilities linked to put options on non-controlling interests [3] | 0 | 1,466 | 0 | 1,466 |
| Loans and financial liabilities | 7 | 0 | 11 | 18 |
| **TOTAL** | **10,402** | **1,487** | **4,989** | **16,878** |

*[1] None of these loans which are all fixed-rate, are subject to covenants.*
*[2] These other financial liabilities are reclassified as non-current liabilities and consist of sureties received under the SESAM-Vitale update service, a service provided for a term of 36 months subject to tacit renewal.*
*[3] The minority shareholders of CAREMEDS and MULTIMEDS hold a put option on PHARMAGEST INTERACTIVE with a 6 year maturity.*

Analysis of bank borrowings by maturity and rate type:

| In € thousands | Financial debt | | |
|---|---|---|---|
| Maturities | Fixed rate | Variable rate | Total |
| Less than 1 year | 1,169 | 12 | 1,180 |
| 1 to 5 years | 8,029 | 6 | 8,035 |
| More than 5 years | 3,198 | | 3,198 |
| **TOTAL** | **12,396** | **18** | **12,413** |

None of these loans are subject to covenants.

## 6.6 Net financial income/(expense)

| In € thousands | 31/12/2017 | 31/12/2016 |
|---|---|---|
| **Income from cash flow** | **1,149** | **1,284** |
| Capital gains from disposals of short-term investments | 0 | 0 |
| Revenue from short-term investments/Financial investments | 809 | 1,091 |
| Other financial income | 340 | 193 |
| Reversals of provisions | 0 | 0 |
| **Cost of gross debt** | **218** | **131** |
| Expenses on disposals of short-term investments | 0 | 21 |
| Financial interest paid and discounts obtained | 218 | 110 |
| Other financial expenses | 0 | 0 |
| Allowances for financial provisions | 0 | 0 |
| **Other financial income and expenditure** | **-340** | **-15** |
| Gains on foreign exchange/currency hedging | 4 | 5 |
| Currency hedging gains | 0 | 0 |
| Losses on foreign exchange/currency hedging | -343 | -20 |
| Currency hedging losses | 0 | 0 |
| Other financial income and expenditure | 0 | 0 |

Income from cash is presented net of fund management fees and provisions of unrealised capital losses, as applicable.
Foreign exchange losses originated from structured products in US dollars.

# 6.7 Financial risk management and control

## 6.7.1 Liquidity risk

PHARMAGEST Group conducted a specific review of its liquidity risk and on that basis considers it has the resources to honour its obligations for future payments.

At 31 December 2017, PHARMAGEST Group had different types of cash assets with the following maturities:

- Cash investments of a very short-term nature amounting to €27.6 million in addition to €11.8 million in undrawn bank overdraft facilities. Cash and cash equivalents included the cash advance of €7.1 million of PHARMAGEST Group to its parent company MARQUE VERTE SANTE.
- As short-term resources, PHARMAGEST Group has access to euro funds in the amount of €28.1 million.
- To meet additional needs over the medium term, PHARMAGEST Group's unit-linked investments and structured products in the amount of €18.5 million.

With €86 million in net cash, the Group has sufficient financial resources to fund current operations, make the investments necessary for its future development, and address exceptional events that may arise.

Maturities for borrowings are detailed in Note 6.5 to the consolidated financial statements.

PHARMAGEST Group's sources of financing include bank overdraft facilities, medium- and long-term borrowings.

It has secured the option to access credit in the event substantial capital expenditure is required.

To optimise management of financial flows, centralised coordination of cash flow is in place at two of the Group's major banks and with the main PHARMAGEST Group companies.

Management of liquidity risk also aims to secure resources at the lowest cost and to ensure they can be accessed at any time.

The Group assesses its liquidity risk to ensure it is in a position to honour its future payment obligations.

## 6.7.2 Market risk

### 6.7.2.1 Interest rate risk

PHARMAGEST Group's exposure to interest rate risk relates to floating-rate loans (sensitivity to rate increases).

Analysis of gross debt by maturity and type of rate:

| In € thousands | Fixed rate | | | | Variable rate |
|---|---|---|---|---|---|
| Maturity | Carrying amount | Less than 2% | 3%-4% | More than 4% | |
| 2018 | 1,169 | 1,163 | 5 | 1 | 12 |
| 2019 | 1,431 | 1,426 | 5 | | 6 |
| 2020 | 2,191 | 2,189 | 2 | | |
| 2021 | 2,199 | 2,199 | | | |
| 2022 | 2,208 | 2,208 | | | |
| Thereafter | 3,198 | 3,198 | | | |
| **TOTAL** | **12,396** | **12,383** | **12** | **1** | **18** |

#### 6.7.2.2 Foreign exchange risk

The Group's business has very little exposure to foreign exchange risk as its purchases and sales are in very large part in euros.

#### 6.7.2.3 Financial instruments and shares risk

As PHARMAGEST Group has opted in favour of unit-linked vehicles in order to obtain a better return from cash investments, it considers its exposure to this risk as limited.

Nonetheless, we closely monitor the financial position of AXA, responsible for managing he capital redemption contract.

### 6.7.3 Credit/counterparty risk

- Based on a regularly updated analysis of counterparty risk, no impairment has been recorded on receivables from the main debtors, namely the leasing companies operating in the pharmacy sector (the vast majority of amounts due are paid within two months). Invoices financed by leasing companies accounted for 27% of consolidated sales in 2017, with 99% of this through leasing companies working with HEALTHLEASE and NANCEO.
- Trade receivables not written down at 31 December 2017 were analysed individually and the majority were settled after the balance sheet date (see Note 7.4 to the consolidated financial statements).

### 6.7.4 Risk associated with the effects of climate change

In light of the nature of its activities, PHARMAGEST Group does not have a specific exposure to risks resulting from the effects of climate change.

## 6.8 Off balance-sheet commitments relating to Group financing

| In € thousands | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Pledges, mortgages and security interests on property [1] | 12,317 | 2,791 |
| Assigned receivables not yet due | 0 | 0 |
| Other financial commitments given | 0 | 0 |
| **TOTAL** | **12,317** | **2,791** |

[1] *All pledges were given in connection with bank loans. The amount shown corresponds to the balance of relevant borrowings at 31 December 2017.*

PHARMAGEST Group has no off-balance sheet commitments received (apart from €11.8 million in undrawn credit lines) that could have a significant financial impact on PHARMAGEST Group's financing.

As at the reporting date of 31 December 2017, PHARMAGEST Group is unaware of any significant off-balance sheet commitments other than those set out above.

# NOTE 7 - Operating highlights

## 7.1 Revenue

PHARMAGEST Group's revenue is primarily derived from the following:

- Hardware sales;
- Software sales;
- Maintenance services;
- Financing solutions.

Income from hardware sales is recognised when the risks and rewards of ownership of the goods are transferred to the buyer.

Software sales are recognised when the user licence is transferred to the user.

Maintenance services are recognised on a straight-line basis over the contract term.

Revenue from financing solutions is recognised when the contracts are transferred to the partners-lessers.

### 7.1.1 Net sales

| In € thousands | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Sales of configurations and hardware | 83,230 | 71,352 |
| Maintenance and sale of databases | 39,643 | 37,692 |
| Training and new product services | 22,304 | 17,631 |
| Other services | 1,628 | 1,706 |
| **TOTAL** | **146,806** | **128,381** |

## 7.2 Segment information

PHARMAGEST Group's operations are organised into three Divisions

- **Pharmacy - Europe Solutions Division:** Essentially computer systems for pharmacies.
- **e-Health Solutions Division:** Combines innovative technological infrastructures for e-Health, including applications for medical telemetry monitoring and services to the pharmaceutical industry.
- **Health and Social Care Facilities Solutions Division:** This division corresponds to the segment for retirement homes and hospitals covered by the expertise of MALTA INFORMATIQUE, DICSIT INFORMATIQUE and AXIGATE.
- **FinTech Division:** Equipment lease financing solutions for the services sector offered by NANCEO.

These Divisions bring together departments, business lines, departments, agencies and legal entities engaged in the same business.

| 2017 - In € thousands | Divisions | | | Total |
|---|---|---|---|---|
| | Pharmacy - Europe Solutions Division | HSCF [1] | Other [2] | |
| Revenues | 101,953<br>*70%* | 14,863<br>*10%* | 29,990<br>*20%* | 146,806 |
| Depreciation and amortisation of tangible and intangible assets | -2,469<br>*58%* | -403<br>*10%* | -1,364<br>*32%* | -4,236 |
| Current operating income | 23,999<br>*70%* | 6,578<br>*19%* | 3,942<br>*11%* | 34,519 |
| Share of profits and losses of equity-accounted investments | 0 | 0 | -114 | -114 |
| Income tax liability or income | -7,030<br>*65%* | -2,058<br>*19%* | -1,657<br>*15%* | -10,745 |
| **Net profit** | **17,642**<br>*73%* | **4,499**<br>*19%* | **2,110**<br>*9%* | **24,251** |

| 2016 - In € thousands | Divisions | | | Total |
|---|---|---|---|---|
| | Pharmacy - Europe Solutions Division | HSCF [1] | Other [2] | |
| Revenues | 98,125<br>*76%* | 10,286<br>*8%* | 19,970<br>*16%* | 128,381 |
| Depreciation and amortisation of tangible and intangible assets | -2,239<br>*65%* | -119<br>*3%* | -1,110<br>*32%* | -3,468 |
| Current operating income | 23,729<br>*76%* | 4,009<br>*12%* | 3,647<br>*12%* | 31,386 |
| Share of profits and losses of equity-accounted investments | 0 | 0 | -112 | -112 |
| Income tax liability or income | -8,350<br>*75%* | -1,323<br>*12%* | -1,274<br>*12%* | -10,947 |
| **Net profit** | **16,513**<br>*77%* | **2,706**<br>*13%* | **2,245**<br>*10%* | **21,464** |

[1] *Health and Social Care Facilities Solutions Division.*
[2] *The heading "Other" corresponds to the e-Health Solutions and Fintech Divisions.*

The figures by business line are derived from internal reporting drawn up in accordance with French GAAP for consolidated financial statements, completed by reclassifications and adjustments linked to IFRS.

## 7.3 Seasonal nature of business

The business lines are neither seasonal nor cyclical in nature.

## 7.4 Trade receivables

Trade receivables are stated at their amortised cost. An impairment charge is recognised if the carrying value is higher than the recoverable amount.

| In € thousands | 31/12/2017 | | | Of which Change in Group structure | 31/12/2016 |
|---|---|---|---|---|---|
| | Net | Less than 1 year | More than 1 year | | Net |
| Trade receivables [1] | 22,937 | 22,937 | | 1,776 | 20,247 |
| Other receivables | 8,727 | 8,727 | | 724 | 5,964 |
| **TOTAL** | **31,665** | **31,665** | | **2,500** | **26,211** |

*[1] All trade receivables included in the consolidated aged trial balance below have been individually examined and a provision is recorded based on individual assessments of a manifest collection risk and application of the following rules:*

| | |
|---|---|
| Receivables < 180 days | 0% provision |
| Receivables between 180 and 360 days | 50% provision |
| Receivables > 360 days | 100% provision |

All receivables that are the subject of collective proceedings and/or main proceedings are depreciated by 100%.

The provision recorded at 31 December 2017 amounted to €593 thousand compared to €408 thousand one year earlier.

The trade receivables balance breaks down as follows (In € thousands):

| Net | Not yet due | < 60 days | 60 < X < 180 days | > 180 days |
|---|---|---|---|---|
| 22,937 | 12,208 | 8,203 | 1,662 | 864 |

Given the fact that receivables are short-term and in the absence of any significant change in the creditworthiness of counterparties, the fair value of receivables is close to their carrying amount.

| In € thousands | 31/12/2016 | First-time consolidation | Increase | Reversal used | Reversal not used | 31/12/2017 |
|---|---|---|---|---|---|---|
| Provision for impairment of trade accounts receivable | 408 | 253 | 177 | 244 | | 593 |

## 7.5 Inventories

Inventories and work in progress are recognised at the cost: serialised equipment is measured according to the individual cost method, and low-value non-serialised repairable equipment is measured at the weighted average unit cost.
On each closing date, they are valued at either the historical cost or the net realisable value, whichever is the lower.

Net realisable value is defined as the expected selling price in the ordinary course of business minus costs necessary for completion and disposal.

| In € thousands | 31/12/2017 | | | Of which change in consolidation scope | 31/12/2016 |
|---|---|---|---|---|---|
| | Gross amount | Impairment | Net | | Net |
| Components | 64 | 3 | 61 | | 118 |
| Equipment | 2,543 | 247 | 2,296 | 56 | 2,022 |
| Supplies | 245 | 31 | 214 | | 191 |
| Parts and after-sales service | 327 | 116 | 211 | | 231 |
| Work in progress | 0 | | | | 7 |
| **TOTAL** | **3,179** | **398** | **2,781** | **56** | **2,570** |

## 7.6 Trade accounts payable and other liabilities

| In € thousands | 31/12/2017 | | | | Of which change in consolidation scope | 31/12/2016 |
|---|---|---|---|---|---|---|
| | Gross amount | Less than 1 year | 1 to 5 years | More than 5 years | | Gross amount |
| Trade payables | 9,560 | 9,560 | | | 537 | 8,196 |
| Other liabilities | 27,039 | 24,351 | 2,688 | | 1,516 | 24,318 |
| **TOTAL** | **36,599** | **33,911** | **2,688** | | **2,052** | **32,514** |

## 7.7 Net amortisation expense and operating provisions

| In € thousands | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Allowances for depreciation and amortisation | 4,236 | 3,468 |
| Provisions for fixed assets | 0 | 0 |
| Provisions for current assets | -24 | 55 |
| Provisions for contingencies and expenses | 382 | 286 |
| **TOTAL** | **4,594** | **3,809** |

The reversals of provision are presented net of allowances.

## 7.8 Off balance-sheet commitments relating to the operating activities of PHARMAGEST Group

| In € thousands | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Contractual obligation / property lease financing | 0 | 0 |
| Contractual obligation / equipment operating lease [(1)] | 2,064 | 1,543 |
| Contractual obligation / property operating lease [(1)] | 9,880 | 9,734 |
| Irrecoverable purchasing obligation | 0 | 0 |
| Other contractual obligations | 0 | 0 |
| Commitments given in relation to business development | 0 | 0 |
| Tax commitments | 0 | 0 |
| **TOTAL** | **11,944** | **11,278** |

[(1)] *Amounts presented including VAT correspond to lease payments due.*

PHARMAGEST Group has no off-balance sheet asset commitments likely to have a significant financial impact on the operating activities of PHARMAGEST Group.

As at the reporting date of 31 December 2017, PHARMAGEST Group is unaware of any significant off-balance sheet commitments other than those set out above.

# NOTE 8 - Staff costs and employee benefits

## 8.1 Workforce and payroll

PHARMAGEST Group had 593 full-time equivalent (FTE) non-management employees and 358 management employees.
Staff costs consist primarily of gross salaries, social charges and wage-based contributions amounting to €45,335 thousand and profit-sharing expenses amounting to €1,809 thousand.

## 8.2 Employee benefits

Pension plans, similar compensation and other employee benefits which are analysed as defined benefit plans (whereby PHARMAGEST Group undertakes to guarantee a defined amount or benefit level), are recognised on the balance sheet on the basis of an actuarial assessment of pension obligations on the closing date, less the fair value of the corresponding plant assets. Contributions paid in respect of plans analysed as defined contribution plans, i.e. where PHARMAGEST Group's sole commitment is to pay contributions, are recognised as expenses for the financial year.

The provision presented in the consolidated financial statements is valued using the projected unit credit method and takes into account the related social charges.

For the discount rate, the iBoxx corporate AA10+ at year-end is used (1.30%).

Actuarial differences arise from discrepancies between the assumptions used and actual experience or changes to the assumptions used to calculate obligations and the corresponding plan assets. In accordance with the amendments to IAS 19, actuarial differences are recognised immediately in equity.

See Note 11 to the consolidated financial statements for the commitment on the closing date.

## 8.3 Stock options

One consequence of the application of IFRS 2 is the recognition of an expense corresponding to employee benefits in the form of share-based payments.

The options are measured by PHARMAGEST Group by reference to the value of the equity interests granted on the grant date using a mathematical model. This model takes account of plan features (exercise price and exercise period), market data at the time of allocation (risk-free rate, share price, volatility and expected dividends) and assumptions about beneficiary behaviour.

This value is recognised in personnel expenses over the vesting period, with a corresponding adjustment to equity.

Since 16 October 2007, there is an employers' contribution to stock option plans collected by the URSSAF. The contribution rate is 30% for options awarded and grants made as of 11 July 2012.
Pursuant to applicable law and regulations, the basis for the calculation chosen by the Group is the fair value of options under IFRS 2. A provision was recorded in the Group's 2014 financial statement for this contribution, the year to which it relates, and it will not be spread over the vesting period in accordance with IFRS 2.

The total remuneration cost amounts to €500 thousand and the amount recognised in FY 2017 is €125 thousand.

### 8.3.1 FY 2014 stock option plan

| Stock option information | Pro forma financial information |
|---|---|
| Board meeting date | 05/12/2014 |
| Total number of shares that may be subscribed or purchased<br>Of which the number that may be subscribed or purchased by:<br>- *Corporate officers, Directors and Finance and Personnel Management Committee members.*<br>- *Top ten employee grantees (other than corporate officers)* | 239,455<br><br>*0*<br>*25,000* |
| First day on which options may be exercised<br>Expiry date<br>Subscription price | 05/12/2018<br>04/12/2022<br>20.11 € |
| Number of shares subscribed as at 31/12/2017 | 0 |
| Number of shares lost as at 31/12/2017 | -28,565 |
| Remaining stock options | 210,890 |

#### 8.3.1.1 Beneficiaries

Plan beneficiaries include the employees of PHARMAGEST INTERACTIVE, CP INTERACTIVE, EHLS, MALTA INFORMATIQUE, DIATELIC, INTECUM and CPSI, with the exception of PHARMAGEST INTERACTIVE's Finance and Personnel Management Committee members, the directors and corporate officers of that company and its subsidiaries, insofar as they meet the following criteria:

- Were employees on 5 December 2014;
- Have two years' service as at 5 December 2014;
- Be employed under permanent contracts as at 5 December 2014.

#### 8.3.1.2 Information on share-based payments

The Black & Scholes method is used to measure stock options, based on the following assumptions:

| | |
|---|---|
| Maturity<br>Volatility (1)<br>Risk-free rate<br>Expected dividends<br>Turnover<br>Fair value of the option (2) | 6 years<br>20.00%<br>0.45%<br>2.61%<br>5.00%<br>12.83 € |

*(1) Estimated from historic volatility based on the PHARMAGEST INTERACTIVE share price.*
*(2) Valuation in 2014, before the 5-for-1 stock split.*

## 8.4 Management compensation

Corporate governance bodies received gross compensation in the amount of €752 thousand in 2017. The amounts received include PHARMAGEST INTERACTIVE and controlled companies. There is no pension commitment outside those accounted for. The amount paid pursuant to Article 83 for managers totalled €53 thousand. No advances or loans were granted to members of management bodies by PHARMAGEST INTERACTIVE and controlled companies.

Furthermore, the provision for retirement severance benefits includes €182 thousand for members of governing bodies.

# NOTE 9 - Corporate income tax

## 9.1 Tax on earnings

PHARMAGEST Group calculates its tax on earnings in accordance with the tax laws in force in the countries where earnings are taxable.

### 9.1.1 The regional business tax (CET)

PHARMAGEST Group considers that the contribution based on added value *(cotisation sur la valeur ajoutée des entreprises or CVAE)* of 1.5% has the same characteristics as the calculation for the minimum contribution of the previous local business tax *(Taxe Professionnelle or TP)* that is also capped on this basis (added value). For that reason the CVAE is recognised in the income statement as the previous regional business tax (TP) and consequently does not generate any deferred tax liability (see the statement by the French standard setter, the *Conseil National de la Comptabilité*, renamed *Autorité des Normes Comptables*, dated 14 January 2010).

### 9.1.2 The CICE *(Crédit d'Impôt pour la Compétitivité et l'Emploi)* wage tax credit

In 2017, the CICE wage tax credit equals 7% of gross remuneration paid to employees during the calendar year not exceeding 2.5 times the French minimum wage and used as the basis for calculating employers' social security contributions;
The CICE is classified by PHARMAGEST Group as a compensation item subject to IAS 19. It is therefore recognised as a reduction from staff costs (€1,406 thousand at 31 December 2017).
The CICE tax credit income for fiscal 2016 was applied in accordance with the aims of the measure, i.e. to improve the Group's competitiveness.

### 9.1.3 Contribution of 3% on dividends

This 3% contribution on dividend distributions, in line with IAS 12, is recognised as a tax expense.

However it has since been ruled unconstitutional (Decision of the Conseil Constitutionnel of 06/10/2017, No. 2017-QPC).The tax rebates obtained for fiscal years 2014 to 2017 were recognised as a deduction from the tax expense, and the corresponding default interest under financial expense.

### 9.1.4 Tax expense

The tax expense breaks down as:

| In € thousands | 31/12/2017 |
|---|---|
| Current tax | 11,015 |
| Contribution on dividends | - 958 |
| Deferred tax | 688 |
| **Total tax expense** | **10,745** |

## 9.2 Deferred taxes

In accordance with IAS 12, deferred taxes are recorded on all temporary differences between the carrying amounts of assets and liabilities and their tax values using the liability method. They are measured on the basis of the expected tax rate for the year in which the asset will be realised or the liability settled. The effects of changes in tax rates from one year to another are recorded in the income statement for the year in which the change is recognised.

PHARMAGEST Group applied a rate of 25% to calculate deferred tax which corresponds to the most probable rate applicable at the time of the tax's recovery.

Deferred taxes relating to items recognised directly in equity are also recognised in equity.

Deferred tax assets arising from temporary differences, tax deficits and tax assets that can be carried forward are limited to the estimated recoverable tax. This is valued at the end of the year based on projected income for the relevant tax entities.

### 9.2.1 Theoretical and actual tax reconciliation

| In € thousands | 31/12/2017 |
|---|---|
| Net income of consolidated companies | 24,251 |
| Income tax expense | 10,745 |
| **Pre-tax earnings from consolidated companies** | **34,996** |
| **Theoretical tax expense at the statutory corporate income tax rate (33.33%)** | **11,665** |
| Permanent differences<br>Tax base differences<br>Tax deficits not capitalised<br>Company consolidated under the equity method<br>Additional contribution<br>CICE wage tax credit<br>Contribution on dividends | 94<br>123<br>38<br>38<br>216<br>-474<br>-958 |
| **Effective tax expense** | **10,742** |
| Effective tax rate | 30.69% |

### 9.2.2 Deferred tax assets and liabilities

The breakdown of deferred tax assets and liabilities is presented in the table below:

| In € thousands | Deferred tax assets | Deferred tax liabilities | Total net deferred taxes |
|---|---|---|---|
| Changes affecting 2016<br>**As at 31 December 2016** | 23<br>**388** | 156<br>**632** | -133<br>**-245** |
| Changes affecting 2017<br>**As at 31 December 2017** | 308<br>**696** | 254<br>**886** | 54<br>**-190** |

Deferred taxes are recognised by company in equity.

The main deferred tax assets and liabilities are as follows:

| In € thousands | 31/12/2016 | Change | Change in Group structure | 31/12/2017 |
|---|---|---|---|---|
| **Impact of loss carryforwards** [1] | **234** | **-366** | **648** | **516** |
| **Tax effect of timing differences related to:** | | | | |
| Provisions for pensions | 767 | 93 | 24 | 884 |
| Company liabilities | 516 | -64 | | 452 |
| Tax liabilities | 2 | 5 | | 7 |
| Stock margin adjustment | 17 | 9 | | 26 |
| Other timing differences | 9 | -7 | | 2 |
| Revaluation adjustment | 0 | | | 0 |
| Sales adjustment | 77 | 2 | | 79 |
| R&D activation | -1,867 | -292 | | -2,159 |
| Other adjustments | 0 | 0 | | 0 |
| **Total temporary differences** | **-479** | **-254** | **24** | **-707** |
| **Gross deferred tax assets (liabilities)** | **-245** | **-620** | **672** | **-190** |
| Provision for impairment | | | | |
| **Net deferred tax assets (liabilities)** | **-245** | **-620** | **672** | **-190** |

[1] *The tax deficits capitalised relate mainly to tax losses for DIATELIC, SABCO, CPI and AXIGATE. The decision to capitalise these losses is based on the likelihood of using them in the short to medium term.*

Pursuant to the Board of Directors' authorisation of 5 December 2014, the tax consolidation group was formed on 1 January 2015, with PHARMAGEST INTERACTIVE as the parent. The other companies included in this tax sharing agreement are DIATELIC, CPI and INTECUM. Under the French tax consolidation agreement, the tax is calculated in each subsidiary as if no tax consolidation existed, in accordance with the principle of neutrality, and the profits and losses of the tax consolidation are recognised by the parent company, PHARMAGEST INTERACTIVE. Total tax losses generated in this framework amounted to €457 thousand.

As a measure of prudence, PHARMAGEST Group decided to not capitalise the losses of INTECUM amounting to €2,961 thousand representing €740 thousand in potential deferred tax assets and also the recently acquired subsidiaries SAILENDRA, NOVIA SEARCH and WELFINITY GROUP with a loss of €1,248 thousand generating an additional deferred tax asset of €333 thousand, or total deferred tax assets of €1,073 thousand.

# NOTE 10 - Equity and earnings per share

## 10.1 Share capital and reserves

PHARMAGEST INTERACTIVE's share capital consists of 15,174,125 shares with a par value of €0.20. There is only one class of shares, with each share carrying one voting right. The number of outstanding shares did not change over the year.
PHARMAGEST Group reserves stand at €87,078 thousand, of which €13,207 thousand in issue premium, €(55) thousand in translation adjustment, €459 thousand in legal reserve and €73,467 thousand in other reserves.

## 10.2 Treasury shares held by PHARMAGEST INTERACTIVE

### 10.2.1 Treasury shares

This line item includes 225,209 PHARMAGEST INTERACTIVE shares, wholly owned by the company.
The share price of PHARMAGEST INTERACTIVE was €43.95 at 31 December 2017.

#### 10.2.1.1 Liquidity contract

The market-making contract is wholly owned by PHARMAGEST INTERACTIVE and is managed by GILBERT DUPONT.

Contract features:

- The market maker intervenes solely for the purpose of ensuring the liquidity and orderly trading of the shares, and to prevent price swings not justified by market trends.
- The contract does not contain a provision for securities or liquid assets reserved for the operation of the contract. Nevertheless, where the cash or securities balance credited to the liquidity agreement appear insufficient for the market maker to continue trading in the share and ensure the share's liquidity under the contract, the market maker and the issuer will work together to remedy this situation;
- The contract is for a 12-month term. It may be renewed by tacit agreement and may be cancelled without notice by the issuer and with a 30 days notice if at the market maker's initiative;
- Purchases made are framed by the annual authorisation given by the General Meeting on the redemption programme.

In 2017, the following transactions were carried out under the liquidity contract:

- Purchases: €88,718 shares at an average price of €41.16;
- Disposals: 88,945 shares at an average price of €40.93;

Evaluations are calculated using the weighted average price.

At 31 December 2017, 2,448 shares were listed in the liquidity account and the cash balance was €106 thousand.

#### 10.2.1.2 Share buyback programme (outside the liquidity contract)

In 2014, PHARMAGEST INTERACTIVE acquired 39,102 shares at an average price of €99.45, giving a pro forma amount of 195,510 shares at an average price of €19.89. This purchase volume must be seen in light of the stock option plan introduced in 2014 (c.f. Note 8.3.1 to the consolidated financial statements).

In 2017, PHARMAGEST INTERACTIVE acquired 23,415 additional shares at a price of €42.60 per share.

## 10.3 Dividends

The dividend paid in 2017 on 2016 earnings amounted to €9,731 thousand or €0.65 per share.

A dividend of €0.75 per share will be proposed to the next Annual General Meeting.
The distribution of dividends to non-Group shareholders amounting to €280 thousand was recognised in ADI's annual statement and €30 thousand in KAPELSE's annual statement.

## 10.4 Earnings per share

Basic earnings per share correspond to PHARMAGEST Group's net income for the year attributable to ordinary shares as a ratio of the weighted average number of outstanding shares during the year. The average number of outstanding shares during the year is the number of outstanding shares at the start of the year adjusted by the number of ordinary shares redeemed or issued during the year.

To calculate diluted earnings per share, the average number of outstanding shares is adjusted to reflect the effect of dilution from equity instruments issued by the company that might increase the number of outstanding shares.

| Earnings per share - Group share | 31/12/2017 | 31/12/2016 |
|---|---|---|
| **Net profit/(loss) for the year (in €)** | **23,134,647** | **20,566,897** |
| **Number of shares** | **15,174,125** | **15,174,125** |
| Number of treasury shares held | 225,209 | 202,021 |
| Weighted average number of ordinary shares to calculate basic earnings per share | 14,948,916 | 14,972,104 |
| **Basic earnings per share (in €)** | **1.55** | **1.37** |
| Stock options outstanding | 0 | 0 |
| Weighted average number of ordinary shares to calculate diluted earnings per share | 15,174,125 | 15,174,125 |
| **Diluted earnings per share (in €)** | **1.52** | **1.36** |

# NOTE 11 - Provisions and contingent liabilities

## 11.1 Provisions

A provision is recognised when the PHARMAGEST Group has a probable obligation resulting past event that is expected to result in an outflow of resources embodying economic benefits without receiving equivalent consideration in exchange and the amount can be reliably estimated. Where settlement of this obligation is likely to be deferred by more than one year, the provision is discounted with the effects recognised in net financial income/expense.

**Provisions for contingencies and expenses**

| In € thousands | Value at 31/12/2016 | Increase | Reversal (provisions used in the period)* | Reversal (unused provisions) | Other changes | Change in Group structure | Value at 31/12/2017 |
|---|---|---|---|---|---|---|---|
| Provisions for litigation [(1)] | 22 | 57 | 22 | | | | 57 |
| Provisions for contingencies [(2)] | 706 | 511 | 475 | | | | 742 |
| Provision for expenses | 0 | | | | | | 0 |
| Provisions for retirement severance benefits [(3)] | 2,767 | 802 | 119 | | | 86 | 3,537 |
| Provisions for equity-accounted securities | 0 | | | | | | 0 |
| **TOTAL** | **3,495** | **1,369** | **615** | | | **86** | **4,335** |

** Reversals (provisions used in the period) are presented less allowances in the same way as those for unused provisions.*

*[(1)] Provisions for litigation: €57 thousand of which :*
*- Provisions for ongoing client disputes: €57 thousand.*

*[(2)] Provisions for contingencies: €742 thousand.*
*This concerns mainly a provision for warranties for technical support after the sale of Rentpharm contracts (hardware maintenance) and the warranty for connected products.*

*[(3)] Provision for retirement severance benefits: €3,537 thousand.*
*Under the amendments to IAS 19, actuarial gains or losses must be recognised immediately in equity and the return on plan assets calculated according to the discount rate used to measure the obligation and no longer according to expected returns on plan assets.*
*As PHARMAGEST Group does not use the use a corridor approach entailing the partial recognition of actuarial gains and losses, their amounts were recognised in full in profit or loss of prior periods.*

The impact of calculating returns on plan assets according to the discount rate used to measure the obligation rather than expected returns on plan assets was found to be insignificant and consequently not restated for 2017 as in prior periods.

| In € thousands | 31/12/2017 | 31/12/2016 |
|---|---|---|
| **Pension obligations at opening** | **3,828** | **3,079** |
| Service costs | 249 | 120 |
| Finance expense | 74 | 75 |
| Cost of past services and change of method | 86 | 0 |
| Actuarial gains (+)/Actuarial losses (-) generated during the financial year | 279 | 554 |
| **Actual obligations at closing** | **4,516** | **3,828** |
| **Fair value of plan assets at opening** | **1,062** | **1,048** |
| Expected return on plan assets | 0 | 22 |
| Contributions | | |
| Benefits paid | -94 | -7 |
| Actuarial gains (+)/Actuarial losses (-) | 14 | -2 |
| **Fair value of plan assets at closing** | **981** | **1,062** |
| **Provision at opening** | **2,767** | **2,031** |
| **Provision at closing** | **3,537** | **2,767** |

The funds invested include a capital guarantee with a minimum guaranteed return of 60% the average return on French government bonds (TME or *Taux Moyen d'Emprunt*).

The provision for retirement severance benefits is determined using the retrospective projected unit credit method with end-of-career salary and taking into account the following assumptions:

- Voluntary departure by the employee (application of employer's social charges);
- Retirement age: 60-67;
- Turnover: depending on age bracket;
- Discount rate: 1.30%;
  *For the discount rate, the iBoxx corporate AA10+ at year-end is used.*
- Salary escalation rate: 1%;
- Recognition of a contingent annuity.

PHARMAGEST Group conducted an evaluation of the sensitivity of the provision for retirement severance benefits to changes in the discount rate and wage growth rate. A change of +/-0.5 points in the discount rate or the salary escalation rate would have an impact of +/-9% on the obligation.

The impact of the financial expense in service costs and expected return on plan assets are shown under financial items.

## 11.2 Contingent liabilities

PHARMAGEST Group is not aware of any dispute or circumstance of an exceptional nature likely to have any significant impact on its activity, earnings, financial position or assets or to have had any such impact in the recent past.

# NOTE 12 - Related-party transactions

PHARMAGEST Group has not carried out any significant transactions under abnormal market conditions with related parties.
No guarantee has been given or received in connection with transactions with related parties.

## 12.1 Nature of relations with equity-accounted entities

| In € thousands | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Trade payables | 0 | 0 |
| Operating expenses for the period | 0 | 0 |
| Trade receivables | 0 | 7 |
| Operating revenue for the period | 0 | 7 |

## 12.2 Nature of relations with other LA COOPERATIVE WELCOOP companies

PHARMAGEST Group is fully consolidated by the LA COOPERATIVE WELCOOP (formerly named GROUPE WELCOOP) (54 500 VANDOEUVRE).

The nature of the relations between LA COOPERATIVE WELCOOP and its subsidiary MARQUE VERTE SANTE, are primarily amounts invoiced for:

- Management fees which include: strategic assistance, marketing and communications assistance, administrative, accounting and tax assistance, HR assistance and IT assistance. Services are invoiced at cost plus a mark-up of 3%;
- Share of Group insurance policies;
- Share of network contracts;
- Personnel in work-sharing arrangements;
- Sales, IT, marketing and administrative services;
- Financial advances.

Since 2015, PHARMAGEST Group has provided an advance to MARQUE VERTE SANTE, which was authorised by its governance bodies.

| In € thousands | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Trade payables | 243 | 99 |
| Operating expenses for the period | 865 | 1,033 |
| Trade receivables | 338 | 215 |
| Operating revenue for the period | 842 | 812 |
| MARQUE VERTE SANTE financial advance | 7,100 | 13,200 |

# NOTE 13 - Other information

## 13.1 Information on Auditors' fees (French Decree 2008-1487 of 30 December 2008)

| Amount in € thousands (2017) | Statutory mandate | Services other than those relating to the certification of accounts |
|---|---|---|
| PHARMAGEST INTERACTIVE | 73 | €5.5 thousand for CSR data auditing missions<br>€0.5 thousand for the representation relating to the statement of expenses in connection with the subsidy |
| ADI | 8 | |
| AXIGATE | 13 | |
| CAREMEDS | 0 | |
| CPI | 0 | |
| CPSI | 0 | |
| DIATELIC | 3 | €0.5 thousand for the statement relating to the statement of expenses in connection with the subsidy |
| DICSIT INFORMATIQUE | 5 | |
| DOMEDIC EUROPE | 1 | |
| EHLS | 7 | |
| HEALTHLEASE | 5 | |
| HDM | 1 | |
| INTECUM | 2 | |
| KAPELSE | 6 | |
| MALTA INFORMATIQUE | 5 | |
| MEDICATION SYSTEMS | 0 | |
| MULTIMEDS | 0 | |
| NANCEO | 4 | |
| NOVIA SEARCH | 1 | |
| NOVIATEK | 0 | |
| SABCO | 1 | |
| SABCO SERVICES | 4 | |
| SAILENDRA | 2 | |
| SCI HUROBREGA | 0 | |
| WELFINITY GROUP | 0 | |
| **TOTAL** | **141** | **6.5** |

# NOTE 14 - Subsequent events

- PHARMAGEST Group carried out a simplified merger *(transmission universelle de patrimoine)* entailing the dissolution of CPSI and the global transfer of its assets and liabilities to PHARMAGEST INTERACTIVE;

- Pharmagest Group acquired a majority equity stake (60%) in the Italian company MACROSOFT HOLDING, an Italian limited liability company with capital of €10,000 registered in MACERATA, Italy (REA No. MC 165 033). The company is specialised in IT equipment and services for pharmacy wholesalers-distributors and the sale of innovative software solutions for Italian pharmacies. MACROSOFT HOLDING controls:
  - 100% of the capital of MACROSOFT SRL, an Italian limited liability company with capital of €102,000 registered in MACERATA, Italy (REA No. MC 103 315).
  - 100% of the capital of INFARMA SRL, an Italian limited liability company with capital of €52,000 registered in BOLOGNA, Italy (REA No. BO 414 859), with 20% directly held by MACROSOFT HOLDING and 80% by MACROSOFT SRL.
  - 100% of the capital of TEKNEMA SRL, an Italian limited liability company with capital of €10,000 registered in MACERATA, Italy (REA No. MC 123 781).
  - 100% of the capital of INSERVICE SRL, an Italian limited liability company with capital of €10,000 registered in MACERATA, Italy (REA No. MC 142 975).
  - 100% of the capital of MACROSOFT BUILDING SRL, an Italian limited liability company with capital of €10,000 registered in MACERATA, Italy (REA No. MC 165 201).

  MACROSOFT HOLDING's corporate name was changed to PHARMAGEST ITALIA.

## 20.3.2 PHARMAGEST INTERACTIVE separate financial statements

### 20.3.2.1 Balance Sheet

| Balance sheet assets - In € thousands | Notes | 31/12/2017 | | | 31/12/2016 |
|---|---|---|---|---|---|
| | | Gross value | Amortisation, depreciation and provisions | Net | Net |
| **Fixed assets** | | | | | |
| Intangible assets | 1.4/5 | 19,734 | 2,278 | 17,457 | 17,316 |
| Property, plant and equipment | 1.4/5 | 10,589 | 6,722 | 3,867 | 3,536 |
| Financial assets | 2.3/4 | 17,938 | 799 | 17,138 | 15,084 |
| **Total** | | **48,261** | **9,799** | **38,462** | **35,937** |
| **Current assets** | | | | | |
| Stocks and work-in-progress | 3 | 1,198 | 141 | 1,057 | 620 |
| Trade receivables and related accounts | 4 and 5 | 13 531 | 259 | 13,271 | 14,799 |
| Other receivables | 4 and 5 | 15,551 | 0 | 15,551 | 18,977 |
| Marketable securities | 6.1 | 51,369 | 0 | 51,369 | 46,253 |
| Bank and cash | 6.1 | 2,782 | 0 | 2,782 | 1,630 |
| **Total** | | **84,431** | **400** | **84,030** | **82,279** |
| Prepayments | 4 | 645 | 0 | 645 | 480 |
| Conversion losses | | 334 | 0 | 334 | 0 |
| **TOTAL ASSETS** | | **133,671** | **10,199** | **123,472** | **118,696** |

| Balance sheet liabilities - In € thousands | Notes | 31/12/2017 | 31/12/2016 |
|---|---|---|---|
| **Shareholders' equity** | 7 | | |
| Share capital | | 3,035 | 3,035 |
| Reserves and retained earnings | | 67,852 | 63,793 |
| Investment grants | | 19 | 13 |
| Net income for the period | | 13,920 | 13,781 |
| **Total** | | **84,826** | **80,622** |
| **Provisions for contingencies and expenses** | **8** | **4,092** | **3,050** |
| **Debts** | | | |
| Loans and financial liabilities | 9.1 | 13,594 | 14,703 |
| Trade payables and equivalent | 9.1 | 7,927 | 6,817 |
| Other liabilities | 9.1 | 12,659 | 13,100 |
| **Total** | | **34,180** | **34,619** |
| Deferred revenue | 9.3 | 374 | 405 |
| **TOTAL EQUITY AND LIABILITIES** | | **123,472** | **118,696** |

### 20.3.2.2 Statement of profit or loss

| In € thousands | Notes | 2017 | 2016 |
|---|---|---|---|
| **Operating income** | | | |
| Net revenue | 10 | 91,423 | 88,064 |
| Expense reclassifications | 11 | 2,457 | 2,138 |
| Operating grants | 11 | 462 | 399 |
| Other revenue from ordinary activities | 11 | 1,316 | 1,282 |
| Reversals of provisions and depreciations | 11 | 595 | 779 |
| **Total** | | **96,253** | **92,662** |
| **Operating expenses** | | | |
| Purchases consumed | | 18,980 | 18,293 |
| Purchases and external expenses | | 16,953 | 15,020 |
| Taxes other than on income | | 2,088 | 2,044 |
| Staff costs | 12.1 | 35,657 | 34,189 |
| Allowances for depreciation and amortisation | | 1,109 | 839 |
| Allocation to provisions | | 1,358 | 1,228 |
| Other operating expenses | | 91 | 543 |
| **Total** | | **76,235** | **72,155** |
| **Operating profit** | | **20,018** | **20,507** |
| Current financial income | | 1,539 | 1,698 |
| Current financial expenses | | 420 | 63 |
| **Net financial income/(expense)** | | **1,119** | **1,635** |
| **Operating profit before exceptional items** | | **21,137** | **22,142** |
| Exceptional income | 13 | 20 | 6 |
| Exceptional expenses | 13 | 24 | 7 |
| **Net exceptional items** | | **-5** | **-1** |
| Income tax expense | 14.2 | 5,517 | 6,662 |
| Employee profit-sharing | | 1,695 | 1,697 |
| **Profit/(loss) for the period** | | **13,920** | **13,781** |

### 20.3.2.3 Notes to the separate parent company financial statements

Total balance sheet before appropriation: €123,471,787 Net profit: €13,920,141.

The financial period runs for twelve months from 1 January 2017 to 31 December 2017.

The notes provided below form an integral part of the annual financial statements adopted by the Board Directors on 29 March 2018.

#### Annual highlights

- PHARMAGEST INTERACTIVE acquired a 51.82% equity stake in CAREMEDS Ltd., an English company registered in the Companies House of CARDIFF (No. 07 990 372). CAREMEDS Ltd. controls 100% of MEDICATION SYSTEMS Ltd., an English company registered in the Companies House of CARDIFF (No. 07 971 144);

- PHARMAGEST INTERACTIVE acquired a 51% equity stake in MULTIMEDS Ltd., an Irish company registered in the Companies Registration Office of DUBLIN (No. 533 817);

- The Pharmacy Belgium and Luxembourg Business Line, through its subsidiary SABCO, entered into a contract to supply the leading Belgian pharmaceutical distribution network, MULTIPHARMA. Through this partnership, the SABCO® ULTIMATE software is destined to equip an installed base of 300 MULTIPHARMA pharmacies and parapharmacies, this increasing SABCO's customer base to more than 850 pharmacies in Belgium, or an 18 % market share;

- Management lease arrangement for the du INTECUM business for the benefit PHARMAGEST INTERACTIVE effective as of 01/07/2017;

- MALTA INFORMATIQUE acquired all capital of AXIGATE, a French public limited company *(société anonyme)* a with a Board of Directors with share capital of €58,421, registered in PARIS (RCS No. 490 301 991), specialised in hospital information systems computer programming.

#### Significant accounting policies

Generally accepted accounting principles have been applied in compliance with the principle of conservatism and in accordance with the following underlying assumptions:

- Going concern;
- The consistency principle;
- The time period concept.

and in accordance with the general rules for preparing and presenting financial statements.

The basic method used to value items recorded in the accounts is the historical cost method.

The financial statements have been prepared according to French generally accepted accounting standards, and namely the 2014 French General Chart of Accounts (Plan Comptable Général) adopted by the French national standard setter, the ANC (Autorité des Normes Comptables) on 5 June 2014 and approved by the ministerial decree of 8 September 2014, amended by ANC regulation 2016-07 of 4 November 2016.

# NOTE 1 - Intangible assets and property, plant and equipment

## 1.1 Measurement of intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are valued at their acquisition cost (purchase price and associated expenses) or production cost.

PHARMAGEST INTERACTIVE does not capitalise Research and Development costs in its French GAAP parent company financial statements as provided by Article R. 123-186 of the French commercial code and article 311-2.2 of the French General Chart of Accounts (PCG). It has instead opted to recognise these costs as expenses.

Total Research and Development costs, including tests, maintenance and training in particular, amounted to €6,648 thousand in 2017.

## 1.2 Amortisation and depreciation of intangible assets and property, plant and equipment

These are calculated by applying the straight-line or diminishing balance method over their estimated useful lives:

| | |
|---|---|
| Software acquired | 1 to 5 years |
| Buildings | 5 to 30 years |
| Leasehold improvements, fixtures and fittings | 8 to 30 years |
| Plant, machinery and equipment | 5 years |
| Fixtures and fittings | 5 to 10 years |
| Transport equipment | 1 to 5 years |
| Office equipment and furniture, computer equipment | 3 to 10 years |

## 1.3 Measurement of non-depreciable assets

If there is any indication that an asset may be impaired, and at least once a year, the recoverable amount is remeasured.
The recoverable amount of goodwill and other similar intangible assets is estimated based on future DCF (discounted cash flows) per business line. If the recoverable amount is lower than the carrying amount, an impairment is recognised on the difference.

## 1.4 Movements in the period are as follows

| Gross values - In € thousands | Opening balance | Increase | Decrease | Closing balance |
|---|---|---|---|---|
| **Intangible assets** | **19,333** | **416** | **14** | **19,734** |
| **Property, plant and equipment** | **9,591** | **1,232** | **233** | **10,589** |
| Land | 423 | 0 | 0 | 423 |
| Leasehold improvements | 3,523 | 45 | 7 | 3,561 |
| Machinery and equipment | 38 | 2 | 11 | 29 |
| General facilities | 1,012 | 15 | 9 | 1,018 |
| Transportation equipment | 293 | 52 | 68 | 277 |
| Office material and equipment | 4,254 | 968 | 97 | 5,126 |
| Assets under construction | 41 | 150 | 41 | 150 |
| Other property, plant and equipment | 6 | 0 | 0 | 6 |
| **Total intangible assets and property, plant and equipment** | **28,924** | **1,648** | **247** | **30,325** |

Goodwill (excluding leasehold rights) amounted to €13,996 thousand and included:

| | |
|---|---|
| Purchased assets | €5,464 thousand |
| Remeasured assets | €0 |
| Contributed assets | €1,704 thousand |
| Capital loss on transferred assets *(mali de confusion)* | €6,828 thousand |

## 1.5 Amortisation, depreciation and provisions for intangible assets and property, plant and equipment

| Depreciation and provisions - In € thousands | Opening balance | Increase | Decrease | Closing balance |
|---|---|---|---|---|
| Amortisation of intangible assets | 1,996 | 261 | 0 | 2,257 |
| Provisions for intangible assets | 21 | 0 | 0 | 21 |
| **Total amortisation and provisions for intangible assets** | **2,017** | **261** | **0** | **2,278** |
| Depreciation of property, plant and equipment: | | | | |
| *- Leasehold improvements* | *2,156* | *160* | *6* | *2,309* |
| *- Equipment and tooling* | *34* | *2* | *11* | *25* |
| *- General facilities* | *913* | *20* | *9* | *924* |
| *- Transportation equipment* | *203* | *44* | *58* | *189* |
| *- Office material and equipment* | *2,750* | *622* | *96* | *3,276* |
| **Total depreciation and provisions for property, plant and equipment** | **6,055** | **848** | **180** | **6,722** |
| **Amortisation, depreciation and provisions for intangible assets and property, plant and equipment** | **8,072** | **1,109** | **180** | **9,000** |

# NOTE 2 - Financial assets

## 2.1 Measurement of financial assets

Gross value corresponds to the purchase price excluding incidental expenses.

## 2.2 Amortisation of financial assets

Equity interests are not subject to amortisation though tested for impairment at the end of the reporting period.

Their value in use is assessed in reference to their value of equity, measured on the basis of discounted cash flows, taking into account the outlook for each subsidiary or group of subsidiaries and net debt.

If the recoverable amount is lower than the carrying amount, an impairment is recognised on the difference.

## 2.3 Movements in the period are as follows

| Gross values - In € thousands | Opening balance | Increase | Decrease | Closing balance |
|---|---|---|---|---|
| Equity investments *(details below)* | 15,600 | 2,046 | 0 | 17,646 |
| Debenture loan | 0 | 0 | 0 | 0 |
| Security deposits and guarantees | 283 | 8 | 0 | 291 |
| **Financial assets** | **15,884** | **2,055** | **0** | **17,938** |

### Breakdown of equity investments:

| Companies | Gross amount of securities - In € thousands | Percentage held |
|---|---|---|
| ADI | 352 | 50.00% |
| CAREMEDS | 1,214 | 51.82% |
| CPI | 137 | 100.00% |
| CPSI | 100 | 100.00% |
| DIATELIC | 467 | 95.29% |
| DOMEDIC EUROPE | 78 | 65.00% |
| EHLS | 4,690 | 100.00% |
| GROUPE DOMEDIC INC. | 1,389 | 28.32% |
| HDM | 30 | 100.00% |
| HEALTHLEASE | 1,407 | 100.00% |
| INTECUM | 1,115 | 100.00% |
| KAPELSE | 700 | 70.00% |
| MALTA INFORMATIQUE | 186 | 100.00% |
| MULTIMEDS | 510 | 51.00% |
| NANCEO | 1,000 | 100.00% |
| NOVIATEK | 100 | 40.00% |
| QUALITY FLUX | 160 | 15.15% |
| SABCO | 3,490 | 100.00% |
| SAILENDRA | 282 | 70.00% |
| WELFINITY GROUP | 240 | 80.00% |
| **TOTAL** | **17,647** | |

For more information on PHARMAGEST Group's equity investments in subsidiaries, please see the table of subsidiaries in Note 15.5 of the separate parent company financial statements.

### 2.4 Amortisation/provisions for securities and other financial assets

| Amortisation and provisions<br>In € housands | Opening balance | Increase | Decrease | Closing balance |
|---|---|---|---|---|
| Amortisation of financial assets | 0 | 0 | 0 | 0 |
| Provisions for financial fixed assets | 799 | 0 | 0 | 799 |
| **Total amortisation and provisions for financial fixed assets** | **799** | **0** | **0** | **799** |

The impairment tests did not reveal any additional impairment in relation to those recorded at the opening of the period.

SABCO securities were written down by €639 thousand.
QUALITY FLUX securities were written off in full.

## NOTE 3 - Inventories of goods

### 3.1 Inventory valuation

At the end of each period, a physical stock-take is carried out and checked against the permanent inventory:

- Serialised inventories are measured according to the individual cost principle;
- Low-value repairable non-serialised inventories are valued at the weighted average unit cost.

| In € thousands | 31/12/2017 | | | 31/12/2016 |
|---|---|---|---|---|
| | Gross amount | Impairment | Net | Net |
| Serialised inventory<br>Non-serialised inventory<br>Raw materials | 1,040<br>111<br>46 | 37<br>103<br>0 | 1,003<br>8<br>46 | 617<br>3<br>0 |
| **TOTAL** | **1,198** | **141** | **1,057** | **620** |

## 3.2 Impairment of inventory

Serialised inventory is subject to impairment when still in stock over six months after the date of purchase by PHARMAGEST INTERACTIVE.

Non-serialised repairable inventory is depreciated according to the inventory rotation periods.

| In € thousands | Opening balance | Increase | Decrease | Closing balance |
|---|---|---|---|---|
| Inventory provisions | 126 | 24 | 10 | 141 |

# NOTE 4 - Operating receivables

## 4.1 Measurement of trade receivables

Accounts receivable are recorded at face value.

| In € thousands | 31/12/2017 | | | 31/12/2016 |
|---|---|---|---|---|
| | Gross amount | Less than 1 year | More than 1 year | Gross amount |
| Trade receivables | 13,531 | 13,303 | 228 | 15,019 |
| Other receivables | 15,551 | 15,551 (1) | 0 | 18,977 |
| Deferred charges | 645 | 645 | 0 | 480 |

(1) *of which a current account advance of €7,100 thousand to MARQUE VERTE SANTE compared to €13,243 thousand in 2016. This company is PHARMAGEST INTERACTIVE's parent company. This cash advance was granted under the terms of a regulated agreement, in the interests of both parties.*

## 4.2 Impairment of trade receivables

A provision for impairment is booked when the inventory value is lower than the face value.

All trade receivables have been individually examined and a provision is recorded based on individual assessments of a manifest collection risks and application of the following rules:

| | |
|---|---|
| Receivables < 180 days<br>Receivables between 180 and 360 days<br>Receivables > 360 days | 0% provision<br>50% provision<br>100% provision |

| In € thousands | Opening balance | Increase | Decrease | Closing balance |
|---|---|---|---|---|
| Provisions for receivables | 220 | 71 | 32 | 259 |

All receivables that are the subject of collective proceedings and/or main proceedings are depreciated by 100%.

# NOTE 5 - Accrued income on balance sheet items

| Accrued income - In € thousands | 2017 | 2016 |
|---|---|---|
| Financial assets | 0 | 0 |
| Trade payables and equivalent | 30 | 160 |
| Trade receivables and related accounts | 1,890 | 1,383 |
| Other receivables | 2,314 | 1,505 |
| Bank and cash | 0 | 0 |

# NOTE 6 - Marketable securities and cash

## 6.1 Marketable securities and cash

| Gross values - In € thousands | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Treasury shares - liquidity contract [1] | 1,183 | 170 |
| Treasury shares - stock option plan [1] | 3,889 | 3,889 |
| Capital redemption contract [2] | 46,297 | 42,194 |
| **Sub-total short-term investments** | **51,369** | **46,253** |
| Bank and cash | 2,782 | 1,630 |
| **TOTAL** | **54,151** | **47,883** |

[1] *Valuations are based on the weighted average price.*
[2] *Includes capital-guaranteed structured products with 3 year maturities (05/2020) plus the performance of the underlying assets.*

## 6.2 Treasury shares

This account includes 225,209 treasury shares of which:

- 2,448 PHARMAGEST INTERACTIVE treasury shares held under the liquidity contract managed by Gilbert DUPONT;
- 195,510 treasury shares at an average price of €19.89, held under the stock option plan set up by the Board of Directors on 5 December 2014;
- 3,836 PHARMAGEST INTERACTIVE treasury shares held through a share buyback agreement authorised by the Combined General Meeting of 26 June 2015;
- 23,415 PHARMAGEST INTERACTIVE treasury shares held through a share buyback agreement authorised by the Ordinary General Meeting of 27 June 2017.

## 6.3 Liquidity contract

Movements in 2017 relating to the liquidity contract, held solely by PHARMAGEST INTERACTIVE, were as follows:

- Purchases: €88,718 shares at an average price of €41.16;
- Sales: 88,945 shares at an average price of €40.93;

No shares were purchased under the stock option plan.

## 6.4 Capital redemption contract

This is a euro fund investment contract subscribed with AXA with an investment profile comparable to French fungible treasury bonds (Obligations Assimilables du Trésor or OAT) with a guarantee of net capital invested and accrued interest. The yield was confirmed based on a guaranteed return.

At the end of 2016, to improve the returns provided by this contract by PHARMAGEST Group shifted a portion of the assets to an unit linked real estate investment vehicle (SPPICAV).

# NOTE 7 - Share capital

## 7.1 Statement of changes in shareholders' equity

| Balance sheet items - In € thousands | Value at 31/12/2016 | Increase | Decrease | Value at 31/12/2017 |
|---|---|---|---|---|
| Share capital | 3,035 | | | 3,035 |
| Share premium | 13,207 | | | 13,207 |
| Merger premium | 9 | | | 9 |
| Legal reserves | 309 | | | 309 |
| Other reserves | 6,502 | | | 6,502 |
| Profit for the period | 13,781 | 13,920 | 13,781 | 13,920 |
| *Dividends* | *0* | *9,732* | *9,732* | *0* |
| Retained earnings | 43,766 | 4,049 | | 47,815 |
| Equipment grants | 13 | 11 | 1 | 23 |
| Equipment credit financing grants | | | 4 | -4 |
| Accelerated tax depreciations and amortisations | | 10 | | 10 |
| **TOTAL** | **80,622** | **27,722** | **23,518** | **84,826** |

## 7.2 Share capital

| | Number | Face value in € |
|---|---|---|
| Securities at the start of the period | 15,174,125 | 0.20 |
| Securities issued | 0 | / |
| Securities reimbursed or cancelled | 0 | / |
| Securities at the end of the period | 15,174,125 | 0.20 |

Each share is entitled to one vote.

# NOTE 8 - Provisions for contingencies and expenses

| In € thousands | Value at 31/12/2016 | Increase | Reversal (provisions used in the period) | Reversal (unused provisions) | Change of Method | Change in Group structure / Other | Value at 31/12/2017 |
|---|---|---|---|---|---|---|---|
| Provisions for litigation | 0 | 48 | 0 | 0 | 0 | 0 | 48 |
| Provision for contingencies | 678 | 616 | 554 | 0 | 0 | 0 | 740 |
| Provisions for retirement severance benefits | 2,372 | 598 | 0 | 0 | 0 | 0 | 2,970 |
| Provisions for foreign exchange losses | 0 | 334 | 0 | 0 | 0 | 0 | 334 |
| **TOTAL** | **3,050** | **1,596** | **554** | **0** | **0** | **0** | **4,092** |
| Operating profit | 3,050 | 1,262 | 554 | 0 | 0 | 0 | 3,758 |
| Net financial income/(expense) | 0 | 334 | 0 | 0 | 0 | 0 | 334 |
| Net exceptional items | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

## 8.1 Provisions for contingencies

Provisions for contingencies comprise mainly :

- Provisions for specific equipment maintenance contracts for the Pharmacy business in the amount of €406 thousand;
- Provisions relating to the marketing of e-business licenses and LGPI Global Services® with free software maintenance for up to 30 months. This corresponds to the cost of software support for the period amounting to €334 thousand.

### Contingent liabilities

PHARMAGEST INTERACTIVE is not aware of any dispute or facts of an extraordinary nature likely to have any significant impact on its activity, earnings, financial situation or assets or to have had any such impact in the recent past.

### Environmental aspects

PHARMAGEST INTERACTIVE's main activity is publishing software. Hence no classified environmental facilities are operated by the Group that could have a significant impact on the environment. Therefore it is not materially exposed to environmental risks, insofar as it recycles all the equipment it takes back through its EHLS subsidiary.

Please refer to Section 24.1.1 - subsection 2.2 of the Registration Document for the analysis of the industrial and environmental risks to which PHARMAGEST Group is exposed.

## 8.2 Provisions for retirement severance benefits

The provision for retirement severance benefits amounted to €2,970 thousand. This is calculated by applying the retrospective projected unit credit method to the end-of-career salary based on the following assumptions:

- Voluntary departure by the employee (application of employer's social charges);
- Retirement age: 60-67;
- Turnover: depending on age bracket;
- Discount rate: 1.30%;
  *For the discount rate, the iBoxx corporate AA10+ at year-end is used.*
- Salary escalation rate: 1%;
- Recognition of annuity contingency.

In 2003, PHARMAGEST INTERACTIVE decided to partially outsource contingencies for retirement severance benefits. The amount of the provision represents the remaining contingency (gross commitments less hedged assets, which amounted to €903 thousand at 31/12/2017).

The variation and sensitivity tests are in Section 20.3.1.5 - Note 11.1 of the Registration Document.

### Long-service awards

No provision was recorded in the separate parent company financial statements of PHARMAGEST INTERACTIVE as the company's collective bargaining agreement does not provide for this award to employees.

### Stock options

PHARMAGEST INTERACTIVE does not recognise a provision for stock options. It acquired 195,510 Treasury shares at an average price of €19.89 in 2014. This number of shares represents the actual exercise of options under the plan. Accordingly, PHARMAGEST INTERACTIVE considers it reasonable not to set aside provisions for this item. For further information, please see Note 10.2.1.2. to the consolidated financial statements.

# NOTE 9 - Debts

## 9.1 Statement of payables

| In € thousands | 31/12/2017 | | | | 31/12/2016 |
|---|---|---|---|---|---|
| | Gross amount | Less than 1 year | More than 1 year | More than 5 years | Gross amount |
| Bank borrowings [1] | 3 | 3 | 0 | 0 | 4,513 |
| Miscellaneous financial liabilities | 0 | 0 | 0 | 0 | 0 |
| Advances and prepayments, credit notes payable | 291 | 291 | 0 | 0 | 462 |
| Trade payables | 7,927 | 7,927 | 0 | 0 | 6,817 |
| Tax and social security payables | 12,105 | 12,105 | 0 | 0 | 12,595 |
| Amounts due to Group companies and shareholders [2] | 13,591 | 13,591 | 0 | 0 | 10,190 |
| Other payables | 264 | 264 | 0 | 0 | 43 |
| Prepaid income | 374 | 374 | 0 | 0 | 405 |
| **TOTAL** | **34,555** | **34,555** | **0** | **0** | **35 024** |

[1] *Bank credit balances.*
[2] *Since 2015, PHARMAGEST INTERACTIVE has implemented cash pooling agreements with its main banks to optimise cash flow.*

PHARMAGEST has no debt represented by commercial paper.

## 9.2 Accrued expenses included in balance sheet items

| Accrued expenses - In € thousands | 2017 | 2016 |
|---|---|---|
| Bank borrowings | 3 | 1 |
| Other borrowings and financial liabilities | 0 | 0 |
| Trade payables | 2,037 | 1,666 |
| Tax and social security liabilities | 9,912 | 10,201 |
| Other liabilities | 264 | 317 |

## 9.3 Prepaid income

This section contains only ordinary prepaid income relating to the normal operations of the company. This concerns mainly training sessions billed to customers at 31 December 2017 not yet completed on this date. These increase from €405 thousand in 2016 to €374 thousand in 2017.

# NOTE 10 - Revenue

| Breakdown of revenue - In € thousands | 2017 | 2016 |
|---|---|---|
| Revenue from maintenance and services | 30,594 | 29,903 |
| Revenue from other services, including communication | 1,431 | 1,581 |
| Revenue from configurations | 48,959 | 47,066 |
| Revenue from training services and new products | 10,439 | 9,513 |
| **TOTAL** | **91,423** | **88,064** |
| Revenue in France | 91,058 | 88,064 |
| Exports and intra-Community supplies | 365 | 0 |

# NOTE 11 - Other operating income

| In € thousands | 2017 | 2016 |
|---|---|---|
| Grants | 462 | 399 |
| Reversals of amortisation, depreciation and provisions | 595 | 779 |
| Expense reclassifications (1) | 2,457 | 2,138 |
| Other income | 1,316 | 1,282 |
| **TOTAL** | **4,830** | **4,598** |

(1) Expense reclassifications relate to:

- Rebilling staff costs to PHARMAGEST Group and WELCOOP GROUP companies in the amount of €576 thousand;
- Rebilling services to other PHARMAGEST Group and WELCOOP GROUP companies in the amount of €1,385 thousand;
- Reimbursement of staff costs (including vehicle expenses) in the amount of €390 thousand;
- Repayment of structural expenditures in the amount of €106 thousand.

# NOTE 12 - Staff costs

## 12.1 Breakdown of staff costs

| In € thousands | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Wages and salaries | 24,238 | 23,276 |
| Social charges | 10,579 | 10,039 |
| Other staff costs | 1,929 | 1,755 |
| The CICE (Crédit d'Impôt pour la Compétitivité et l'Emploi) wage tax credit (1) | -1,089 | -882 |
| **TOTAL** | **35,657** | **34,189** |

*(1) PHARMAGEST INTERACTIVE treats CICE (Crédit d'Impôt pour la Compétitivité et l'Emploi) wage tax credit as a component of compensation. It is therefore recognised as a reduction from personnel expenses.*

### Individual training account

As of 1 January 2015, the French Act no. 2014-288 of 5 March 2014 on occupational training provides for the transfer of the balance of the individual training entitlement to a new individual training account (*"Compte Personnel de Formation"* or CPF).

This individual training account enables each employee or jobseeker to receive training at their own initiative. The benefits accruing in this account follow are retained by these persons throughout working life until retirement.

Training hours under the company's collective bargaining agreement are credited to the employee's account as follows: each employee is credited with 24 hours of training per year on a full-time basis (for the first five years) up to 120 hours. After this, they are credited with 12 hours per year full-time (for the next three years), with the overall total capped at 150 hours. Some periods of absence are taken into account in their entirety to calculate the individual training account: these include maternity, adoption, parental, family support, parental education and paternity leave, as well as time off due to occupational illness or occupational accident. If an employee has not worked full-time hours during the year, the training credit is calculated pro rata to the hours worked.

## 12.2 Compensation of directors and officers

Corporate governance bodies received gross compensation in the amount of €752 thousand in 2017. The amounts received include PHARMAGEST INTERACTIVE and controlled companies. There is no pension commitment outside those accounted for. The amount paid pursuant to Article 83 for managers totalled €53 thousand. No advances or loans were granted to members of management bodies by PHARMAGEST INTERACTIVE and controlled companies.

Furthermore, the provision for retirement severance benefits includes €182 thousand for members of governing bodies.

## 12.3 Workforce (full-time equivalent - FTE)

| 31/12/2017 | Salaried personnel | Seconded personnel * |
|---|---|---|
| Managers | 270 | 0 |
| Supervisors / Senior technicians | 40 | 0 |
| Employees | 382 | 0 |
| **TOTAL** | **692** | **0** |

** Personnel are seconded to PHARMAGEST INTERACTIVE.*

# NOTE 13 - Extraordinary earnings

| In € thousands | 31/12/2017 | 31/12/2016 |
|---|---|---|
| **Extraordinary income** | **20** | **6** |
| On management transactions | 0 | 0 |
| Net value of disposals | 20 | 6 |
| Charges to provisions | 0 | 0 |
| Other extraordinary income | 0 | 0 |
| **Exceptional expenses** | **24** | **7** |
| On management transactions | 0 | 0 |
| Net value of disposals | 15 | 7 |
| Charges to provisions | 0 | 0 |
| Other exceptional expenses | 10 | 0 |

Extraordinary earnings/(loss) mainly concern disposals of fixed assets. These were not material.

# NOTE 14 - Taxes

## 14.1 French tax consolidation

A tax consolidation group was formed on 1 January 2015, with PHARMAGEST INTERACTIVE as the parent. The other companies included in this tax sharing agreement are DIATELIC, CP INTERACTIVE and INTECUM. Under the French tax consolidation agreement, the tax is calculated in each subsidiary as if no tax consolidation existed, in accordance with the principle of neutrality, and the profits and losses of the tax consolidation are recognised by the parent company, PHARMAGEST INTERACTIVE.

## 14.2 Breakdown of income tax payable by PHARMAGEST INTERACTIVE companies

| In € thousands | Profit/(loss) before tax from continuing operations | Tax | Net profit/(loss) after tax |
|---|---|---|---|
| Operating profit before exceptional items | 21,137 | 6,810 | 14,327 |
| Net exceptional items | -5 | -2 | -3 |
| Employee profit-sharing | -1,695 | -568 | -1,127 |
| Tax credit | 0 | -3 | 3 |
| Social contribution | 0 | 175 | -175 |
| Contribution on dividends | 0 | -765 | 765 |
| Settlement of corporate income tax N-1 | 0 | 23 | -23 |
| Tax consolidation | 0 | -153 | 153 |
| **Accounting profit** | **19,437** | **5,517** | **13,920** |

## 14.3 Contribution of 3% on dividends

The second Amending Finance Act of 2012 introduced a new additional contribution to corporate income tax of 3% on amounts paid out by companies.
This contribution is recognised as a tax expense (€292 thousand at 31 December 2017).
Following the invalidation of this contribution by the French Constitutional Council *(Conseil Constitutionnel)*, PHARMAGEST Group filed a claim in 2017 with the tax authorities and recognised in consequence accrued income of €1,057 thousand.

## 14.4 Impact of exceptional tax assessments - In € thousands

| | |
|---|---|
| Net profit (loss) of the period | 13,920 |
| Corporate income tax | 5,518 |
| Income before tax | 19,438 |
| Change in tax-based provisions [(1)] | -10 |
| Earnings before tax, excluding exceptional tax assessments | 19,428 |

[(1)] *Accelerated depreciations of acquisition-related costs.*

## 14.5 Increases and reductions in future tax liabilities

| Type - In € thousands | 31/12/2016 | | Changes | | 31/12/2017 | |
|---|---|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities | Assets | Liabilities |
| **Provisions not deductible in the accounting period:** | **0** | **1,832** | **10** | **5** | **0** | **1,827** |
| *Employee profit-sharing* | *0* | *1,697* | *2* | *0* | *0* | *1,695* |
| *Social solidarity contribution* | *0* | *111* | *0* | *5* | *0* | *116* |
| *Non-deductible provisions* | *0* | *24* | *8* | *0* | *0* | *16* |
| **Provision for retirement severance payments** | **0** | **2,372** | **0** | **598** | **0** | **2,970** |
| **TOTAL** | **0** | **4,204** | **10** | **603** | **0** | **4,797** |

| In € thousands | Amount | Taxes |
|---|---|---|
| **Increases:** | **0** | **0** |
| Tax-driven provisions | 0 | 0 |
| Grants to be added back in income | 0 | 0 |
| **Decreases:** | | |
| Provisions not deductible in the year of recognition | 1,827 | 609 |
| Provision for retirement severance payments | 2,970 | 990 |
| Total operating losses carried forward | 0 | 0 |
| Total deferred amortisation and depreciation expenses | 0 | 0 |
| Total long-term capital losses | 0 | 0 |

# NOTE 15 - Other information

## 15.1 Identity of the parent company consolidating the accounts of PHARMAGEST INTERACTIVE

LA COOPERATIVE WELCOOP (formerly GROUPE WELCOOP) – 7 allée de Vincennes – 54 500 VANDOEUVRE-LES-NANCY (SIREN No. 754 801 348).

## 15.2 Information concerning affiliates

There were no transactions with related parties (other than wholly owned subsidiaries) with a significant impact that were not concluded under normal market conditions, with the exception of the specific regulated agreement between MARQUE VERTE SANTE, PHARMAGEST INTERACTIVE's parent company, and PHARMAGEST INTERACTIVE covering the cash advance granted by the latter to the parent.

PHARMAGEST INTERACTIVE and its subsidiaries do not discount trade receivables.

## 15.3 Off-balance sheet commitments

| In € thousands | 31/12/2017 | 31/12/2016 |
|---|---|---|
| Counter-guarantees on contracts | 0 | 0 |
| Assigned receivables not yet due | 0 | 0 |
| Pledges, mortgages and security interests on property (*) | 0 | 0 |
| Sureties, endorsements and guarantees given | 0 | 0 |
| Other commitments given | 0 | 0 |
| **TOTAL** | **0** | **0** |

*(*) Real pledges, mortgages and security interests related to borrowings. The amount shown corresponds to the balance of relevant borrowings to be repaid.*

Off-balance sheet commitments do not concern directors, subsidiaries, companies in which PHARMAGEST INTERACTIVE has an interest, or other related companies.

| Contractual obligations - In € thousands | Total (incl. tax) | Payments due by period | | |
|---|---|---|---|---|
| | | Less than one year | 1 to 5 years | More than 5 years |
| Long-term liabilities | 0 | 0 | 0 | 0 |
| Finance leases | 176 | 73 | 103 | 0 |
| Operating leases | 1,888 | 1,050 | 838 | 0 |
| Property leases | 9,880 | 2,347 | 5,509 | 2,024 |
| Other long-term obligations | 0 | 0 | 0 | 0 |
| **TOTAL** | **11,944** | **3,470** | **6,450** | **2,024** |

| Other commercial commitments | Total | Total commitments per period | | |
|---|---|---|---|---|
| | | Less than one year | 1 to 5 years | More than 5 years |
| Credit lines<br>Letters of credit<br>Guarantees<br>Redemption obligations<br>Other commercial commitments | None<br>None<br>None<br>None<br>None | | | |
| **TOTAL** | None | | | |

As at the reporting date of 31 December 2017, PHARMAGEST INTERACTIVE is unaware of any significant off-balance sheet commitments other than those set out above.

## 15.4 Subsequent events

- PHARMAGEST Group carried out a simplified merger *(transmission universelle de patrimoine)* entailing the dissolution of CPSI and the global transfer of its assets and liabilities to PHARMAGEST INTERACTIVE;

- Pharmagest Group acquired a majority equity stake (60%) in the Italian company MACROSOFT HOLDING, an Italian limited liability company with capital of €10,000 registered in MACERATA, Italy (REA No. MC 165 033). The company is specialised in IT equipment and services for pharmacy wholesalers-distributors and the sale of innovative software solutions for Italian pharmacies. MACROSOFT HOLDING controls:
  - 100% of the capital of MACROSOFT SRL, an Italian limited liability company with capital of €52,000 registered in MACERATA, Italy (REA No. MC 103 315).
  - 100% of the capital of INFARMA SRL, an Italian limited liability company with capital of €102,000 registered in BOLOGNA, Italy (REA No. BO 414 859), with 20% directly held by MACROSOFT HOLDING and 80% by MACROSOFT SRL.
  - 100% of the capital of TEKNEMA SRL, an Italian limited liability company with capital of €10,000 registered in MACERATA, Italy (REA No. MC 123 781).
  - 100% of the capital of INSERVICE SRL, an Italian limited liability company with capital of €10,000 registered in MACERATA, Italy (REA No. MC 142 975).
  - 100% of the capital of MACROSOFT BUILDING SRL, an Italian limited liability company with capital of €10,000 registered in MACERATA, Italy (REA No. MC 165 201).

MACROSOFT HOLDING's corporate name was changed to PHARMAGEST ITALIA.

## 15.5 Subsidiaries and associates

| SUBSIDIARIES AND ASSOCIATES | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Companies<br><br>Amount in € thousands | Share capital | Equity other than share capital (excluding profit of the period) | Percentage of capital held | Gross value of securities held (net value) | Outstanding loans and advances | Guarantees and sureties given by the Company | Sales in past financial year | Net profit or loss in past financial year | Dividends received by the Company during the year |
| 1° Detailed information on affiliates whose carrying amounts exceeds 1% of the capital of the Company required to publish its financial statements | | | | | | | | | |
| A. Subsidiaries (at least 50% owned) | | | | | | | | | |
| **ADI**<br>4 rue René Razel<br>Le Diamant<br>91 400 SACLAY | 48 | 350 | 50.00% | 352 | | | 5,718 | 727 | 278 |
| **CPI**<br>25 bd Champ aux Métiers<br>21 800 QUETIGNY | 8 | 439 | 100.00% | 137 | | | 1,263 | -103 | |
| **CPSI**<br>552 rue de la Chapelle<br>ZI de Jarry<br>97122 BAIE MAHAULT | 100 | -41 | 100.00% | 100 | | | 583 | 81 | |
| **DIATELIC**<br>5 allée de Saint Cloud<br>54 600 VILLERS-LES-NANCY | 37 | -330 | 95.29% | 467 | 1,765 | | 349 | -228 | |
| **DOMEDIC EUROPE**<br>5 allée de Saint Cloud<br>54 600 VILLERS-LES-NANCY | 120 | -60 | 65% | 78 | | | 0 | -3 | |
| **EHLS**<br>5 allée de Saint Cloud<br>54 600 VILLERS-LES-NANCY | 144 | 5,709 | 100.00% | 4,690 | | | 20,556 | 779 | |
| **HDM** (1)<br>President John Kennedy Street<br>PORT LOUIS<br>*(Mauritius)* | 30 | 89 | 100.00% | 30 | | | 599 | 126 | 90 |
| **HEALTHLEASE**<br>1 bis rue de Havre<br>75 008 PARIS | 1,000 | 2,923 | 100.00% | 1,407 | | | 43,078 | 1,507 | |
| **INTECUM**<br>5 allée de Saint Cloud<br>54 600 VILLERS-LES-NANCY | 464 | -2,227 | 100.00% | 1,115 | 2,082 | | 414 | -84 | |
| **KAPELSE**<br>5 allée de Saint Cloud<br>54 600 VILLERS-LES-NANCY | 1,000 | 3,270 | 70.00% | 700 | | | 9,756 | 2,825 | 70 |

| SUBSIDIARIES AND ASSOCIATES | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Companies<br><br>Amount in € thousands | Share capital | Equity other than share capital (excluding profit of the period) | Percentage of capital held | Gross value of securities held (net value) | Outstanding loans and advances | Guarantees and sureties given by the Company | Sales in past financial year | Net profit or loss in past financial year | Dividends received by the Company during the year |
| 1° Detailed information on affiliates whose carrying amounts exceeds 1% of the capital of the Company required to publish its financial statements | | | | | | | | | |
| **MALTA INFORMATIQUE**<br>9 rue de Montgolfier<br>33 700 MERIGNAC | 200 | 6,023 | 100.00% | 186 | | | 9,149 | 2,759 | |
| **NANCEO**<br>1 bis rue de Havre<br>75 008 PARIS | 1,000 | 92 | 100.00% | 1,000 | 518 | | 18,878 | 179 | |
| **SABCO**<br>Rue d'Arlon 2<br>L-8399 WINDHOF<br>*(Luxembourg)* | 39 | 872 | 100.00% | 3,490 | 208 | | 3,124 | -139 | |
| **SAILENDRA**<br>2 rue Jacques Villermaux<br>54 000 NANCY | 404 | -281 | 70.00% | 282 | 58 | | 155 | -55 | |
| **CAREMEDS**<br>Unit 5 Brickfield Trading Estate, Brickfield Lane, Chandlers Ford, EASTLEIGH<br>*(England)* | | 520 | 51.82% | 1,214 | | | 524 | 110 | |
| **MULTIMEDS**<br>1C Quinnsboro Rd, BRAY, Co. Wicklow<br>*(Ireland)* | | 59 | 51% | 510 | | | 432 | 61 | |
| **WELFINITY GROUP**<br>Rue d'Arlon 2<br>L-8399 WINDHOF<br>*(Luxembourg)* | 300 | | 80% | 240 | 169 | | | -519 | |
| B. Equity interests (10% to 50% owned) | | | | | | | | | |
| **GROUPE DOMEDIC INC.**<br>2500 rue Jean Perrin - local 190<br>QUEBEC (QC)<br>G2C 1X1<br>*(Canada)* | 2,349 | - 1,102 | 28.32% | 924 | | | 25 | - 367 | |
| **NOVIATEK**<br>Rue de la Paix 13<br>L-3871 SCHIFFLANGE<br>*(Luxembourg)* | 250 | -26 | 40.00% | 100 | | | 69 | -39 | |
| 2° General information on subsidiaries or equity interests | | | | | | | | | |
| **A. Subsidiaries not listed in paragraph 1:**<br>a) French subsidiaries (total)<br>b) Filiales étrangères (ensemble) | | | | | | | | | |

| SUBSIDIARIES AND ASSOCIATES | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Companies<br><br>Amount in € thousands | Share capital | Equity other than share capital (excluding profit of the period) | Percentage of capital held | Gross value of securities held (net value) | Outstanding loans and advances | Guarantees and sureties given by the Company | Sales in past financial year | Net profit or loss in past financial year | Dividends received by the Company during the year |
| **B. Equity interests not listed in paragraph 1:**<br>a) In French companies (total)<br>b) In foreign companies (total) | | | | | | | | | |
| **QUALITY FLUX** [(2)]<br>Rue de la terre à briques,<br>7522 TOURNAI<br>*(Belgium)* | 181 | -242 | 15.15% | 160 | | | -8 | 28 | 0 |
| **TOTAL** | **7,674** | **16,037** | | **17,182** | **4,800** | **0** | **114,664** | **7,645** | **438** |

[(1)] *Operating income*

[(2)] *Accounts at 31/12/2013 after being put in liquidation*

# 20.4 Auditing of financial information

## 20.4.1 Statutory auditors' report on the consolidated financial statements (Year ended 31 December 2017)

*This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in such reports, whether qualified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures. This report also includes information relating to the specific verification of information given in the Group management report and in the documents addressed to shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

To the PHARMAGEST INTERACTIVE's general meeting:

### Opinion

In compliance with the engagement entrusted to us by your General Meeting, we have audited the accompanying consolidated financial statements of PHARMAGEST INTERACTIVE for the year ended December 31, 2017.

In our opinion, the consolidated financial statements give a true and fair view of the results of the operations of the Group for the year then ended and of its financial position and its assets and liabilities as at December 31, 2017 in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the audit committee.

### Basis for opinion

#### Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' responsibilities for the audit of the consolidated financial statements" section of our report.

#### Independence

We conducted our audit in compliance with independence rules applicable to us, for the period from January 1, 2017 to the issue date of our report and in particular we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics for statutory auditors.

### Justification of assessments - Key audit matters

In accordance with the requirements of articles L. 823-9 and R. 823-7 of the French commercial code *("code de commerce")* relating to the justification of our assessments, we bring your attention to the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period, as well as our responses to those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific elements, accounts or items of the consolidated financial statements.

#### Valuation of Research and Development expenditures (R&D)

As specified in notes 3.2 and 3.4 to the consolidated financial statements, development projects are recognised as intangible assets on the basis of costs incurred, for a gross amount of €34,350 thousand and a net amount of €15,062 thousand at 31 December 2017, when the following conditions are met: the project is clearly defined and the corresponding expenditure is separately identifiable; the technical feasibility of the project has been demonstrated; PHARMAGEST Group has the intention to complete the project and use or sell the asset; there is a potential market for developments resulting from the project or its usefulness in-house has been demonstrated; there are resources available to complete the project.

Notes 1.3 and 5.2 to the consolidated financial statements indicated that estimates of recoverable value of these intangible assets represent a material estimate by the Group based on the discounted cash flow method.

We have considered the valuation of capitalised development projects to be a key audit matter as the prospects described above and the analysis resulting thereof are by nature dependent on assumptions, estimates and assessments by made by management.

As part of our engagement, we have notably:

- obtained an understanding from the interview with R&D management, of the commercial prospects of the different projects whose expenditures have already been capitalised;

- verified the consistency of estimated future cash flows with the assumptions used in the budget building process and approved by the Board of Directors;

- verified in particular the consistency of cash flow projections used when conducting impairment tests of developments of prior periods with the actual cash flows for the period ended 31 December 2017;

- assessed the justifications of discount rates and perpetuity growth rates used to calculate the recoverable values of intangible assets by comparing them with observable market inputs in the company's business sector.

Finally we have assessed the appropriate nature of the information given in notes 3.2, 3.4 and 5.2 of the consolidated financial statements.

### Measurement of goodwill

As part of its development, PHARMAGEST Group has made acquisitions and recognised goodwill from these different business combinations (for an amount totalling €38,819 thousand at 31 December 2017). This goodwill, correspond to the excess cost of the business combination over the Group's share of the net fair value of the acquiree's assets and liabilities allocated to Cash Generating Units (CGUs) in which the acquirees were integrated, in accordance with note 5.1 of the consolidated financial statements.
Management verifies each year, as specified in note 3.4.1 to the consolidated financial statements, that the carrying value of goodwill is not greater than the recoverable value and shows no risk of impairment. However, an adverse trend in expected returns from the CGUs to which the goodwill was allocated, due to internal or external factors, for example linked to the economic and financial environment in which the CGUs operate, could significantly impact the recoverable value and require the recognition of an impairment charge. A change of this nature would require a reassessment of the relevance of all assumptions used to determine this value as well as the reasonable and coherent nature of the calculation parameters.
Note 5 to the consolidated financial statements furthermore specified that the recoverable value of each CGU was determined in reference to value in use calculated from the present value of estimated future cash flows expected to arise from the group of assets making up the CGU, whereby the latter were derived from forecasts of Group management. The determination of the recoverable value is largely based on management judgments (note 1.3 to the consolidated financial statements), consisting notably of budget data, the rate of growth used to estimated future cash flows and the corresponding discount rate applied.
For that reason we considered the valuation of goodwill to be a key audit matter.

We have examined the consistency of the methodology applied by the company with International Financial Reporting Standards (IFRS) and obtained an understanding of the applicable internal control system. We also reviewed the procedures for implementing this methodology and verified in particular:

- the correct allocation of goodwill to CGUs and the exhaustive nature of the asset values to be tested;

- the reasonable nature of the estimated future cash flows in relation to the economic and financial environment in which the CGUs operate and their consistency with the forecasts of Group management, notably by comparing them with the actual amounts of cash flows for the year ended;

- the consistency of the perpetuity growth rate used for the estimated future cash flows with analysis of the market and consensus of the main market players;

- the consistency of the discount rate applied to estimated cash flows, by verifying on the one hand that the benchmark adopted by financial analysts with a knowledge of the business sector is consistent with the rate adopted for mature businesses, and on the other hand, that this rate is adjusted to developing businesses in order to integrate the corresponding notion of risk premium;

- the analysis of the sensitivity of value in use made by management to a change in the main assumptions applied.

We have furthermore examined the reasonableness of the information disclosed in notes 3.4.1 and 5.1 of the consolidated financial statements.

## Specific verification concerning the Group presented in the management report

We also carried out the specific verification, as required by law, of information relating to the Group provided in the management report of the Board of Directors, in accordance with professional standards applicable in France.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

## Report on other legal and regulatory requirements

### Appointment of the auditors

We were appointed as statutory auditors of PHARMAGEST INTERACTIVE by the General Meeting of 30 May 2002 for Batt Audit and the General Meeting of 27 June 2017 for Deloitte & Associés.

As at December 31, 2017, Batt Audit was in its 16th period of its total uninterrupted engagement and Deloitte & Associés in its 1st period.

## Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is 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 it is expected to liquidate the Company or to cease its operations.

The audit committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and, where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements have been approved by the Board of Directors.

## Statutory auditors' responsibilities for the audit of the consolidated financial statements

### Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards 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 consolidated financial statements.

As specified by article L. 823-10-1 of the French commercial code ("code de commerce"), the scope of our statutory audit does not include assurance on the future viability of the Company or the quality with which Company's management has conducted or will conduct the affairs of the entity.

As part of an audit in accordance with professional standards applicable in France, we exercise professional judgment throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If we conclude that a material uncertainty exists, we draw attention in our audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, we modify our opinion;

- Evaluate the overall presentation of the consolidated financial statements and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities included in the consolidation scope to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

### Report to the audit committee

We submit a report to the audit committee which includes in particular a description of the scope of the audit and the audit programme implemented, as well as significant audit findings. We also bring to its attention, if need be, any significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the audit committee includes information about the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters. We describe these matters in the audit report.

We also provide the audit committee with the declaration referred to in Article 6 of Regulation (EU) N°537-2014, confirming our independence within the meaning of the rules applicable in France as defined in particular by articles L. 822-10 to L. 822-14 of the French commercial code ("code de commerce") and in the French Code of ethics for statutory auditors.

Vandœuvre-lès-Nancy and Maxéville, 25 April 2018
The Statutory Auditors

*French original signed by:*

| Deloitte & Associés | Batt Audit |
|---|---|
| **Anne PHILIPONA-HINTZY** | **Isabelle SAGOT** |

## 20.4.2 Statutory Auditors' report on the annual financial statements (Year ended 31 December 2017)

*This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. The Statutory Auditors' report includes information specifically required by French law in such reports, whether qualified or not. This information is presented below the opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions, or disclosures. This report also includes information relating to the specific verification of information given in the Group management report and in the documents addressed to shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

To the PHARMAGEST INTERACTIVE's general meeting:

### Opinion

In accordance with the terms of our engagement as auditors entrusted to us by your Annual General Meeting, we have audited the accompanying annual financial statements of PHARMAGEST INTERACTIVE for the year ended December 31, 2017.

In our opinion, the annual financial statements give a true and fair view of the financial position and the assets and liabilities of the company as at 31 December 2016 and the results of its operations for the year ended in accordance with French accounting standards.

The audit opinion expressed above is consistent with our report to the audit committee.

### Basis for opinion

#### Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the "Statutory Auditors' Responsibilities for the Audit of the Annual Financial Statements" section of our report.

#### Independence

We conducted our audit in compliance with independence rules applicable to us, for the period from January 1, 2017 to the issue date of our report and in particular we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of ethics for statutory auditors.

### Justification of assessments - Key audit matters

In accordance with the requirements of articles L.823-9 and R.823-7 of the French commercial code *("code de commerce")* relating to the justification of our assessments, we bring your attention to the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in the audit of the annual financial statements of the current period, as well as our responses to those risks.

These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific elements, accounts or items of the annual financial statements.

#### Measurement of equity interests

PHARMAGEST INTERACTIVE's equity interests have a carrying value of €16,847 thousand (or 14% of total assets). As indicated in note 2 to the separate parent company financial statements, on initial recognition they are recorded at acquisition cost and subsequently subject to impairment based on their net realisable value.

As indicated in note 2.2 to the separate parent company financial statements, their value in use is assessed in reference to their value of equity, measured on the basis of discounted cash flows, taking into account the outlook for each subsidiary or group of subsidiaries and net debt.

The estimated value in use of the equity interests is based on estimations for discounted future cash flows requiring the use of assumptions and estimates by company management. In consequence, competition and the economic and geopolitical environment facing certain subsidiaries may result in a decline in their business and a deterioration in their operating performance.

In this context and in light of the inherent uncertainties associated with certain items and notably the likelihood of meeting forecasts, we have considered the correct valuation of equity interests to be key audit point.

To assess the reasonableness of the estimated net realisable value of equity securities, based on the information communicated to us, our work mainly consisted in verifying that the estimate of these values, as determined by management, is based on an appropriate justification of the valuation method used. For that purpose, our work consisted of:

- obtaining cash flow and operating forecasts for the activities of the entities concerned produced by their operational divisions and approved by the Board of Directors;

- verifying the consistency of the assumptions adopted with the economic environment on the dates the accounts were prepared and closed, and in particular assess the reasonableness of cash flow forecasts and their consistency with the forecasts of Group management, the consistency of the discount rate applied to estimated cash flows and the perpetuity growth rate used for cash flow forecasts with market analyses and consensus established by key players;

- comparing the forecasts adopted for preceding periods with the corresponding realisations in order to assess the achievement of past objective;

- Finally, we have examined the reasonableness of the information disclosed in notes 2 and 15.5 of the annual financial statements.

## Verification of the management report and of the other documents addressed to shareholders

We have also performed the other specific procedures required by law, in accordance with professional practice standards applicable in France.

### Information given in the management report and other documents addressed to shareholders with respect to the financial position and the annual financial statements

We have no matters to report in connection with the fair presentation and consistency with the financial statements of the information given in the report of the board of directors and the documents addressed to the shareholders in respect to the financial position and the financial statements.

### Report on corporate governance

We certify that the Board of Directors' report on corporate governance includes the information required by articles L.225-37-3 and L.225-37-4 of the French commercial code.

Concerning information provided in accordance with Article L.225-37-3 of the French commercial code on remuneration and benefits paid to corporate officers and other commitments granted in their favour, we have verified that they are consistent with the accounts or data used to prepare them and information obtained by your Company from companies exercising control over it or that it controls. Based on this work, we attest to the accuracy and fairness of this information.

### Other information

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

## Report on other legal and regulatory requirements

### Appointment of the auditors

We were appointed as statutory auditors of PHARMAGEST INTERACTIVE by the General Meeting of 30 May 2002 for Batt Audit and the General Meeting of 27 June 2017 for Deloitte & Associés.

As at December 31, 2017, Batt Audit was in its $16^{th}$ period of its total uninterrupted engagement and Deloitte & Associés in its $1^{st}$ period.

## Responsibilities of management and those charged with governance for the annual financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is 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 it is expected to liquidate the Company or to cease its operations.

The audit committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems and its internal audit, regarding the accounting and financial reporting procedures.

These annual financial statements have been approved by the Board of Directors.

## Statutory auditors' responsibilities for the audit of the annual financial statements

### Objective and audit approach

Our role is to issue a report on the annual financial statements. Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards 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 consolidated financial statements.

As specified by article L.823-10-1 of the French commercial code *("code de commerce")*, the scope of our statutory audit does not include assurance on the future viability of the Company or the quality with which Company's management has conducted or will conduct the affairs of the entity.

As part of an audit in accordance with professional standards applicable in France, we exercise professional judgment throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the annual financial statements;

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If we conclude that a material uncertainty exists, we draw attention in our audit report to the related disclosures in the annual financial statements or, if such disclosures are not provided or inadequate, we issue a qualified opinion or no opinion at all;

- Evaluate the overall presentation of the annual financial statements and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

### Report to the audit committee

We submit a report to the audit committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as significant audit findings. We also bring to its attention, if need be, any significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the audit committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the annual financial statements of the current period, constituting in consequence key audit matters to be described in this report.

We also provide the Audit Committee with the declaration referred to in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France as defined in particular by articles L.822-10 to L.822-14 of the French commercial code *("code de commerce")* and in the French Code of ethics for statutory auditors.

Vandœuvre-lès-Nancy and Maxéville, 25 April 2018
The Statutory Auditors

*French original signed by:*

| | |
|---|---|
| **Deloitte & Associés** | **Batt Audit** |
| **Anne PHILIPONA-HINTZY** | **Isabelle SAGOT** |

## 20.4.3 Statutory auditors' special report on regulated agreements and commitments.

*This is a free translation into English of the Statutory Auditors' special report on regulated agreements and commitments with third parties that is issued in the French language and provided solely for the convenience of English speaking readers. This report on regulated agreements and commitments should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France. It should be understood that the agreements reported on are only those provided by the French commercial code and that the report does not apply to those related party transactions described in IAS 24 or other equivalent accounting standards.*

To the PHARMAGEST INTERACTIVE's general meeting:

In our capacity as statutory auditors of your company, we hereby report to you on regulated agreements and commitments with related parties.

We are required to inform you, on the basis of the information provided to us, of the main characteristics and provisions and also the reasons justifying the interest to the company, of those agreements and commitments brought to our attention or discovered in the performance of our engagement, without expressing an opinion on their merits, or identifying such other agreements and commitments, if any. It is your responsibility, pursuant to article R.225-31 of the French commercial code, to assess the interest of these agreements and commitments with a view to their approval.

In addition, we are required to inform you in accordance with Article R.225-31 of the French commercial code *(Code de Commerce)* regarding the execution, during the past year, of the agreements and commitments already approved by the shareholders' meeting, if any.

We performed those procedures which we considered necessary having regard to the professional guidance of the Compagnie Nationale des Commissaires aux Comptes (French Institute of Statutory Auditors) for this type of engagement. These standards require that we ensure that the information provided to us is consistent with the relevant source documents.

### Agreements and commitments submitted for approval to the shareholders' meeting

***Agreements and commitments approved and entered into the period ended***

Pursuant to Article L.225-40 of the French commercial code, we have been informed of the following agreements and commitments entered into in the period ended subject to prior authorisation by your Board of Directors.

### • With MARQUE VERTE SANTE

**Financial advance**

Related parties:

- Thierry CHAPUSOT, Chair of the Board of Directors of PHARMAGEST INTERACTIVE and Chair of the Management Board of MARQUE VERTE SANTE
- Dominique PAUTRAT, Managing Director of PHARMAGEST INTERACTIVE and member of the Management Board of MARQUE VERTE SANTE
- Anne LHOTE, Director of PHARMAGEST INTERACTIVE and member of the Management Board of MARQUE VERTE SANTE
- Daniel ANTOINE, Director of PHARMAGEST INTERACTIVE and permanent representative of LA COOPERATIVE WELCOOP on the Supervisory Board of MARQUE VERTE SANTE
- Hugues MOREAUX, Board representative of LA COOPERATIVE WELCOOP on the PHARMAGEST INTERACTIVE Board of Directors and Chairman of the Supervisory Board of MARQUE VERTE SANTE

Nature and purpose:

The Board of Directors' meeting of 10 December 2015 authorised PHARMAGEST INTERACTIVE to grant an advance in the amount of €4 million to MARQUE VERTE SANTE.

Terms and conditions:

MARQUE VERTE SANTE has given a firm undertaking to repay the advance in whole or in part, on PHARMAGEST INTERACTIVE's request, within a maximum of three months from the date of the request.
The advance carries interest at a minimum guaranteed rate of 1.5%. Interest is calculated quarterly and due on receipt of

invoice in cash. This rate may be revised upwards in line with market rates.
This agreement was concluded for the period from the date of its execution to 31 December 2016, and may be renewed annually by tacit agreement. On 1 April 2016, the Board of Directors authorised the signature of an amendment to this agreement, increasing the financial advance from €4 million to €20 million.
With Pharmagest Interactive's interest intact and the remaining terms and conditions unchanged, on 9 December 2016 and 4 December 2017, the Board of Directors confirmed the adoption of this clause of tacit renewal for this current account advance agreement on 1 January 2017 and 1 January 2018 respectively.
On 31 December 2017 PHARMAGEST INTERACTIVE's recognised a cash advance in the amount of €7.1 million. Interest income from this cash advance in the amount of €162.258 was recognised by Pharmagest Interactive under financial income.

The company's justifications for the agreement:

This agreement provides a guaranteed level of remuneration provided by MARQUE VERTE SANTE that is 1.5% higher than the level available on the market for short-term capital-guaranteed investments.

### *Agreements and commitments authorised and entered into after the year-end*

We have been informed of the following agreements and commitments, authorised and entered into after the end of the fiscal year and previously approved by your Board of Directors.

## • With Mr. Pautrat and Mr. Supplisson

**Long-term bonus agreement**

Related parties:

• Mr. Dominique Pautrat, Managing Director.

• Mr. Denis Supplisson, Deputy Managing Director.

Nature and purpose:

The Board of Directors, meeting on 29 March 2018, decided to award bonuses to Messrs. Pautrat and Supplisson, in connection with their employment contracts and subject to achieving the objectives set over a four-year period, from 2017 to 2020.
These bonuses which are to be paid on 31 March 2021 are also linked, in addition to achieving objectives, to conditions of presence by the beneficiaries in their current functions within the Company.

Financial terms and conditions:

• **For Mr. Dominique Pautrat:**
A long-term incentive bonus bearing, according to the level of objectives achieved, of between €0 and a gross amount of €350,000, with such objectives linked to the PHARMAGEST Group business plan, excluding health and social care facilities and upon the consolidation of business plans at the WELCOOP Group level.

• **For Mr. Denis Supplisson:**
A long-term incentive bonus bearing, according to the level of objectives achieved, of between €0 and a gross amount of €180,000, with such objectives linked to the business plan of the Pharmacy Europe business and the business plan of PHARMAGEST Group business, excluding Health and Social Care Facilities.

Provisions are made in the financial statements for the incentive bonuses each financial year on a pro-rata basis, according to progress towards achieving the targets over the four-year period.
On 31 December 2017, the amounts accrued for this purpose represented gross amounts of €31,651 for Mr. Pautrat and €25,627 for Mr. Supplisson.

The company's justifications for the agreement:

This agreement was concluded in light of the seniority of Messrs. Pautrat and Supplisson in the company, providing them with social protection for the purpose of maintaining them in their functions within the company, and their compensation in relation to the actual risks incurred. This decision complies with the principles of MiddleNext Code recommendation R13 for determining compensation of corporate officers, and namely, comprehensiveness, balance, benchmarking, consistency, understandability, proportionality and transparency.

### Agreements and commitments already approved in prior periods that remained in force during the period ended

In accordance with the provisions of Article R.225-30 the French commercial code, we were informed that the following agreements and undertakings, already approved in prior periods, remained in force in the period under review.

#### • With DIATELIC, CP INTER@CTIVE and INTECUM

**Tax consolidation agreement**

Related parties:

- Dominique Pautrat, Managing Director and Director of Pharmagest Interactive, representing Pharmagest Interactive, Chairman of Diatelic and Managing Partner of CP Inter@ctive.
- Mr. Denis Supplisson, deputy managing director and director of Pharmagest Interactive and chair of Intecum.

Nature and purpose:

On 5 December 2014 and 1 April 2016, the Board of Directors authorised Pharmagest Interactive to include Diatelic, CP Inter@ctive and Intecum in the French tax sharing agreement governed by Articles 223-A to 223-U of the French General Tax Code.

Terms and conditions:

The principle of neutrality has been retained: the parent company alone is liable for the tax expense and charges its subsidiary for the tax as if there was no tax sharing agreement.

Vandœuvre-lès-Nancy and Maxéville, 25 April 2018

The Statutory Auditors

*French original signed by:*

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|---|---|
| **Deloitte & Associés** | **Batt Audit** |
| **Anne PHILIPONA-HINTZY** | **Isabelle SAGOT** |

## 20.5 Age of latest financial information

The last financial year for which financial information was audited was 2017, ending on 31 December 2017.

## 20.6 Interim and other financial information

PHARMAGEST Group has not published any quarterly or half-yearly financial information since the date of the last audited financial statements.

## 20.7 Dividend policy

### 20.7.1 Dividend policy

The Ordinary General Meeting of PHARMAGEST INTERACTIVE on 28 June 2018 will be asked to approve a dividend distribution of €0.75 per share.

The same distribution policy will be applied for future financial years subject to compliance with the above-mentioned criteria.

### 20.7.2 Total dividend per share for the last three financial years

| Year | Dividend per share | Dividend eligible for the 40% tax credit (paid to individuals) | Dividend not eligible for the 40% tax credit (paid to legal entities) |
|---|---|---|---|
| 31/12/2014 | €2.90 | €2.90 | €2.90 |
| 31/12/2015 | €0.60 | €0.60 | €0.60 |
| 31/12/2016 | €0.65 | €0.65 | €0.65 |

The Extraordinary General Meeting on 26 June 2015 voted to approve the stock split, reducing the share value to €0.20 from €1. By way of comparison, based on the new number of shares, the dividend granted in fiscal 2014 (€2.90) would have been €0.58 per share.

### 20.7.3 Time limit after which dividend entitlement lapses

Dividends unclaimed within five years after the payment date shall be deemed time-barred and in accordance with article R-48 of the French State Property Code *(Code du Domaine de L'État)* revert to the French Treasury.

### 20.7.4 Tax system

Dividends in France are subject to flat tax *(prélèvement forfaitaire unique)* on investment income of 30% which are deducted by the company or subject to withholding taxes as follows:

- a compulsory social security contribution *(prélèvement social obligatoire)* of 17.2 %;
- a withholding tax of 12.8 % for individuals persons who are tax residents in France (Article 117 *quater* (new) of the French General Tax Code). The calculation of this amount is based on gross income. However, individuals belonging to a tax household where the reference tax income of the year before last, as defined in 1 of IV of Article 1417 is less than €50,000 for single, divorced or widowed taxpayers and less than €75,000 for taxpayers subject to joint taxation, can apply for an exemption, under the conditions provided in Article 242 quater. This withholding is applied to income tax for the year in which the dividends were paid. If it is higher than the amount of tax due, the difference is refunded.

Natural persons retain the option when filing the income tax statement for the application of progressive income tax scale to their combined earnings and capitals gains of the year after applying, if applicable, the 40% reduction on dividend payments (2° of 3 of article 158 of the French general tax code *(code général des impôts)*.

## 20.8 Litigation and arbitration

There are no state or legal proceedings or arbitration of which PHARMAGEST Group is aware to date that could have a material impact on its financial position or profitability.

Without calling into question the items mentioned above, PHARMAGEST Group indicates for information purposes that total provisions for contingencies and expenses at 31 December 2017 amounted to €4,335 thousand and included:

| | |
|---|---|
| *Provision for retirement severance payments* | €3,537 thousand |
| *Provisions for litigation* | €57 thousand |
| *Provisions for contingencies** | €742 thousand |

** This consists mainly of a provision for warranties for technical support after the sale of Rentpharm® contracts (hardware maintenance).*

## 20.9 Material change in financial or commercial condition

PHARMAGEST Group is not aware of any significant changes in its financial or commercial situation since the end of the last financial year for which the financial statements were published and audited.

# 21 ADDITIONAL INFORMATION

## 21.1 Issued capital

**Subscribed share capital**
As at 31 December 2017, the company's share capital amounted to €3,034,025 and has not changed in the period covered by the historical financial information.
It is divided into 15,174,125 shares with a par value of €0.20, all fully paid-up and of the same class.

**Non-equity shares**
There are no shares that are not representative of the capital.

**Shares in the issuer held by or on behalf of the issuer itself or by subsidiaries of the issuer**
The balance of treasury shares as at 31 December 2017 is presented herein in Section 20.3.1.5, Note 10.2 to the consolidated financial statements.

**Marketable securities**
There are no convertible securities, exchangeable securities or securities with warrants.

**Acquisition rights and/or obligations over authorised capital**
The Articles of Association do not impose specific conditions governing changes in the capital or voting rights attaching to the shares that comprise the capital.
Under the Articles of Association, changes to the capital are not subject to more restrictive conditions than those imposed by law.
At 31 December 2017, in the absence of a decision by the shareholders with respect to a capital increase, it is duly noted that no financial authorities were voted or in force.

**Capital under option or agreed conditionally or unconditionally to be put under option**
Other than the stock option plan for employees, there are no options or conditional or unconditional agreements for the share capital to be put under an option.
All procedures relating to this stock option plan are presented in the notes to the consolidated financial statements in Section 20.3.1.5 - Note 8.3.1 of this Registration Document.

**History of the share capital**
PHARMAGEST INTERACTIVE's shares are traded on Euronext PARIS™. The ISIN code is FR 0012882389.
PHARMAGEST INTERACTIVE securities were transferred to compartment B of NYSE Euronext PARIS™ with effect from 17 January 2013, as its market capitalisation rose to €182.08 million. Compartment B covers listed companies with a market capitalisation of €150 million to €1 billion.
There have been no changes to the share capital since market listing.

**Trading range and activity since April 2017**

| Month | Low (in €) | High (in €) | Trading volume (shares) | Amount (in €) |
|---|---|---|---|---|
| April 2017 | 33.65 | 39.95 | 72,367 | 2,694,148 |
| May 2017 | 37.00 | 42.00 | 58,963 | 2,364,358 |
| June 2017 | 35.10 | 43.50 | 55,143 | 2,169,495 |
| July 2017 | 37.25 | 41.90 | 46,265 | 1,843,309 |
| August 2017 | 41.60 | 46.99 | 54,767 | 2,449,419 |
| September 2017 | 44.19 | 52.55 | 77,842 | 3,745,710 |
| October 2017 | 45.70 | 51.30 | 93,610 | 4,542,813 |
| November 2017 | 42.00 | 47.34 | 86,672 | 3,838,093 |
| December 2017 | 40.63 | 45.48 | 196,826 | 8,477,874 |
| January 2018 | 44.15 | 48.00 | 46,052 | 2,149,020 |
| February 2018 | 44.05 | 55.00 | 80,183 | 3,940,983 |
| March 2018 | 50.00 | 59.60 | 56,719 | 3,083,406 |

*(Source : GILBERT DUPONT)*

**Pledges**
PHARMAGEST Group's capital is not subject to any share pledges.

## 21.2 Memorandum and Articles of Association

### 21.2.1 Corporate purpose (article 2 of the Company's Articles)

PHARMAGEST INTERACTIVE's corporate purpose is:

- The purchase, sale and representation of all office and IT equipment; consultancy in all technical organisations with a view to applying this equipment to industrial, commercial, administrative companies, whether public or private;
- Assistance and training in management, primarily in the context of office automation and IT techniques, research into the development of concepts and software development;
- Equity investments and interests by contribution, subscription, purchase of securities, shares, bonds and all company rights and other legal means in all companies or businesses related in particular to the industrial, commercial and services activities;
- The management, control, administration and enhancement of these holdings, with a view to controlling the business of the companies, providing financial management and maintaining control of a group of companies, by establishing or taking over new companies, mergers and other legal means allowed by company law;
- The provision of financial, administrative and management control and engineering services;
- And, in general, to conduct any and all commercial, industrial and financial transactions related directly or indirectly to any of the above purposes or any other similar or related purpose that contributes to the development or expansion of the Company’s business.

### 21.2.2 Board Members (article 14 of the Articles of Association)

There are no specific provisions regarding the appointment or roles and responsibilities of Board Members and the Board of Directors.

The Articles make strict reference to the legal texts applicable in the matter.

### 21.2.3 Share class

There is one class of shares (Article 7).

One voting right attached to each share. Under the terms of the fifteenth resolution to the Extraordinary General Meeting on 26 June 2015, it was resolved not to introduce double voting rights as provided by Law 2014-384 of 29 March 2014 to the holders of those shares indicated in Article L. 225-123, subsection 3 of the French commercial code.

### 21.2.4 Actions necessary to change the rights of shareholders

An Extraordinary General Meeting of Shareholders is required to change the rights of shareholders.

### 21.2.5 General Meetings

**Article 20 of the Articles of Association - General Meetings**
General Meetings are called and held in accordance with the provisions of French law.
Collective decisions by shareholders are taken at Ordinary, Extraordinary or Special General Meetings, according to the type of decisions they are called on to make.
Special General Meetings convene the holders of a particular class of share to decide on any amendment to the rights attaching to shares in this class. These Meetings are convened and deliberate under the same conditions as Extraordinary General Meetings.
The decisions of General Meetings are binding on all shareholders.

**Article 20-1 - Notice and venue of General Meetings**
General Meetings are convened either by the Board of Directors, or by the Auditors, or by a legally appointed representative under the conditions provided by law.
Meetings are held at the Company's registered office or at any other venue indicated in the notice of meeting.
Notification is provided 15 days before the Meeting date by placing a notice in a legal notices journal of the region in which the registered office is located, and by placing a notice in the official and legal notices bulletin (BALO in FRANCE). However if all shares are registered, these insertions may be replaced by notice of meeting provided at the company's expense by ordinary or registered mail sent to each shareholder.
Shareholders who have held registered shares for at least one month on the date of insertion of the notice of meeting are notified of Meetings by ordinary letter. They can request to receive notice by registered letter, provided the Company is sent the amount of the registration costs.
All owners of undivided shares are called to meetings in the same manner when their rights are recorded within the time frame provided in the previous paragraph for a shares in registered form.
The Company publishes the notice provided in Article R 225-73 of the French commercial code in the official and legal notices bulletin (BALO in FRANCE), at least 35 days before the date of the Meeting.
When the Meeting was unable to conduct proceedings due to the absence of the required quorum, the second meeting, and where applicable, the postponed second meeting, is called at least ten days in advance according to the same procedure as for the first Meeting. The notice or letters of notification of this second Meeting give the date and agenda of the first one. If the Meeting is adjourned as a result of a legal decision, the judge may set a different deadline.
Notices and notification letters must include the information required by law.

**Article 20-2 - Agenda**
The agenda for Meetings is prepared by the party convening the meeting.
One or more shareholders may request draft resolutions to be included on the agenda of the Meetings under the legal and regulatory conditions.
The Meeting may only discuss items on the agenda. However, it can in all circumstances rescind the appointment of one or more Board Members and replace them.

**Article 20-3 - Access to Meetings - powers**
The right to participate in General Meetings is subject to registration in the securities account in the name of the shareholder or the intermediary registered on the shareholder's behalf, on the second working day before the Meeting at midnight PARIS time, in the registered shares account kept by the Company, or in the bearer shares account kept by an authorised intermediary.

If attending the Meeting in person,

- For bearer shares, the shareholder must show the certification of attendance issued by the authorised intermediary;
- Owners of registered shares will be admitted to Meetings on providing proof of identity.

Shareholders may choose to be represented by another shareholder, their spouse or civil partner or by another individual or legal entity of their choice. To this purpose parties representing shareholders must possess a proxy.

Legal representatives of legally incompetent shareholders and individuals representing legal entity shareholders take part in the Meetings whether they are shareholders or not.

When shareholders are represented by a person other than their spouse or civil partner, they must be informed by the proxy of all relevant facts to enable them to assess the risk of the latter acting in interests other than the shareholders'. Information on appointing or revoking the proxy must be provided in accordance with current legal and regulatory provisions.
All those actively soliciting proxies must publish their voting policy in accordance with current law and regulations.
Any shareholder may vote by mail using a form completed and sent to the company under the conditions provided for by law and regulations and that must be received by the Company no later than three days before the meeting date to be taken into account.

Votes submitted remotely using an electronic voting form or by proxy granted using electronic signature, must comply with the current regulations, either in the form of a secure electronic signature, under the meaning of Decree 2001-272 of 30 March 2001, or in the form of a reliable identification process that guarantees the link with the document to which it is attached.

**Article 20-4 - Shareholders' rights to information**

All shareholders are entitled to receive the documents required to make informed decisions on the management and operation of the Company.

The nature of these documents and the conditions according to which they are sent or made available are set by law and regulations.

**Article 20-5 - Attendance sheet - committee - minutes**

An attendance sheet, duly signed by the shareholders present and representatives, to which is appended the proxies granted to each representative and, where applicable, the remote votes, is certified as correct by the Meeting committee.

Meetings are chaired by the Chair of the Board of Directors, or, in his/her absence, by a Director specifically chosen for such purpose by the Board. Failing this, the Meeting itself elects its Chair.

Vote counting shall be performed by the two shareholders who are present and accept such duties, representing, either on their own behalf or as proxies, the greatest number of votes.

The officers of the Meeting shall appoint a secretary who is not required to be a shareholder.

The minutes shall be prepared, and copies or excerpts of the proceedings shall be issued and certified as required by law.

**Article 20-6 - Ordinary General Meetings**

The Ordinary General Meeting makes all decisions that do not amend the Articles of Association.

It is held once a year, within the legal and regulatory time frame in force, to approve the financial statements for the past financial year.

Its deliberations are valid only if the shareholders, who are present, represented or who have submitted postal votes, own at least one-fifth of the shares with voting rights, on first notice of meeting. Upon the second convocation, no quorum is required.

Decisions are made based on a majority of votes cast by the shareholders present or represented, including those who submitted a postal vote.

**Article 20-7 - Extraordinary General Meetings**

Only the extraordinary general meeting of the shareholders has the authority to make any changes in the provisions of the articles of association. It may not, however, increase shareholder commitments, except on the occasion of a legally executed reverse share split.

Extraordinary shareholders' meeting may validly conduct business only if shareholders present, represented by proxy or voting by mail hold at least, on the first notice of meeting, one-fourth and, on the second notice of meeting, one-fifth of the shares with voting rights. If the latter quorum is not reached, the second meeting may be postponed to a date no later than two months after the date for which it was called.

Decisions are made on the basis of a two thirds majority of shareholders present or represented including shareholders having voted by mail.

## 21.2.6 Provisions of the Articles of Association that may delay, defer or prevent a change of control

**Article 9 of the Company's articles - Capital increase, reduction or redemption**

1. (…) In proportion to the number of shares they hold, the Shareholders have a preferential right to subscribe to shares for cash, issued to increase the share capital. They may waive this right on an individual basis. Moreover, they have the right to subscribe additional shares, subject to allocation, if expressly granted by the General Meeting (…).

2. The Extraordinary General Meeting of Shareholders can also, subject to creditors' rights, authorise or decide on a reduction in the share capital for any reason and in any manner whatsoever, but under no circumstances can such a reduction undermine the equality of the shareholders.

The reduction in share capital to an amount lower than the legal minimum may only be decided under the condition precedent of a capital increase to restore the capital to an amount at least equal to the legal minimum, unless the company is being converted to another company form.

Failing this, any interested party may apply to the courts to have the company wound up. This may not however be decided if on the date the ruling on the merits is rendered by the Court the issue has been corrected (…).

## 21.2.7 Provisions in the Articles of Association setting disclosure thresholds.

**Article 12-3 of the Company's articles - Transfer of shares - legal thresholds**
Any individual or legal entity that holds or exceeds, in any manner whatsoever, under the meaning of Article L 233-7 of the French commercial code, a fraction of the company's share capital specified in this Article is required to make the relevant statutory and regulatory disclosures.
In the event of failure to comply with the requirement to report crossing statutory thresholds, the shareholder or shareholders in question shall be deprived of voting rights for the portion in excess of said thresholds in accordance with provisions of article L. 233-14 of the French commercial code.

## 21.2.8 Provisions relating to changes in share capital, when such conditions are stricter than those laid down by law

The share capital may be changed, subject to compliance with applicable law (see Article 9 of the Articles of Association). There are no provisions in the Articles that are stricter than those laid down by law.

## 21.2.9 Appropriation and distribution of earnings, payment of dividends

Earnings are appropriated and distributed as follows:

**Article 23 of the Articles of Association**
The income statement, which summarises the income and expenses for the financial year, shows, after deduction of depreciation and amortisation and provisions, the profit or loss for the year. From this profit for the year, less, if applicable, any previous year's losses, at least 5% is set aside to fund the legal reserve. This deduction is no longer required once the amount of the legal reserve is equal to one-tenth of the share capital.
Distributable income consists of the profit for the financial year, reduced by any previous loss and amounts to be set aside as reserves pursuant to the law or the articles of association, and increased by previous retained earnings.
From this profit the General Meeting then deducts amounts it deems appropriate to be allocated to discretionary, ordinary or extraordinary reserves or carried forward, or to retained earnings.
Where relevant, the balance is distributed between all shareholders, in proportion to the number of shares held.
Moreover, the shareholders' meeting may decide to distribute sums taken from reserves at its disposal, expressly indicating the reserves against which the charges are to be made. As a priority, dividends are taken from the earnings for the year.
Except for capital reductions, no distribution may be made to shareholders, when shareholders' equity is, or could fall below as a result thereof, the amount of share capital plus the reserves for which distribution is prohibited by law or under the articles of association. The revaluation surplus cannot be distributed. It can be wholly or partially incorporated in the share capital.
Following approval of the financial statements by the General Meeting, losses, if any, are carried forward to be charged against the profits of subsequent fiscal years until extinguished.

**Article 24 of the Articles of Association**
Interim dividends may be distributed before the approval of the financial statements for the year when the balance sheet established during or at the end of a financial year and certified by the Statutory Auditors, shows that the Company has made a profit since the close of the last financial year, after recognising the necessary depreciation and provisions and after deducting prior losses, if any, and the sums to be allocated to reserves, as required by law or the articles of association. The total interim dividend may not exceed the total profit defined in this way.
The General Meeting may grant shareholders the option of receiving all or part of the dividend or interim dividend in cash or in shares, in accordance with applicable law.
The terms for payment of cash dividends are decided by the General Meeting or failing that by the Board of Directors.
Cash dividends must be paid no later than 9 months after the financial year-end, unless this period is extended by a court authorisation.
Shareholders may not be required to reimburse any amount of dividends unless the distribution of dividends was in violation of law, and the company establishes that the beneficiaries were aware of the unlawful nature at the time of the distribution, or could not be unaware of it given the circumstances. Where applicable, the time limit on the repayment of dividends is three years after distribution of these dividends. Dividends not claimed within five years after the payment date shall be deemed time-barred.

### 21.2.10 Share buybacks

At the General Meeting of Shareholders on 27 June 2017, shareholders authorised the Board of Directors to trade in its own shares on the market, in accordance with Articles L. 225-209 to L. 225-214 of the French commercial code and AMF regulations. This authorisation was granted for a maximum term of 18 months, as of 27 June 2017.

As at 31 March 2018, the April 1 2017 programme resulted in:

- Purchases: 77,455 shares at an average price of €43.81;
- Sales: 79,616 shares at an average price of €43.64.

At the next Ordinary General Meeting on 28 June 2018, a new programme for a further 18-month period will be submitted for the approval of shareholders in the seventh resolution.
The features of this programme are detailed in the Management Report of the Board of Directors presented to the Ordinary General Meeting on 28 June 2018.

### 21.2.11 Pledging of the issuer's securities and pledging of assets

No such pledges exist.

# 22 MATERIAL CONTRACTS

PHARMAGEST INTERACTIVE has no major contracts that place a significant obligation or commitment on any member of PHARMAGEST Group for the whole of the Group, on the date of filing of this Registration Document, apart from bank loans with pledges or covenants detailed under Section 20.3.1.5 - Note 6.5 to the consolidated financial statements herein.

# 23 INFORMATION PROVIDED BY THIRD PARTIES, STATEMENTS FROM EXPERTS AND DECLARATIONS OF SPECIAL INTERESTS

There are no reports or declarations attributed to a person acting in the capacity of expert with a significant interest.

# 24 DOCUMENTS ON DISPLAY

PHARMAGEST Group certifies that the following documents (or copies thereof) can be, as applicable, consulted at its website (www.pharmagest.com):

- Memorandum and Articles of Association of PHARMAGEST INTERACTIVE;
- All reports, letters and other documents, past financial data, and expert opinions or statements requested by PHARMAGEST Group that are included or mentioned in this Registration Document;
- Financial data for PHARMAGEST Group and its subsidiaries for the two fiscal years prior to the year in which this Registration Document is published.

## 24.1 Annual Management Report

### 24.1.1 Management report

PHARMAGEST INTERACTIVE
A FRENCH PUBLIC LIMITED COMPANY *(SOCIÉTÉ ANONYME)* WITH SHARE CAPITAL OF €3,034,825
REGISTERED OFFICE: TECHNOPOLE DE NANCY BRABOIS
05 ALLEE DE SAINT CLOUD 54600 VILLERS LES NANCY
NANCY COMPANIES REGISTER (RCS) NO. 403 561 137

MANAGEMENT REPORT
TO THE ORDINARY ANNUAL GENERAL MEETING
ON 28 JUNE 2018

**Dear Shareholders,**

Pursuant to applicable law and regulations, this General Meeting is held today for the purpose of asking you to approve the individual and consolidated annual financial statements and the appropriation of earnings for the financial year ended on 31 December 2017, approved by the Board of Directors at its meeting of 29 March 2018.

The required meeting notices were properly sent and all information provided for by articles L. 225-115 and R. 225- 83 of the French commercial code were made available to you at the registered office within the legally prescribed periods and made available online at the Company's website by the 21st day preceding the Meeting.

## Part 1 - Financial position and operations of the Company and its subsidiaries for the year ended

### 1.1. Presentation of PHARMAGEST Group

**Basis of presentation and compliance statement**

The basis of presentation and valuation methods used to prepare the documents submitted for your review are based on applicable regulations. The consolidated financial statements have been prepared according to IFRS and the separate parent company financial statements according to French GAAP.

### Fully consolidated companies

| Companies | Address | % control | % interest |
|---|---|---|---|
| PHARMAGEST INTERACTIVE | Villers-lès-Nancy (54) | Consolidating company | Consolidating company |
| ADI [(1)] | Saclay (91) | 50 | 50 |
| AXIGATE | Paris (75) | 100 | 100 |
| CAREMEDS | England | 51.82 | 51.82 |
| CPI | Dijon (21) | 100 | 100 |
| CPSI | Baie Mahault (97) | 100 | 100 |
| DIATELIC | Villers-lès-Nancy (54) | 95.29 | 95.29 |
| DICSIT INFORMATIQUE | Bezaumont (54) | 100 | 100 |
| DOMEDIC EUROPE | Villers-lès-Nancy (54) | 65 | 65 |
| EHLS | Villers-lès-Nancy (54) | 100 | 100 |
| HDM | Mauritius | 100 | 100 |
| HEALTHLEASE | Paris (75) | 100 | 100 |
| INTECUM | Villers-lès-Nancy (54) | 100 | 100 |
| KAPELSE | Villers-lès-Nancy (54) | 70 | 70 |
| MALTA INFORMATIQUE | Mérignac (33) | 100 | 100 |
| MEDICATION SYSTEMS LTD | England | 100 | 51.82 |
| MULTIMEDS | Ireland | 51 | 51 |
| NANCEO | Paris (75) | 100 | 100 |
| NOVIA SEARCH | Florange (57) | 100 | 67.97 |
| NOVIATEK | Luxembourg | 79.97 | 67.97 |
| SABCO | Luxembourg | 100 | 100 |
| SABCO SERVICES | Belgium | 100 | 100 |
| SAILENDRA | Nancy (54) | 70 | 70 |
| SCI HUROBREGA | Quéven (56) | 100 | 100 |
| WELFINITY GROUP | Luxembourg | 80 | 80 |

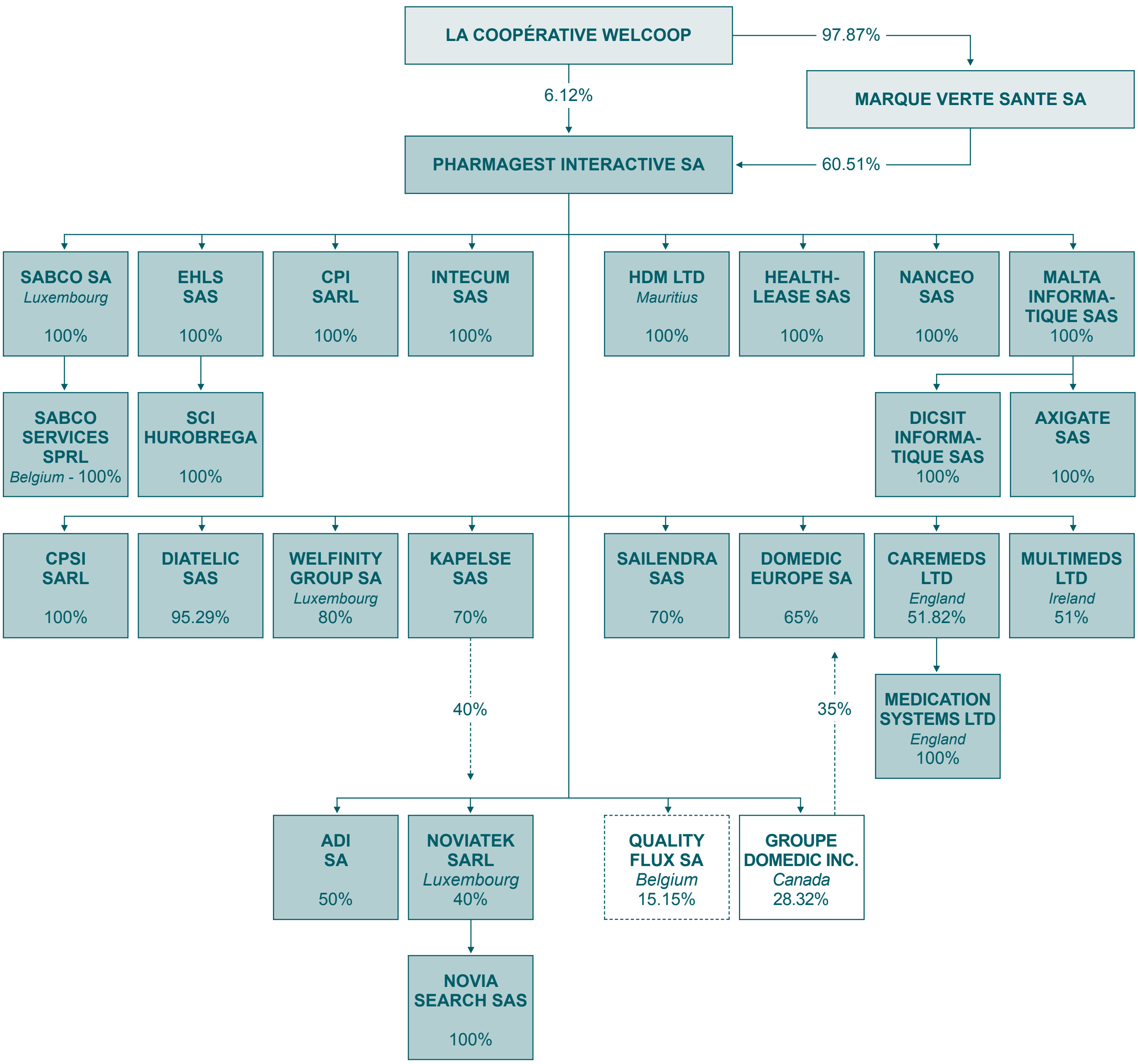
*[(1)] Given the economic and contractual relationship between PHARMAGEST INTERACTIVE and ADI (which distributes LGPI Global Services® products), and the control of the company (equal distribution of Board members, Chairman's appointment subject to the express agreement of PHARMAGEST Group), ADI which is 50%-owned, is fully consolidated.*

### Companies consolidated under the equity method

| Companies | Address | % control | % interest |
|---|---|---|---|
| GROUPE DOMEDIC INC. | Québec (Canada) | 28.32 | 28.32 |

**PHARMAGEST Group Organisation Chart**

As at the end of the financial year (31 December 2017), PHARMAGEST Group's organisation chart was as follows:




*Blue background: Parent companies;*
*Blue dark background: Fully consolidated subsidiaries;*
*White background: Equity-accounted subsidiaries;*
*Dotted outline with white background: deconsolidated subsidiary.*

The percentage of voting rights held by PHARMAGEST INTERACTIVE in each of its subsidiaries is equal to the percentage of its equity holding in these subsidiaries.

**Changes in scope during 2017**

- PHARMAGEST INTERACTIVE acquired a 51.82% equity stake in CAREMEDS Ltd., an English company, itself controlling 100% of MEDICATION SYSTEMS Ltd., an English company. This equity investment was accompanied by the acquisition of a 51% stake by PHARMAGEST INTERACTIVE in MULTIMEDS Ltd., an Irish company. These companies are specialised in developing innovative medication adherence management technologies:
  - MULTIMEDS has developed manual dispensing systems with a comprehensive and innovative patent-protected pill dispenser;
  - CAREMEDS has developed a secure cloud-based platform for tracking the medication cycle using pill dispensers. These products provide pharmacists in dispensing pharmacies and elderly residential care homes with secure medication management and batch traceability for prescription drugs prepared in pill dispensers.

- PHARMAGEST INTERACTIVE acquired an initial 80% equity stake in the capital of WELFINITY GROUP S.A., producing healthcare sector market studies;
- Completion of the final phase of TELUS's integration within GROUPE DOMEDIC INC., bringing PHARMAGEST INTERACTIVE's stake to 28.32% compared to 29.60% at 31 December 2016;
- MALTA INFORMATIQUE acquired all capital of AXIGATE, a company specialised in new technologies and a French leader in the Hospital Information Systems (HIS) sector.

In view of the non-material impact of these changes in scope, no pro forma accounts have been prepared for the consolidated financial statements.

## 1.2. PHARMAGEST Group's business

### 1.2.1. Presentation of the PHARMAGEST Group's businesses

***Description of the PHARMAGEST Group's businesses***

PHARMAGEST Group's main activity is the design of specialised management software for dispensing pharmacies and the distribution of turnkey computer solutions.

- ***Pharmacy - Europe Solutions Division:***
  - Distribution of pharmacy management software and related offerings;
  - Distribution of IT equipment, turnkey installation and training;
  - After sales services: hotline support and maintenance;
  - Data back-up.

- ***e-Health Solutions Division:***
  - In the e-Patient Business Line:
    . Solutions for monitoring treatment compliance for the chronically ill or the elderly;
    . Medical tele-monitoring system to prevent deterioration in the state of health of chronic and dependent patients treated at home;
    . Data back-up and application hosting with direct patient access.

  - In the e-Connect Business Line:
    . Solutions for secure monitoring of patients in the home and for optimising their care pathway.

  - In the e-Pharma Business Line:
    . Solutions addressing the general public (health observatories, prevention and information initiatives, a mobile app for pharmacy customers);
    . Digital Patient communication solutions for pharmaceutical companies to support pharmacists in fulfilling their new roles on the front line of patient care;
    . Training solutions and services, information and communications initiatives adapted to the pharmacies' needs.

• ***Health and Social Care Facilities Solutions Division:***
- Distribution of IT equipment, turnkey installation and training;
- Distribution of new-generation software to the customers of MALTA INFORMATIQUE, DICSIT INFORMATIQUE and its new subsidiary AXIGATE;
- After sales services: hotline support and maintenance;

• ***FinTech Division:***
- Provision of a financing platform to facilitate the management of multiple lessors.

### 1.2.2. Analysis of revenue trends

***Key figures for the consolidated group - IFRS***

Activities and results of PHARMAGEST Group, its subsidiaries and companies it controls.

| Amounts - In € thousands | 2017 | 2016 | Change |
|---|---|---|---|
| Sales of configurations<br>Maintenance and sale of databases<br>Other services, including communications services<br>Training and new product services | 83,230<br>39,643<br>1,628<br>22,304 | 71,352<br>37,692<br>1,706<br>17,631 | 16.68%<br>5.18%<br>-4.57%<br>26.50% |
| Total revenue | 146,806 | 128,381 | 14.35% |
| Current operating income<br>Operating profit<br>Net profit<br>Net profit attributable to equity holders of the parent | 34,519<br>34,519<br>24,251<br>23,135 | 31,386<br>31,386<br>21,464<br>20,567 | 9.98%<br>9.98%<br>12.98%<br>12.49% |
| Basic earnings per share attributable to shareholders of the Group after the stock split | 1.55 | 1.37 | 12.70% |

**Under IFRS,** consolidated revenue for fiscal 2017 rose 14.35% year-on-year. Gross sales came to €106,443 thousand in 2016, up from €96,897 thousand in 2016.

Material software maintenance and the renewal of the installed base of equipment under contract account for approximately 57% of PHARMAGEST Group revenue. These activities represent significant indicators for annual revenue.

Operating expenses (staff costs + general expenses + taxes) amounted to €67,763 thousand. The 9% increase in relation to 2016 is largely due to the increase in staff costs (+ €2,549 thousand) and general expenses (+ €2,821 thousand).

Operating profit was up in consequence 10% to €34,519 thousand from the previous year.

Net financial income amounted to €591 thousand based on €1,149 thousand in financial income and €558 thousand in financial expenses.

Consolidated net profit amounted to €24,251 thousand with €23,135 thousand attributable to equity holders of the parent and €1,116 thousand attributable to non-controlling interests. The increase in the Group share of net profit was 12.49%.

PHARMAGEST Group registered growth in net cash flow of €8 thousand after a decrease in available-for-sale securities of €4,060 thousand and cash flows from operating activities of €27,477 thousand (IFRS).

The Group has a very solid financial structure. At year-end, equity attributable to equity holders of the parent amounted to €113,248 thousand and net cash (i.e. available-for-sale securities, other financial assets cash and cash equivalents minus financial assets and short-term and long-term facilities) amounted to €57,287 thousand. Cash net of current financial liabilities totalled €53,030 thousand.

### *PHARMAGEST INTERACTIVE (separate financial statements)*

| Amounts - In € thousands | 2017 | 2016 | Change |
|---|---|---|---|
| Sales of configurations | 48,959 | 47,066 | 4.02% |
| Maintenance and sale of databases | 30,594 | 29,904 | 2.31% |
| Other services, including communications services | 1,431 | 1,581 | -9.49% |
| Training and new product services | 10,439 | 9,513 | 9.73% |
| **Total revenue** | **91,423** | **88,064** | **3.81%** |
| Operating profit | 20,022 | 20,507 | -2.37% |
| Net profit | 13,920 | 13,781 | 1.01% |

### *Main subsidiaries (separate financial statements)*

| In € thousands | Revenues | Operating profit | Operating income before tax | Net profit |
|---|---|---|---|---|
| HEALTHLEASE | 43,078 | 2,143 | 2,163 | 1,507 |
| EHLS | 20,556 | 1,147 | 1,186 | 779 |
| NANCEO | 18,878 | 270 | 268 | 179 |
| KAPELSE | 9,756 | 4,419 | 4,152 | 2,825 |
| MALTA INFORMATIQUE | 9,149 | 4,136 | 4,114 | 2,759 |
| AXIGATE [1] | 4,834 | 1,429 | 1,430 | 1,590 |
| ADI | 5,718 | 1,052 | 1,052 | 727 |
| SABCO | 3,124 | -130 | -130 | -139 |
| DICSIT INFORMATIQUE | 2,787 | 788 | 788 | 540 |

*[1] Data in the period following AXIGATE's integration into PHARMAGEST Group.*

### *Branch offices*

PHARMAGEST Group operates through a network of 45 sites described in the Registration Document under section 8.1. PHARMAGEST INTERACTIVE's operations are conducted at its principal place of business in VILLERS-LES-NANCY and its 23 secondary sites.

### *Research and Development*

The Research & Development Department has 145 employees for the entire Group.

Pursuant to IAS 38, we identified development projects meeting all criteria required to record expenses on the balance sheet. Information on total development expenditures capitalised in 2017 in accordance with this standard is provided below:

- For projects generating future income (revenue from the sale of products or services):
  - €1,646 thousand capitalised in the separate financial statements of AXIGATE, DIATELIC INTECUM, KAPELSE, NOVIATEK and SAILENDRA;
  - €3,099 thousand restated according to IAS 38 for PHARMAGEST INTERACTIVE, MALTA INFORMATIQUE, DICSIT INFORMATIQUE, CAREMEDS and WELFINITY GROUP including €948 thousand for outsourced expenditures.

***Highlights of the financial year***

**PHARMAGEST Group accelerates its expansion in Belgium**

The Pharmacy Belgium and Luxembourg Business Line, through its subsidiary SABCO, executed a supply agreement with the leading Belgian pharmaceutical distribution network, MULTIPHARMA. MULTIPHARMA group has preselected and recommended SABCOs solutions to its network of more than 300 of pharmacies and parapharmacies. The terms of this partnership are based on shared engagements to improve the profitability of MULTIPHARMA member pharmacies and parapharmacies, promote the pharmacist's role and offer these members the most effective software system in the Belgian market equipped with multitude of functionalities.

Through this partnership, SABCO's market share will increase from 12% to 18%, at the end of the deployment phase.

**Monitoring medication adherence: PHARMAGEST Group's expansion into the United Kingdom and Ireland through recent acquisitions**

Majority stakes acquired into MULTIMEDS, an Irish company, and CAREMEDS, a UK company, specialised in developing innovative technologies to manage medication compliance. MULTIMEDS has developed manual dispensing systems with a comprehensive and innovative patent-protected pill dispenser; CAREMEDS has developed a secure cloud-based platform for tracking the medication adherence cycle using pill dispensers. These products provide pharmacists in dispensing pharmacies and elderly residential care homes with secure medication management and batch traceability for prescription drugs prepared in pill dispensers.

These two complementary offerings benefit from solid market positions (United Kingdom, Germany, Portugal, Spain, Malta, etc.) and fit perfectly with the PHARMAGEST Group's strategy for patient-centred medication compliance.

**A major acquisition in the hospital information systems market with MALTA INFORMATIQUE**

MALTA INFORMATIQUE, a PHARMAGEST Group subsidiary, acquired AXIGATE, a company specialised in new technologies and a French leader in the Hospital Information Systems (HIS) sector. AXIGATE is developing a 100% cloud-based solution for patient care management for hospitals This acquisition of international scope opens up opportunities for PHARMAGEST Group to develop in the hospital sector. AXIGATE's integration into the Health and Social Care Facilities Solutions Division completes its existing offer for elderly residential homes (EHPAD), Hospital at Home programs, home-based nursing programs (SSIAD) and Local Information and Coordination Centres for Older Persons) (CLIC). This will provide functional synergies, particularly for ensuring continuity and the healthcare pathways.

**Artificial Intelligence: The new clustering algorithm developed by SAILENDRA is recognised at the UMAP 2017 conference**

Researchers at Sailendra and Professor Anne Boyer, a founding member of SAILENDRA and professor at the Laboratoire Lorrain de Recherche en Informatique et ses Applications (LORIA) of the University of Lorraine, were rewarded at the Conférence UMAP 2017 conference held in Bratislava (Slovakia) from 9 to 12 July. UMAP (User Modelling, Adaptation and Personalisation) is the premier international conference for researchers and practitioners throughout the world working on recommender systems and Artificial Intelligence. The title of the article published was: *"A New Statistical Density Clustering Algorithm based on Mutual Vote and Subjective Logic Applied to Recommender Systems"*. The publication of this article in the conference proceedings constitutes major recognition by the international scientific community of the research work spearheaded by the SAILENDRA scientific team.

As a reminder, SAILENDRA is an innovative French start-up specialised in artificial intelligence-based behavioural analysis solutions that designs and develops purchase optimisation solutions for e-commerce. The excellence of its know-how is highlighted by the scalable algorithms that can be easily updated.

### 1.2.3. Statutory aged trial balance information for payables and receivables

As required by French law (articles L. 441-6-1 et D. 441-4 du Code de commerce), aged trial balance information for payables and receivables is provided below, including a breakdown of invoices received and issued unpaid at year-end and past due.

### *Invoices received*

| | Article D. 441-4, I, 1° of the French commercial code: Received invoices unpaid at the end of the reporting period past due | | | | |
|---|---|---|---|---|---|
| | 1 to 30 days | 31 to 60 days | 61 to 90 days | 91 days or more | Total (1 day or more) |
| **(A) Late payment date ranges** | | | | | |
| Number of invoices concerned | Not applicable | | | | 86 |
| Amount of invoices concerned incl. VAT | 182,446 | 22,648 | 24,960 | 3,492 | 233,546 |
| Percentage of the total purchases of the period incl. VAT | 0.33% | 0.04% | 0.05% | 0.01% | 0.43% |
| Percentage of revenue of the period | Not applicable | | | | |
| **(B) Invoices excluded from (A) relating to disputed or unrecognised payables** | | | | | |
| Number of invoices excluded | 29 | | | | |
| Total amount of invoices excluded incl. VAT | 20,913 | | | | |
| **(C) Applicable payment period of reference (contractual or legal- article L. 441-6 or article L. 443-1 of the French commercial code)** | | | | | |
| Payment periods applied for the calculation of late payment charges | Contractual payment periods: 30 days from the invoice date<br>Legal payment period: Undisclosed | | | | |

### *Invoices issued*

| | Article D. 441-4, I , 2° of the French commercial code : Issued invoices unpaid at the end of the reporting period that are past due | | | | |
|---|---|---|---|---|---|
| | 1 to 30 days | 31 to 60 days | 61 to 90 days | 91 days or more | Total (1 day or more) |
| **(A) Late payment date ranges** | | | | | |
| Number of invoices concerned | Not applicable | | | | 3,561 |
| Amount of invoices concerned incl. VAT | 3,314,096 | 844,915 | 247,451 | 971,662 | 5,378,125 |
| Percentage of total purchases of the period | Not applicable | | | | |
| Percentage of revenue of the period | 3.03% | 0.77% | 0.23% | 0.88% | 4.92% |
| **(B) Invoices excluded from (A) relating to disputed or unrecognised receivables** | | | | | |
| Number of invoices excluded | 618 | | | | |
| Total amount of invoices excluded incl. VAT | 227,703 | | | | |
| **(C) Applicable payment period of reference (contractual or legal- article L. 441-6 or article L. 443-1 of the French commercial code)** | | | | | |
| Payment periods applied for the calculation of late payment charges | Contractual payment periods: 30 days from the invoice date<br>Legal payment period: Undisclosed | | | | |

### 1.2.4. Fees paid to auditors

| Audit - in € | BATT AUDIT | | | | MAZARS | | | | DELOITTE* | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Amount (before tax) | | % | | Amount (before tax) | | % | | Amount (before tax) | | % | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| *Statutory auditing:* | | | | | | | | | | | | |
| PHARMAGEST INTERACTIVE | 38,250 | 38,250 | 52% | 59% | NL | 38,250 | 0% | 82% | 34,500 | NL | 86% | 0% |
| Consolidated subsidiaries | 34,500 | 26,700 | 47% | 41% | 10,596 | 8,500 | 100% | 18% | 0 | NL | 0% | 0% |
| Other audit-related services | 0 | 0 | 0% | 0% | 0 | 0 | 0% | 0% | 0 | NL | 0% | 0% |
| **Subtotal** | **72,750** | **64,950** | **99%** | **100%** | **10,596** | **46,750** | **100%** | **100%** | **34,500** | **NL** | **86%** | **0%** |
| Other services provided to subsidiaries | 0 | 0 | 0% | 0% | 0 | 0 | 0% | 0% | 0 | 0 | 0% | 0% |
| Legal, tax, social | 0 | 0 | 0% | 0% | 0 | 0 | 0% | 0% | 0 | 0 | 0% | 0% |
| Information technologies | 0 | 0 | 0% | 0% | 0 | 0 | 0% | 0% | 0 | 0 | 0% | 0% |
| Internal Audit | 0 | 0 | 0% | 0% | 0 | 0 | 0% | 0% | 0 | 0 | 0% | 0% |
| Other (indicate if > 10% of audit fees) | 1,000 | 0 | 0% | 0% | 0 | 0 | 0% | 0% | 5,500 | 5,500 | 14% | 100% |
| **Subtotal** | **1,000** | **0** | **1%** | **0%** | **0** | **0** | **0%** | **0%** | **5,500** | **5,500** | **14%** | **100%** |
| **TOTAL** | **73,750** | **64,950** | **100%** | **100%** | **10,596** | **46 750** | **100%** | **100%** | **40,000** | **5,500** | **100%** | **100%** |

** Appointed by the Ordinary General Meeting of 27 June 2017 for a term of six years.*

## 1.3. Subsequent events

The main subsequent events occurring after the end of the 2017 reporting period were as follows:

- PHARMAGEST Group carried out a simplified merger *(transmission universelle de patrimoine)* entailing the dissolution of CPSI and the global transfer of its assets and liabilities to PHARMAGEST INTERACTIVE;
- At the 2018 Global Stage for Innovation (CES) held in Las Vegas, PHARMAGEST Group presented its latest solutions for supporting in-home care for elderly or fragile persons: NoviaCare and CareLib;
- PHARMAGEST INTERACTIVE acquired a majority equity stake (60%) in the Italian company MACROSOFT HOLDING, an Italian limited liability company with capital of €10,000 registered in MACERATA, Italy (REA No. MC 165 033). The company is specialised in IT equipment and services for pharmacy wholesalers-distributors and the sale of innovative software solutions for Italian pharmacies. MACROSOFT HOLDING controls:
  - 100% of the capital of MACROSOFT SRL, an Italian limited liability company with capital of €52,000 registered in MACERATA, Italy (REA No. MC 103 315).
  - 100% of the capital of INFARMA SRL, an Italian limited liability company with capital of €102,000 registered in BOLOGNA, Italy (REA No. BO 414 859), with 20% directly held by MACROSOFT HOLDING and 80% by MACROSOFT SRL.
  - 100% of the capital of TEKNEMA SRL, an Italian limited liability company with capital of €10,000 registered in MACERATA, Italy (REA No. MC 123 781).
  - 100% of the capital of INSERVICE SRL, an Italian limited liability company with capital of €10,000 registered in MACERATA, Italy (REA No. MC 142 975).
  - 100% of the capital of MACROSOFT BUILDING SRL, an Italian limited liability company with capital of €10,000 registered in MACERATA, Italy (REA No. MC 165 201).

  MACROSOFT HOLDING's corporate name was changed to PHARMAGEST ITALIA.

## 1.4. Outlook and strategic guidelines set by the Board of Directors

PHARMAGEST Group implemented its two-pronged strategy in 2017, namely adopting a patient-centred approach and pursuing international expansion. This involved acquiring a number of equity stakes:

- CAREMEDS: an English company, an independent software vendor specialised applications for securing the medication pathway equipping more than 1,600 retirement homes in England;
- MULTIMEDS: an Irish company manufacturing an innovative (patent-protected) manual pill dispenser, distributed in Great Britain, Ireland, Spain, Germany and now France by the teams of the PHARMAGEST Group's e-Health Solutions Division;
- AXIGATE: a French company specialised in Electronic Medical Records for hospitals. AXIGATE's solutions supplement PHARMAGEST Group's IT offering by expanding for the first time into the hospital segment. AXIGATE solutions, available on a web responsive Cloud basis, are among the most innovative on the market in the area of patient file and pathway management. These represent significant advantages, especially for regional hospital groups.

PHARMAGEST Group will continue in 2018 to both deploy its patient-centred strategy and support pharmacists' in exercising their mission as healthcare coordinator.

Historically focused on IT solutions for healthcare professionals, PHARMAGEST Group and its employees are engaged promoting the ambitions of its lead shareholder, LA COOPERATIVE WELCOOP. As a stakeholder in Health and Well-Being, by focusing its strategy on the patient and becoming a valuable contributor to the healthcare system, PHARMAGEST Group provides solutions for improved, more effective and cost-efficient patient care. Every new project initiated by PHARMAGEST Group answers positively to two key questions:

- Will it provide benefits for the patient?
- Will it make the healthcare system more efficient?

PHARMAGEST Group is contributing to building a global healthcare ecosystem designed to achieve the following objectives:

- Propose the first cloud-based healthcare platform, providing healthcare professionals with the right information for the right patient at the right time, and in this way contributing to a safer and more effective treatment process. Through its software solutions for Pharmacies, Elderly Residential Care Facilities, Hospitals at Home, and Hospitals and its experience in artificial intelligence, PHARMAGEST Group possesses unique know-how for integrating this information into the specialised business applications for healthcare professionals and paramedical services.
- Contribute to improved medication adherence. Our solutions support patients in following their treatment while reducing the cost of noncompliance. Healthcare systems and economies are being revolutionised by new technologies, particularly digital. PHARMAGEST Group has for a long time been anticipating these transformations by understanding that the challenge for connected health laid above all in the computer processing of the data collected, notably through connected objects to conduct analysis and anticipate changes in the patient health through artificial intelligence.
  - Enhancing the security of home-based care solutions for patients or elderly persons At the present time, while patients enter a care pathway when entering the universe of the healthcare professional (medical practice, pharmacy, etc.), when they return home, they are left to their own devices This also applies to the non-dependent elderly. PHARMAGEST Group's goal is to develop home-based care solutions which allow patients to remain in their home for as long as possible with complete autonomy. These solutions may be technological in nature, for example with NOVIACARE, CARELIB, or DO-Pill SecuR™, but also in the form of services like the audits conducted by D'MEDICA, PHARMAGEST INTERACTIVE's sister company;
  - Strengthening the network of pharmacies through synergies with other LA COOPERATIVE WELCOOP subsidiaries. Specifically, by organising the efficient flow of patient information across the care pathway phases, PHARMAGEST Group will be able to offer pharmacists with a technology offering them a greater knowledge of the patient.

By maintaining this forward-looking and innovative-based strategy in developing healthcare IT solutions and by investing and acquiring unique comprehensive know-how, PHARMAGEST Group will remain a key contributor for addressing the new challenges for achieving greater healthcare system efficiencies in Europe, while continuing to guarantee the quality of patient care at the heart of these systems.

# Part 2 - Key risks and uncertainties - Internal control

## 2.1. Internal controls and risk management procedures implemented by the company

### 2.1.1. Principles of risk management and internal control

#### *Sensitive information*

In essence, the risks to which the Group is exposed are potential vulnerabilities. By their nature, this is sensitive information. Pursuant to Article 223-2-II of the AMF General Regulation, issuers can legitimately defer publication of sensitive information, provided they can ensure the confidentiality of this information. Hence, PHARMAGEST Group seeks to achieve a fair balance between providing accurate information to the markets and investors and potential damage to its legitimate interests through the disclosure of some sensitive information.

#### *Scope of risk management and internal control*

The risk management and internal control systems apply to all companies of PHARMAGEST Group. On that basis, consistency checks and ad hoc controls are performed on subsidiaries controlled by PHARMAGEST INTERACTIVE, as well as equity-consolidated companies, according to the instructions of the Group's Management.

With regards to PHARMAGEST Group, risks assumed are a reflection of efforts to identify opportunities and a commitment to grow its business in an environment by nature subject to uncertainties, and as such are not considered as a source of concern.

#### *Limits of risk management and internal control*

The context inside and outside the Company may change; Therefore, the information on risks reflects risks at a particular point in time. We do not claim that the information provided in this report is exhaustive. It does not cover all the risks to which the Company may be exposed in conducting its business, but only what are considered to be the specific most sensitive risks.

Risk management and internal control procedures provide further control over the activities of the Group and aims to ensure that all risks are understood. Like any control system, however, it can only provide a reasonable guarantee that risks are eliminated.

#### *Objectives of risk management and internal control*

| System | Objectives |
|---|---|
| Risk management | • Create and safeguard the company's value, assets and reputation;<br>• Establish secure decision-making and corporate processes to achieve its objectives;<br>• Promote actions that reflect the company's values;<br>• Mobilise personnel around a shared vision of the main risks. |
| Internal controls | • Ensure compliance with law and regulations;<br>• Ensure the implementation of compliance with executive management guidelines;<br>• Ensure efficient internal processes, particularly those that help to safeguard the Company's assets;<br>• Ensure that the Group's accounting, financial and management information communicated to management bodies is reliable and fairly stated. |

### 2.1.2. Governance for risk management and internal control

#### *The role of governance*

PHARMAGEST Group's system of governance for overseeing risk management and internal control procedures consists of the following:

| Missions | Stakeholders |
|---|---|
| Risk identification and management | • Internal audit;<br>• Management control;<br>• Line managers according to their area of competence;<br>• The Finance and Personnel Management Committee;<br>• The Management Committees for the businesses and the Steering Committees operating in project mode. |
| Supervision of risk management | • Administration and Finance Department. |
| Risk review | • The Audit Committee;<br>• Executive management;<br>• The Board of Directors. |

#### *Internal control and risk management*

PHARMAGEST Group is equipped with a dedicated service devoted to internal control whose primary activity is to prepare the risk mapping and implement internal guidelines. This department reports to PHARMAGEST Group's Executive Management.

**Risk mapping**

The risk management process focuses on identifying risks in each operating and functional department which are then mapped; The Internal Audit Department maps risks at least every three years and updates may be performed at any time, in response to business developments, the environment, or changes in management organisation, which could lead to a change in how risk is identified.

The risk maps are presented and commented on to general management and the Audit Committee.

The approach to addressing risk is then analysed in order to select the most appropriate action programmes for the Group. To contain risks within acceptable limits for departments, measures may be initiated to reduce, transfer, eliminate or indeed accept the risk. An internal control process is established to deal with the risks identified.

**Internal procedures**

PHARMAGEST Group continues to work on a manual of internal procedures. The manual is provided to all personnel with access rights to be implemented as required. The aim of the manual is to improve our operations and in particular to describe:

- PHARMAGEST Group's main activities are executed according to the following steps;
- Determining the conditions for conducting operations;
- The responsibilities assigned to personnel for each stage of operations;
- The tools provided to participants;
- Performing controls to ensure that operations are properly carried out (self-assessment, management checks, internal and external audits, etc.).

The procedures manual is not limited only to procedures for increasing the reliability of accounting and financial information (operating cycle, investment cycle, financing cycle and cash cycle, amongst others) or extra-financial information (CSR) and includes the various processes identified by the Group, such as:

• Purchasing and logistics services;
• Sales, business development and marketing;
• Customer service (installation, training, telephone help line, after-sales service);
• Information systems and network security;
• Human resources management;
• Protection of assets (brands, programmes, etc.).

The Administration and Finance Department ensures compliance with internal procedures using existing controls and procedures, and carries out random checks in the event of failure to keep to budgets.

No material anomalies or issues were detected during the checks carried out in fiscal 2017.

**Improvement process**

Risk management and internal control is supported by a process of continuous improvement. It aims to continually identify and assess new risks, measure the control system's ability to effectively contain these risks, introduce necessary improvements and monitor their effectiveness.

In 2017, the main actions in this regard included:

• Strengthening controls of risks of fraud and errors by random checks on procedural compliance;
• Ongoing critical analysis of the relevance and correct application of existing provisions relating to the organisation, procedures and information systems;
• Reinforcing financial risk management tools in the subsidiaries;
• Updating PHARMAGEST Group's risk map;
• Implementing measures to combat corruption (the "Sapin II" law);
• Auditing tools implemented for the application of the French Sunshine Act (the "Bertrand law").

The main actions for 2018 are as follows:

• Ongoing controls of risks of fraud and errors by random checks on procedural compliance;
• Ongoing critical analysis of the relevance and correct application of existing provisions relating to the organisation, procedures and information systems;
• Reinforcing financial risk management tools in the subsidiaries;
• Monitoring priority action programmes by the Audit Committee;
• Evaluation and management of the risks of newly consolidated or newly formed companies;
• Strengthening measures to combat corruption (the "Sapin II" law);
• Implementation of the EU General Data Protection Regulation (GDPR).

PHARMAGEST Group will continue to gradually adapt its internal control and risk management system to the reference framework proposed by the AMF in order to continue to focus on the management of risks, processes and control processes and activities and permanent oversight.

**Preparation and control of financial and accounting information for shareholders**

The general management team and the Administration and Finance Department are responsible for the preparation of accounting and financial information for shareholders. Through the Audit Committee, the Board of Directors exercises permanent oversight of the financial information and the procedures used to compile it.

The Audit Committee and the Board of Directors use the analytic information provided by management control and Internal Audit.

The procedures for the preparation of the consolidated financial statements are primarily based on:

- Ensuring harmonisation of rules and methods;
- Continuous information on accounting developments and changes in IFRS based on accounting and financial documentation and meetings organised by MiddleNext and the AMF focusing on specific topics;
- Use of a specific consolidation system;
- Audit of the main changes and operations in Group companies to clarify restatements.

The consolidated financial statements are prepared quarterly and submitted for approval to the Board of Directors.

**Relations with Statutory Auditors**

The true and fair view of the separate annual financial statements of PHARMAGEST INTERACTIVE and PHARMAGEST Group, and the information provided to shareholders are subject to certification by two Statutory Auditors who present the conclusions of their audit engagements to the Audit Committee.

## 2.2. Analysis of risks and the use of financial instruments

In accordance with article L.225-100-1 of the French commercial code, PHARMAGEST Group management presents the main risks and uncertainties that it considers may pose a risk to the company as a going concern or have a material effect on the company's business and/or development.

### Operating risks inherent to the Group's business

| Risks | Description of the risk | Preventive measures and remedial actions |
|---|---|---|
| Competition | Loss of market share, arrival of a disruptive competitor. | PHARMAGEST Group is the leader in its market and therefore exposed to fierce competition.<br><br>This risk is monitored by the Management Committees for the different businesses which report directly to general management. |
| Economic environment | Impacts related to government decisions that directly affect PHARMAGEST Group's customers. | PHARMAGEST Group protects itself against this risk through its strong capacity for anticipation and continuing innovation in developing solutions to help pharmacists meet the challenges of the constantly evolving healthcare universe.<br>This risk is monitored by the Management Committees with responsibility for legal intelligence for the different businesses and reporting directly to general management.<br>The diversification of its customer base and international coverage reduces exposure to this risk. |
| Information systems and network security | • Data irretrievably lost or altered rendering them unusable;<br>• Data or processing unavailable for a long period of time, leading to shutdown of a service;<br>• Disclosure of confidential or mistaken information that could benefit competing companies or damage the Group's image. | PHARMAGEST Group introduced three completely separate architectures: one for its internal needs, one for customer products and services, and one for customers of its personal health data hosting services.<br>Each architecture incorporates tried-and-tested security methods and firewall systems. Services are hosted on two sites in separate locations and on servers with redundancy.<br><br>A business continuity plan, a back-up and archive plan and a disaster recovery plan were introduced in 2013 in the departments considered to be the most critical.<br><br>These risks are monitored by general management within the Finance and Personnel Management Committee. |
| Social risks | Labour movements, strikes as a result of a deterioration of the Labour relations environment that could tarnish the Group's image in the media. | It has a very dynamic earnings distribution policy as well as a statutory profit-sharing scheme. In addition, the ESU has a voluntary profit-sharing plan *(intéressement)*. Other Group companies that are not party to this agreement have their own incentive-based systems. PHARMAGEST Group has established a stock option plan for its employees.<br><br>This risk is monitored by the Human Resources Department within the Finance and Personnel Management Committee which reports to general management. |
| Risk of fraud and error | Financial impact as a result of failure to detect fraud or error. | This risk is monitored by the Administration and Finance Department within the Finance and Personnel Management Committee which reports to general management. |
| Insurance risks | Insurance risks linked to an event whose occurrence might result in material or consequential losses. | All risks are covered and policies include no major excess. PHARMAGEST Group is fully covered by the insurance policies subscribed by LA COOPERATIVE WELCOOP and considers that these insurance policies provide reasonable cover for all the major risks inherent to its business and that its insurance strategy is in line with industry standards. |
| Risks relating to management of the organic growth of the Group | A strategy that is not adequately defined leads to:<br>• Investment errors,<br>• A lack of understanding of the company's strategy, objectives and ambitions. | In developing its new activities, PHARMAGEST Group regularly communicates about its strategy and objectives to ensure that every employee has an understanding of its business or geographical diversification and remains informed about the Group's development over the medium term.<br><br>This risk is monitored by the Management Committees for the different businesses and Executive Management. |
| Risks related to external growth and international development | New risks associated with the integration of entities, establishing operations in new markets and the international development of PHARMAGEST Group's solutions. | In connection with external growth (international or not) PHARMAGEST Group may be assisted by outside firms to identify potential targets and validate projects.<br><br>To support this international development, PHARMAGEST Group has:<br>• Implemented in 2017 an organisation capable of being replicated within its Divisions,<br>• Strengthened the language skills of top and middle management,<br>• Systematically given priority to ensuring a local presence with the implementation of Steering Committees and reporting tools.<br><br>This risk is monitored by the Management Committees for the different businesses which report directly to general management. |

### Regulatory and legal risks

PHARMAGEST Group's main activity of pharmacy management software publishing is not subject to specific regulations and requires no particular legal, regulatory or government authorisations.However, a certain number of legal and regulatory factors are closely monitored:

| Risks | Description of the risk | Preventive measures and remedial actions |
|---|---|---|
| Loss of the SESAM-Vitale accreditation | Inability to offer pharmacy solutions that are compatible with the French Health and Social Security Network (sending e-forms, etc.). | This risk is monitored by the Technical Department with responsibility for R&D in the Financial and Personnel Management Committee, which reports to general management. |
| Loss of the personal health data host accreditation | Inability to offer pharmacy solutions requiring personal health data hosting to ensure: secure processing, protection and confidentiality of the data to guarantee data protection, system availability and continuity of services. | The department responsible for hosting personal health data adopted the ITIL (Information Technology Infrastructure Library) Version 3 approach in 2010 (with ITIL-certified employees). ITIL is a set of best practices for the management of information systems aimed, amongst others, at reducing risks.<br>Since 2017, Pharmagest has been engaged in ISO 27001 certification process (Information security management systems). |
| Lack of intellectual property protection | Introduction of a strategy to protect intellectual property that is not suitable for the Group's markets. | The Group owns the patent for the LGPI Global Services® software in France. The Group's subsidiaries hold patents for developed systems.<br>All the brands and domain names used by PHARMAGEST Group and its subsidiaries are registered in France and some of them are also registered in Europe.<br>The Group systematically files the copyright to the sources and new versions of its software with the Agency for the Protection of Programs (APP). |

PHARMAGEST Group has no concession contract, marketing or distribution licence that would expose it to a legal risk.
PHARMAGEST INTERACTIVE holds all the assets required for its operation and is not subject to specific tax conditions.

There are no administrative, governmental, judicial or arbitration proceedings, including any proceedings of which PHARMAGEST Group is aware, whether pending or threatened, that are liable to have, or have had in the last 12 months, a material impact on the financial position or profitability of the Company or the Group.

### Industrial and environmental risks

Because PHARMAGEST Group does not have any industrial activities, it does not have any particular exposure to industrial risks (See the Corporate Social Responsibility report, included in this annual management report).

### Financial risks

PHARMAGEST Group conducted a study of its main financial risks, and namely:

| Risks | Description of the risk | Preventive measures and remedial actions |
|---|---|---|
| Liquidity risk | The risk of inadequate liquidity to cover daily requirements or the risk incurred by PHARMAGEST Group if obliged to rapidly obtain funds entailing an excessively high premium in a difficult market context. | PHARMAGEST Group's different sources of financing are:<br>• For short term needs, PHARMAGEST Group makes use of available cash, bank overdraft facilities and funds in euros;<br>• To meet additional needs over the medium term, PHARMAGEST Group may draw from unit-linked investments;<br>• Bank overdraft facilities and medium- and long-term borrowings.<br><br>It has secured the option to access credit in the event substantial capital expenditure is required.<br><br>To optimise management of financial flows, a centralised coordination of cash flow is in place at two of the Group's major banks and with the main PHARMAGEST Group companies.<br><br>This risk is monitored by the Administration and Finance Department within the Finance and Personnel Management Committee which reports to general management. |
| Interest rate risk | PHARMAGEST Group's exposure to interest rate risk relates to floating-rate loans (sensitivity to rate increases). | PHARMAGEST Group gives priority to fixed-rate borrowings.<br><br>This risk is monitored by the Administration and Finance Department within the Finance and Personnel Management Committee which reports to general management. |
| Exchange rate risk | Uncertainties with respect to exchange rates for a given currency in relation to another in the short or medium turn.<br>• Commercial exchange rate risk: import/ export transactions invoiced in a foreign currency.<br>• Financial exchange rate risk: borrowing transactions or loans denominated in a foreign currency.<br>• Economic exchange rate risk: an improvement or deterioration in the company's competitive position in relation to its competitors located in another country use another currency. | Because the majority of PHARMAGEST Group's purchases and sales are in euros, its exposure to this risk is very limited.<br><br>However, as a result of its international development, the Group pays particular attention on the choice of the invoicing currency defined by contract with third parties or the implementation of investment strategies factoring in exchange rate risks.<br><br>This risk is monitored by the Administration and Finance Department within the Finance and Personnel Management Committee which reports to general management. |
| Risks on equities and other financial instruments | Unfavourable fluctuations in the share price negatively impacting the value of financial instruments. | Having opted in favour of unit-linked vehicles in order to obtain a better return from cash investments, PHARMAGEST Group considers its exposure to this risk as limited.<br><br>Nonetheless, we closely monitor the financial position of AXA, responsible for managing the capital redemption contract.<br><br>This risk is monitored by the Administration and Finance Department within the Finance and Personnel Management Committee which reports to general management. |
| Credit or counterparty risk | The risk of losses resulting from a counterparty's failure to respect its financial obligations. | PHARMAGEST Group conducts regular reviews of its main debtors and trade receivable accounts.<br><br>This risk is monitored by the Administration and Finance Department within the Finance and Personnel Management Committee which reports to general management. |

# Part 3 - Shareholders

## 3.1. PHARMAGEST INTERACTIVE share buyback authorisation

**Summary of the share repurchase programme**

The Annual General Meeting of 27 June 2017, authorised the Board of Directors to trade in the Company's own shares, in accordance with Articles L 225-209 et seq. of the French commercial code and statute and regulations in force at the time of the transaction.

This authorisation was granted for a maximum of eighteen months starting on 27 June 2017 until 26 December 2018.

At 31 December 2017, PHARMAGEST INTERACTIVE held the following treasury shares, directly or indirectly:

- 29,699 under a liquidity contract;
- 195,510 under a share buyback programme;

or a total of 225,209 shares representing 1.48% of the current share capital.

At 31 December 2017, under this programme, used via the liquidity contract, 88,718 shares were purchased for an average share price of €41.16, and 88,945 were sold for an average price of €40.93.

PHARMAGEST INTERACTIVE holds 100% of the current liquidity contract.

The Board of Directors reports to you on the completion of the share buyback programme authorised by the General Meeting on 27 June 2017 for the period from 1 April 2017 to 31 March 2018.

As at 31 March 2018, the April 1 2017 programme resulted in:

- Purchases: 77,455 shares at an average price of €43.81;
- Sales: 79,616 shares at an average price of €43.64.

As at 31 March 2018, the company directly or indirectly holds 223,586 shares.

**Renewal of the share buyback authorisation**

The shareholders are asked to renew this authorisation and vote on the new programme.

The purpose of the current share buyback programme was as follows in decreasing order of priority:

- To maintain an orderly market or the liquidity of the PHARMAGEST share by an investment services provider through a liquidity agreement that complies with an ethics charter recognised by the Autorité des Marchés Financiers;
- Purchasing shares for future use, to be tendered in exchange or payment for acquisitions;
- Granting shares to the employees or corporate officers of PHARMAGEST INTERACTIVE or PHARMAGEST Group, in accordance with the terms and conditions provided by law, notably as part of a profit-sharing plan, to cover stock options, as part of a company savings plan or to be used to grant performance-based bonus shares to employees pursuant to the provisions of Articles L. 225-197-1 et seq. of the French commercial code.

It was considered advisable by the Board of Directors to submit for your approval the new programme to replace the share buyback programme established by the General Meeting of 27 June 2017, to enter into effect on 28 June 2018. The General Meeting will accordingly authorise PHARMAGEST INTERACTIVE continue to purchase its own shares for up to 10% of the share capital or an amount not exceeding 1,517,412 shares.

The aims of the new share buyback programme will be the following:

- To maintain an orderly market or the liquidity of the PHARMAGEST share by an investment services provider through a liquidity agreement that complies with an ethics charter recognised by the Autorité des Marchés Financiers;
- Purchasing shares for future use, to be tendered in exchange or payment for acquisitions;
- Granting shares to the employees or corporate officers of PHARMAGEST INTERACTIVE or PHARMAGEST Group, in accordance with the terms and conditions provided by law, notably as part of a profit-sharing plan, to cover stock options, as part of a company savings plan or to be used to grant performance-based bonus shares to employees pursuant to the provisions of Articles L. 225-197-1 et seq. of the French commercial code.

The term of the new programme will be 18 months, i.e. until 27 December 2019.

The Ordinary General Meeting is to grant the Board of Directors the powers to determine the condition and procedures for the share buyback programme (maximum and minimum price per share).

## 3.2. Ownership of share capital as at 31 December 2017

### 3.2.1. Information on the holders of capital or voting rights

In compliance with the provisions of article 233-13 of the French commercial code, we hereby disclose the identity of the persons that hold, either directly or indirectly, on the balance sheet date, more than one-twentieth, one-tenth, three-twentieths, one-fifth, one-quarter, one-third, one-half, two-thirds, eighteen-twentieths or nineteen-twentieths of the share capital or voting rights at General Meetings.

| Name | Ownership interest (%) |
|---|---|
| MARQUE VERTE SANTE | More than 50% and less than 66.66% |
| LA COOPERATIVE WELCOOP *(formerly named GROUPE WELCOOP)* | More than 20% and less than 10% |
| SC "ERMITAGE SAINT JOSEPH" (Mr. Thierry CHAPUSOT) | More than 20% and less than 10% |

PHARMAGEST INTERACTIVE does not hold any PHARMAGEST INTERACTIVE shares (apart from treasury shares) nor does any of the companies it controls under the meaning of Article L. 233-3 of the French commercial code.

To the best of PHARMAGEST INTERACTIVE's knowledge, no other shareholder holds more than 5% of the capital or voting rights, directly or indirectly, alone or in concert.

### 3.2.2. Information on dealings in the Company's shares by executive officers, senior managers and persons with whom they are closely related

Pursuant to Article L. 223-26 of the General Regulations issued by the Autorité des Marchés Financiers (the "AMF"), no dealings in PHARMAGEST INTERACTIVE securities in the period ended covered by article L.621-18-2 of the French Monetary and Financial Code were reported to the AMF.

### 3.2.3. Statement of employee shareholdings

In accordance with the provisions of article L. 225-102 of the French commercial code, we inform you that neither the employees of PHARMAGEST INTERACTIVE nor those of related companies under the meaning of Article L. 225-180 of the French commercial code held shares as at the balance sheet date of 31 December 2017.

### 3.3. Stock options

Pursuant to articles L. 225-177 to L. 225-186 of the French commercial code, the Combined General Shareholders' Meeting on 27 June 2014 authorised the Board of Directors to grant stock options within the limit of 10% of the share capital, i.e. a total of 303,482 shares. Following the 5-for-1 share split approved by the Extraordinary General Meeting of 26 June 2015, 1,517,410 is the maximum number of stock options.

On 5 December 2014, the Board of Directors adopted the stock option plan rules that were sent to the beneficiaries by letter dated 15 January 2015.

Pursuant to Article L. 225-184 of the French commercial code, the Board of Directors reports to you in its Special Report ,on the transactions carried out by virtue of Articles L. 225-177 to L. 225-186 of said Code.

## Part 4 - Human resources and environmental information

For enhanced clarity, this section is presented in the CSR report included herein (articles L. 225-102-1 and R. 225-105 et seq. of the French commercial code).

## Part 5 - Miscellaneous information

### 5.1. Intercompany loans

None.

### 5.2 Information on disallowed deductions

In accordance with Article 223 *Quater* of the French General Tax Code *(Code Général des Impôts)*, we hereby inform you that during the financial year ended on 31 December 2017, PHARMAGEST INTERACTIVE incurred €60,003 in expenses non-deductible from income tax under Article 39-4 of said Code and resulting in a tax of €20,000.

### 5.3 Comments by the Works Council

The Works Council representatives had no comments to make.

## 5.4 Five-year financial summary

In compliance with the provisions of article R. 225-102 of the French commercial code, the five-year financial summary for the PHARMAGEST INTERACTIVE is attached to this report.

| Five-year financial summary (€) | 31/12/2017 | 31/12/2016 | 31/12/2015 | 31/12/2014 | 31/12/2013 |
|---|---|---|---|---|---|
| Issued capital | 3,034,825 | 3,034,825 | 3,034,825 | 3,034,825 | 3,034,825 |
| Number of ordinary shares | 15,174,125 | 15,174,125 | 15,174,125 | 3,034,825 | 3,034,825 |
| Number of shares with priority dividends (without voting rights) | 0 | 0 | 0 | 0 | 0 |
| Maximum number of future shares to be issued | 0 | 0 | 0 | 0 | 0 |
| *- By convertible bonds* | *0* | *0* | *0* | *0* | *0* |
| *- By exercising subscription rights* | *0* | *0* | *0* | *0* | *0* |
| **Revenue excluding VAT** | **91,422,775** | **88,063,884** | **87,485,500** | **96,227,680** | **98,138,886** |
| Income before tax, employee participation and allowances | 23,347,042 | 23,423,851 | 26,098,235 | 27,679,445 | 25,360,848 |
| Income tax expense | 5,517,520 | 6,662,263 | 7,238,280 | 7,244,003 | 7,368,965 |
| Employee profit-sharing | 1,694,523 | 1,697,092 | 1,865,738 | 1,847,404 | 2,018,662 |
| Earnings after tax, employee profit-sharing and provisions | 13,920,141 | 13,781,091 | 16,152,017 | 18,041,507 | 15,075,829 |
| Distribution of earnings decided by the General Meeting (1) | 11,380,593 | 9,863,181 | 9,104,475 | 8,800,993 | 7,587,063 |
| Earnings per share after tax and before provisions | 1.06 | 0.99 | 1.12 | 6.13 | 5.26 |
| Earnings per share after tax and provisions | 0.92 | 0.91 | 1.06 | 5.94 | 4.97 |
| Dividend per share (1) | **0.75** | 0.65 | 0.60 | 2.90 | 2.50 |
| Average workforce for the financial year | 672 | 657 | 627 | 619 | 612 |
| Total payroll | 24,237,655 | 23,276,389 | 21,990,893 | 21,649,914 | 20,646,710 |
| Social security contributions and benefits | 11,418,753 | 10,912,422 | 10,656,424 | 10,942,075 | 10,383,230 |

(1) *Proposal to the AGM of 28 June 2018 for the financial year ended on 31 December 2017.*

# Part 6 - Appropriation of earnings

The Board of Directors has proposed an appropriation of earnings that is in accordance with the law and the Articles of Association.

We propose that you appropriate the profit of the year in the amount of €13,920,140.98 as follows:

| | |
|---|---|
| Profit of the period | 13,920,140.98 € |
| Retained earnings | 47,815,168.54 € |
| **Amount available to shareholders** | **61,735,309.52 €** |
| **Dividends (€0.75 per share)** | **11,380,593.75 €** |
| The balance is appropriated to retained earnings | 50,354,715.77 € |

Shareholders' equity, including investments grants net of amortisation, stood at €73,445,380.26.

Since 1 January 2018, dividends paid to natural persons who are tax residents in France are taxed as follows:

- Dividends in France are subject to flat tax *(prélèvement forfaitaire unique)* on investment income of 30% which are deducted by the company or subject to withholding taxes as follows:

  - a compulsory social security contribution *(prélèvement social obligatoire)* of 17.2 %;
  - a withholding tax of 12.8 % for individuals persons who are tax residents in France (Article 117 *quater* (new) of

the French General Tax Code). The calculation of this amount is based on gross income. However, individuals belonging to a tax household where the reference tax income of the year before last, as defined in 1 of IV of Article 1417 is less than €50,000 for single, divorced or widowed taxpayers and less than €75,000 for taxpayers subject to joint taxation, can apply for an exemption, under the conditions provided in Article 242 *quater*. This withholding is applied to income tax for the year in which the dividends were paid. If it is higher than the amount of tax due, the difference is refunded.

- Natural persons retain the option when filing the income tax statement for the application of progressive income tax scale to their combined earnings and capitals gains of the year after applying, if applicable, the 40% reduction on dividend payments (2° of 3 of article 158 of the French general tax code (code général des impôts)).

The dividend will have a payment date of 4 July 2018 and be distributed by BNP PARIBAS Bank as the paying agent and security services provider.

In accordance with Article 243 *bis* of the French General Tax Code dividend distributions for the past three financial years are reported below:

| Year | Dividend per share | Dividend eligible for the 40% allowance (paid to individuals) | Dividend not eligible for the 40% allowance (paid to legal entities) |
|---|---|---|---|
| 31/12/2014 | €2.90* | €2.90 | €2.90 |
| 31/12/2015 | €0.60 | €0.60 | €0.60 |
| 31/12/2016 | €0.65 | €0.65 | €0.65 |

** The Extraordinary General Meeting on 26 June 2015 approved the 5-for-1 stock split, thereby increasing the number of shares making up the share capital by the same multiple. Taking these items into account, the proposed dividend rose 3.45% in relation to 2014.*

# Part 7 - Other matters presented to the Shareholder's Meeting

## 7.1 Information on directorships

As the office of Ms. Sophie Mayeux as Independent Director expires at the end of this General Meeting, we propose that that her appointment be renewed for a new six-year term or until the end of the ordinary Annual General Meeting to be called for the purpose of approving the financial statements for the period ending 31 December 2023. Your Board has not been called to consider a new candidate.

## 7.2 Information on the Statutory Auditors' appointments

For information, none of the appointments are reaching the end of their term.

## 7.3 Regulated agreements

Two new agreements were executed and one agreement was renewed, constituting as such a new agreement. These agreements duly authorised by your Board of Directors are described in the Auditors' special report on regulated agreements.
This report will also detail prior agreements that continue to be in force and for which the Board of Directors conducted its annual review and concluded that they should be continued without any amendments to the original conditions.

## 7.4 Directors' attendance fees

You are also asked to approve Directors' fees of €33,000 for fiscal 2018.

We will now present the Part 4 of this report, the report on corporate social responsibility (CSR), prepared in accordance with Articles L. 225-102-1 and R. 225-105 et seq. of the French commercial code, as well as the report on this social and environmental information issued by DELOITTE, the firm appointed by the Managing Director as independent third-party provider of assurance services.

We will then report to you on:

- The Board of Director's report on corporate governance, provided in accordance with Article L. 225-37 of the French commercial code.
- The Board of Director's Special Report, provided in accordance with Article L. 225-184 of the French commercial code.
- The Board of Director's report to the Extraordinary General Meeting concerns the modification of article 19 of the Articles of Association and the draft resolution for a capital increase reserved of employees under the French law on employee savings plans.

After considering the Auditors' reports issued by the firms BATT AUDIT and DELOITTE & ASSOCIES, we will answer any questions you might have.

Following this discussion, the text of the resolutions will be read out and we encourage you to approve them and all their provisions.

**The Board of Directors**

## 24.1.2 Corporate Social Responsibility Report

PHARMAGEST INTERACTIVE
A FRENCH PUBLIC LIMITED COMPANY *(SOCIÉTÉ ANONYME)* WITH SHARE CAPITAL OF €3,034,825
REGISTERED OFFICE: TECHNOPOLE DE NANCY BRABOIS
05 ALLEE DE SAINT CLOUD 54600 VILLERS LES NANCY
NANCY COMPANIES REGISTER (RCS) NO. 403 561 137

CORPORATE SOCIAL RESPONSIBILITY REPORT
TO THE ORDINARY ANNUAL GENERAL MEETING
ON 28 JUNE 2018

In accordance with French Law no. 2012-387 of 22 March 2012, on the simplification of the law and the reduction of administrative procedures (known as the Warsmann Law) and its implementing Decree of 24 April 2012, we report to you on corporate social responsibility in PHARMAGEST Group. This report is an appendix to and forms an integral part of the Management Report.

This report first provides information on employment and environmental issues followed by PHARMAGEST Group's societal commitments.

The Group's scope is described in section 4.2. of the CSR report. The French employee representation body referred to as the Economic and Social Unit *(Unité Economique et Sociale)* comprising PHARMAGEST INTERACTIVE, CPI, EHLS, DIATELIC and CPSI is reviewed on a regular basis. This unit accounts for 80% of the workforce of PHARMAGEST Group's French entities which represent 94% of the total.

The information in this CSR Report was prepared on the basis of contributions from the Group's internal network for data on 2017 and for prior years. The report is overseen by general management. The list of indicators was compiled based on the French Decree number 2012-557 of 24 April 2012, on corporate transparency requirements in relation to human resources and environmental issues, and in particular, on Article R. 225-105-1 of the French commercial code.

The CSR Report was audited by an independent third party, which issued a report (attached) that includes a certificate of completeness and a substantiated opinion on the fair presentation of the information.

# 1. Information on the Company

## 1.1. Employment

### 1.1.1 Total workforce and the breakdown by age, gender and region

#### *1.1.1.1 Breakdown of the total workforce by type of employment contract, status and gender*

PHARMAGEST Group employed 951 people at 31 December 2017 (935 FTE (full-time equivalent)), up 4.62% from the 909 employees at year-end 2016 (892 FTE).
The Group's workforce has increased providing stability of employment as it has continued to grow.

There are two employee categories: non-management (employees, technicians, supervisors/senior technicians) and management employees.

| STATUS | Men | | | | Women | | | | Total | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | Change 2016 - 2017 | 2015 | 2016 | 2017 | Change 2016 - 2017 | 2015 | 2016 | 2017 | Change 2016 - 2017 |
| **Fixed-term / vocational training & apprenticeship contracts** | **13** | **19** | **18** | **-5%** | **3** | **11** | **11** | **0%** | **16** | **30** | **29** | **-3%** |
| *NON MANAGEMENT* | *13* | *18* | *17* | *-6%* | *3* | *11* | *11* | *0%* | *16* | *29* | *28* | *-3%* |
| *MANAGEMENT* | *0* | *1* | *1* | *0%* | *0* | *0* | *0* | */* | *0* | *1* | *1* | *0%* |
| **Permanent contracts** | **578** | **613** | **641** | **5%** | **242** | **266** | **281** | **6%** | **820** | **879** | **922** | **5%** |
| *NON MANAGEMENT* | *357* | *364* | *363* | *0%* | *184* | *197* | *202* | *3%* | *541* | *561* | *565* | *1%* |
| *MANAGEMENT* | *221* | *249* | *278* | *12%* | *58* | *69* | *79* | *14%* | *279* | *318* | *357* | *12%* |
| **TOTAL** | **591** | **632** | **659** | **4%** | **245** | **277** | **292** | **5%** | **836** | **909** | **951** | **5%** |

As the nature of PHARMAGEST Group's business requires highly trained staff with in-depth knowledge of the business and customers' professional and legal environment, the ratio of fixed-term contracts is very low (19, including 10 work-study or apprenticeship contracts, compared with 922 on permanent contracts).
96.95% of the Group's workforce are permanent employees, with practically no difference in this percentage between men (97.27%) and women (96.23%).

At 31 December 2017, PHARMAGEST Group employed 44 part-time staff (47 at year-end 2016).

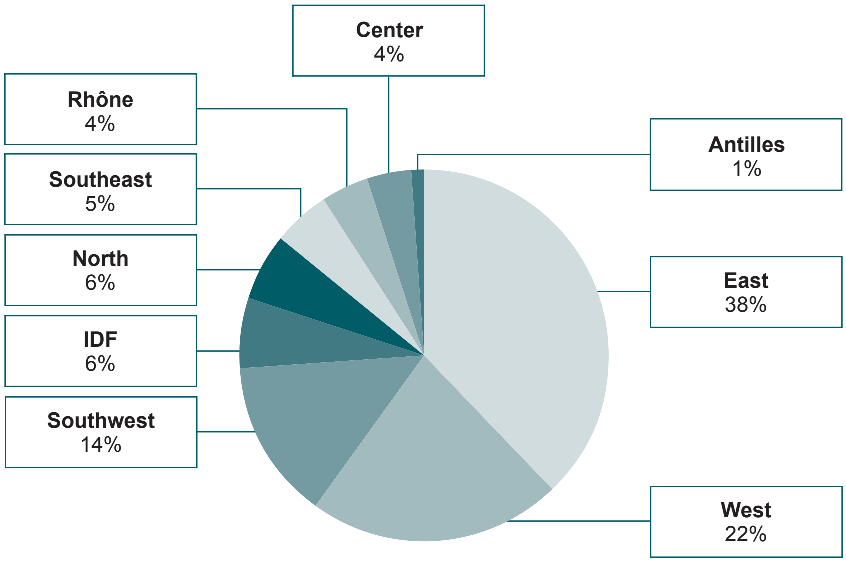
The gender breakdown was 292 women (or 30.70% of the total), which remained stable year-on-year and is within the average for the industry (IT, Research and Development).

### *1.1.1.2 Breakdown of the workforce by region*

**The breakdown in 2017 of the workforce by region was as follows:**

- 93.6% worked in France;
- 3.3% worked in Belgium;
- 2.5% worked in Mauritius;
- 0.6 % worked in Luxembourg.

**The French workforce broke down as follows:**

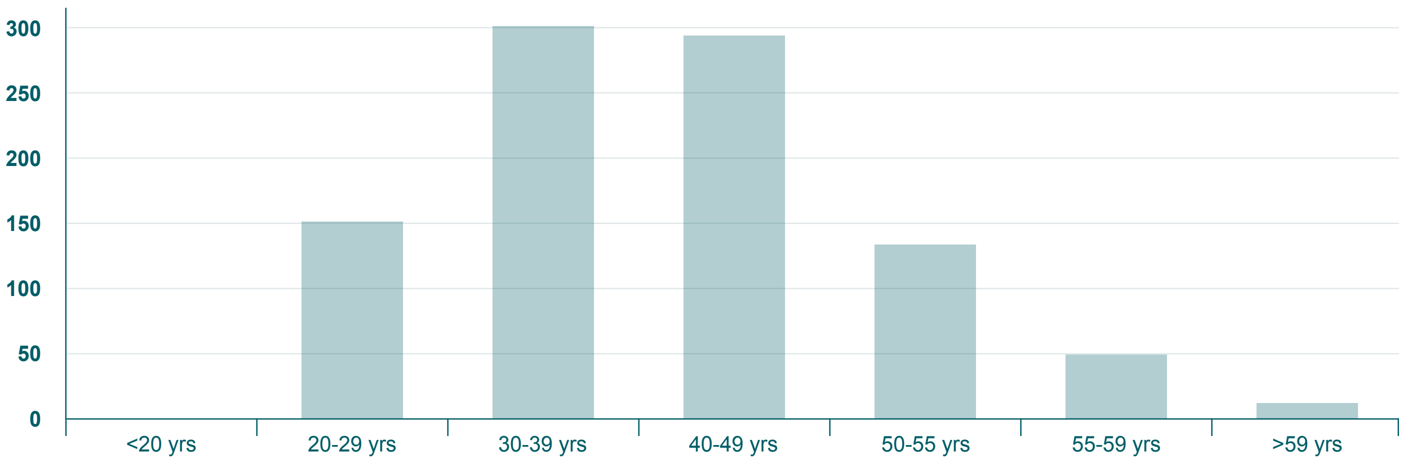



The high concentration in two regions is due to:

- The location of PHARMAGEST INTERACTIVE's headquarters in eastern France;
- The site of the former headquarters of the CIP subsidiary (taken over in June 2011) in the west of France, housing the administration departments, part of the IT development departments and the majority of customer services.

### *1.1.1.3 Workforce by age*

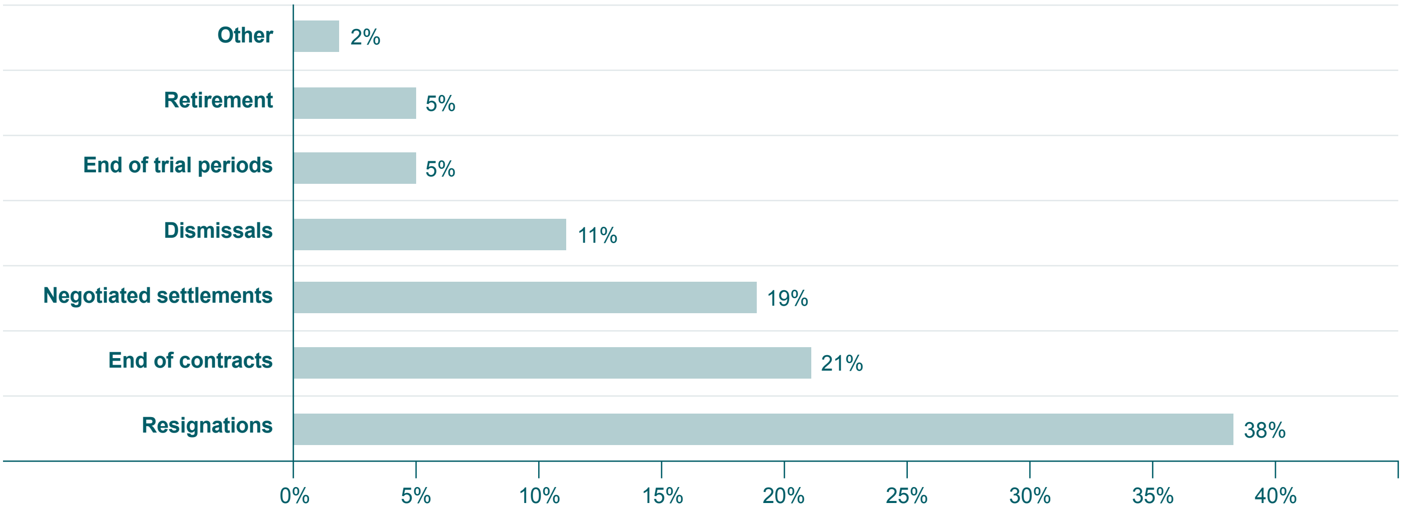
**PHARMAGEST Group age pyramid:**



In 2017, the average age of employees of the Group was 40 and the average length of service was 10 years, remaining stable in relation to 2016.

### 1.1.2 Recruitment and dismissals

In 2017, 140 new employees joined PHARMAGEST Group (compared to 130 in 2016). This data does not include employees originating from acquisitions (5 in 2017 and 30 in 2016). 102 employees left the Group (compared to 87 in 2016), breaking down by type of departures as follows:




In 2017, 2 tribunal disputes were initiated.

### 1.1.3 Evolution of wages

In PHARMAGEST Group, only the PHARMAGEST ESU is subject to compulsory annual pay negotiations (NAO).

The ESU awarded an annual across-the-board increase in 2017 to eligible employees.

A similar compensation policy is applied to the Group's other subsidiaries including namely:

- Across-the-board increases;
- Individual increases;
- Performance-based compensation based on variable compensation and profit-sharing schemes;
- Merit bonuses;
- Ancillary benefits (mutual insurance, restaurant vouchers, etc.).

PHARMAGEST Group's total payroll came to €33,787,578 for gross salaries and €14,813,207 in employer's social charges in 2017 *(source: DADS)*.

**Average salaries* for PHARMAGEST Group broken down by management/non-management and gender:**

| | | 2016-2017 |
|---|---|---|
| Managers | Men<br>Women | 0.86%<br>0.83% |
| Non-managers | Men<br>Women | -0.46%<br>-1.08% |
| **Average change in headcount** | | **2.38%** |

** In the interests of fair presentation, only full-time staff at 31 December 2017, employed from 1 January 2017 to 31 December 2017, are included. The data excludes employees whose actual annual salary, less daily allowances, is lower than the annual minimum wage (the SMIC in France).*

These increases in compensation for management employees are a consequence of the Group's internal promotion policy as it develops career development tracks as part of its overall forward-looking employment and skills management plan (French acronym: GPEC) as well as the adoption of a new organisation at PHARMAGEST INTERACTIVE. It should also be noted that a long-term bonus was paid to selected executive officers.

The adverse trend for the non-management employee category reflects a new organisation which benefited supervisors and senior technicians who advanced to management functions (+14% for men and +12% for women). The elimination of their compensation for the non-management employee category adversely impacted the entire category.

## 1.2 Working arrangements

### 1.2.1 Organisation of working time

**A 35-hour agreement was signed for the PHARMAGEST ESU in 2000, effective as of 1 January 2001:**

- Non-managerial staff work on the basis of a 35-hour week and receive time off for additional hours worked;
- Managers work on the basis of 216 days per year and are also entitled to days off in lieu.

**Other Group companies are governed by the national laws for foreign subsidiaries or by company agreements:**

- 35-hour week: ADI, HEALTHLEASE, INTECUM, KAPELSE, NANCEO, DICSIT INFORMATIQUE, NOVIA SEARCH and SAILENDRA;
- 38.2-hour week: HDM (Mauritius);
- 39-hour week: CPSI, MALTA INFORMATIQUE and SABCO SERVICES (Belgium);
- 40-hour week: SABCO (Luxembourg), NOVIATEK (Luxembourg).

Starting in 2013, PHARMAGEST INTERACTIVE introduced an on-call system to guarantee continuity of service and meet its obligations as a Personal Health Data Host.

### 1.2.2 Absenteeism

The absenteeism rate for PHARMAGEST Group in 2017 was 4.18%. It is calculated by dividing the number of hours of absence by the number of contractual hours.

The main reasons for absences were illness (72%), parental leave (11%), occupational accidents (7%), family events (6%), and miscellaneous (4%).

## 1.3 Industrial relations

Since its inception, PHARMAGEST Group has maintained employee relations founded on respect for personnel representative bodies and constructive social dialogue.

**The following collective bargaining agreements apply to the Group's employees:**

- The National Collective Bargaining Agreement applicable to technical and consulting engineering firms and consulting firms (SYNTEC) for the PHARMAGEST ESU (PHARMAGEST INTERACTIVE, CPI, EHLS. CPSI and DIATELIC);
- The National Collective Bargaining Metallurgy Industry Agreement to NANCEO;
- The 200 Joint Committee for SABCO SERVICES in Belgium.

### 1.3.1 Organisation of social dialogue

In accordance with regulations, personnel consulting bodies have been established in the PHARMAGEST ESU, MALTA INFORMATIQUE and ADI:

For the PHARMAGEST ESU:

- A works council meets monthly, except in August (11 meetings per year) at the company's registered office. The attendance rate in 2015 was 85%;
- Monthly meetings of personnel representatives are organised in the regions (38 meetings in eight regions in France).

Two trade unions (CGT and CGC) are represented in the PHARMAGEST ESU.

Personnel representatives at MALTA INFORMATIQUE met once in 2017.

Personnel representatives at DICSIT INFORMATIQUE met once in 2017.

For HDM, personnel representatives met eight times in 2017.

The workforce in the other Group companies (HEALTHLEASE, INTECUM, KAPELSE, NANCEO, SABCO, SABCO SERVICES, NOVIATEK, NOVIA SEARCH and SAILENDRA) does not fall within the scope of the Law requiring personnel representation.

**Note:**

- Companies in FRANCE with 11 or more employees are required to organise personnel representative elections. When the workforce increases from 49 to 50 employees, companies in France must form a Works Council and a Health, Safety and Working Conditions Committee;
- In Belgium, a Works Council is only required when companies have 100 or more employees. In companies with more than 50 employees, an independent Prevention and Protection Committee elected by all the employees is in charge of issues pertaining to health and safety in the workplace;
- In Luxembourg, companies with 15 or more employees are required to organise elections to select personnel representatives.

In countries where such representation is not compulsory, PHARMAGEST Group endeavours to establish representative structures. The Mauritian subsidiary HDM has personnel representatives even though it is not required by local law.

The Group-wide Works Council budget totalled €208 thousand in 2017 compared to €207 thousand in 2016.

### 1.3.2 Review of collective agreements

#### *1.3.2.1 Previous agreements still in force*

Several group-wide agreements are in force in PHARMAGEST Group. The number of agreements (with seven new agreements in 2017, giving a total of 42) is a testimony to the Group's commitment to social dialogue.

#### *1.3.2.2 Summary of 2017 collective bargaining agreements for the PHARMAGEST ESU*

- Amendment to the agreement on the harmonisation within the ESU of vacation benefits for family-related events (24/04/2017);
- Minutes recording the absence of agreement on the statutory mandatory annual negotiations (24/04/2017) ;
- Profit-sharing agreement for the ESU's staff for 2017-2019 (29/06/2017);
- Agreement for supplemental "HARMONIE" medical insurance within the ESU (18/12/2017);
- Agreements on supplemental insurance for "Death, Invalidity or Incapacity - AXA" for non-management and management employees of the ESU (18/12/2017);
- Agreement on the Employee representation bodies of the PHARMAGEST ESU (18/12/2017).

These collective agreements did not have a material impact on the ESUs' economic performance or the working conditions of employees.

## 1.4 Health and safety

PHARMAGEST Group has consistently prioritised the health and safety of its employees in all its activities. It ensures that all are aware of the importance of prevention and safety measures.

As part of this policy, since 2016 it has been applying its global management system for Occupational Health and Safety, based on the OHSAS 18001 standard (Occupational Health and Safety Assessment Series).

### 1.4.1 Occupational health and safety conditions

The PHARMAGEST ESU's Health, Safety and Working Conditions Committee meets every quarter. There were five meetings in 2017 with an attendance rate of 83%.

**A summary of its work is presented below:**

- Audits are carried out at the Group's sites and infrastructure on a regular basis, and practically implemented as a result (works, reorganisation);
- Workstations are evaluated with the aid of the occupational medicine department's ergonomics unit;
- Road-related risks are still the top risk category, in light of the number of employees on the road. Even though the level of road accident remains low, PHARMAGEST Group maintained in 2017 the tools for prevention (the good driving charter, the road safety awareness-raising initiative on driving risk and road safety, etc.) and management that were revamped in 2016.

### 1.4.2 Summary of agreements signed with personnel representatives

Three agreements were signed in 2017 on personal protection benefits (AGIRC, NON AGIRC) and medical insurance.

### 1.4.3 Occupational accidents

In 2017, PHARMAGEST Group reported no occupational illness and 13 occupational accidents generating a total of 262 lost time days:

- In the PHARMAGEST ESU, 12 occupational accidents resulting in a total of 257 lost time days, (or an average of 21 days);
- One occupational accidents in MALTA INFORMATIQUE resulted in 5 lost time days.

The accident frequency rate was 7.65 and the severity rate was 0.41.

No accident in the Group resulted in permanent disability.

## 1.5 Training policy

PHARMAGEST Group is committed to the professional development of its men and women. Advancement within the company and career development for all employees, regardless of their level of training, is one of the Group's CSR priorities.

### 1.5.1 Training policies implemented

**The PHARMAGEST ESU prepares an annual training plan. Priorities for 2017 focused on:**

- General management: supporting Managers in leading their teams, supporting new Managers in the integration of their functions with a significant communications component;
- Project management at all levels (employees, project managers and sponsors);
- The improvement in language skills linked to the international development strategy;
- Supporting the new Medication Adherence and Digital Equipment Manager teams;
- Technical and IT skills: assisting teams to upgrade their skills in line with organisational and technological developments;
- Workplace quality and safety: supporting the deployment of the continuous improvement plans in the areas of quality and safety.

**Two categories of training are offered in the PHARMAGEST ESU:**

- Off-the-job training, intended to develop management skills, sales techniques and IT development skills and English language proficiency;
- In-house training focused on business knowledge and the line-up of products and services.

These training programs may be supported by e-learning modules.

The other French subsidiaries in the Group fulfil all their legal training requirements.

### 1.5.2 Summary of training in the year

PHARMAGEST Group had accrued liabilities for continuing vocational training in France of €344,329 in 2017. PHARMAGEST Group allocated €323,213 to professional training, excluding management fees and representing 0.95% of total payroll in 2017, with €180,449 for external training and €142,764 for internal training.

PHARMAGEST Group employees received a total of 8,048 training hours including 20.7 hours allocated to work-study programme and apprenticeship contracts.

## 1.6 Equal treatment

### 1.6.1 Measures to promote gender equality

PHARMAGEST Group in its recruitment practices applies the principles of equal pay for equal work for men and women.
The compensation gap between men and women reflects the prevalence of men on the management committee and the fact that sales executive positions representing the highest levels of remuneration in PHARMAGEST Group's busies sector are largely occupied by men.

**Report on the average salary* for men and women by category (manager/non-manager):**

| | 2015 | 2016 | 2017 |
|---|---|---|---|
| Women / Men ratio - Management<br>Women / Men ratio - Non-Management | /<br>/ | 82.61%<br>93.76% | 82.59%<br>93.18% |

** Scope: PHARMAGEST Group's French entities (full time, employed from 1 January to 31 December 2017)*

These observations are in line with the change in average salary, which differs according to manager or non-manager status (see table in section 1.1.3) and were stable overall compared to 2016.

For information, 37.6% of the Group's employees were management-level in 2017 (versus 35.1% in 2016). 8.3% of these were women and 29.3% were men, and both increased from 2016. The remainder of the workforce consists of 22.4% women and 39.96% men not in managerial roles.

**The Group continued to strengthen the organisation by introducing middle-management positions and adding new skills sets, with a two-fold objective:**

- Boost its expertise in innovation and skills as part of its Strategic employment and skills management plan (French acronym: GPEC);
- Continue to improve the skills of middle managers to enhance local management.

The principles of the 2016 unilateral action plan within the PHARMAGEST ESU were renewed in 2017. In parallel, new negotiations have been initiated in order to reach a new agreement in 2018.

**For the record, the gender equality action plan in 2016 integrated targets and resources relating to:**

- **Access to employment:**
  - A neutral and equal opportunity hiring process;
  - Mixed recruitment of employee/technician and supervisor categories;
  - Increasing the number of women in management positions and rebalancing the promotion ratios.

- **Training:**
  - Access to training for men and women at a rate equivalent to their representation in the workforce;
  - Work-life balance, taking family obligations into account and flexible working hours where relevant, measures in favour of local and regional training, exoneration from departing for training programs on Sunday evenings, development of e-learning, implementation or specific training programs to facilitate the return to the workforce.

- **Compensation and career development:**
  - Compensation based on skills, experience, responsibilities, results and expertise in the position;
  - Ensure that pay gaps do not arise as a result of personal life events;
  - Promotion based solely on skills and results, etc.

- **Work-life balance:**
  - Working hours and organisation (whenever possible opt for teleconferencing during working hours, flexible working hours, teleworking, etc.);
  - Commitment to ensuring that parental leave does not hinder career advancement, etc.;
  - Specific measures for pregnant women (reduced working hours and counting time off for mandatory medical examinations as working hours);
  - Family leave (four days paid leave to look after sick or hospitalised children, adaptation of working hours to back-to-school periods).

- **Professional mobility.**

The ESU set up formal indicators to monitor achievement of these objectives.

#### 1.6.2 Measures for the employment and integration of disabled people

**During the 2017 financial year, PHARMAGEST Group employed 34 disabled workers (31 in 2016) and continued a series of measures to promote the employment and integration of people with disabilities:**

- Developing partnerships with the AGEFIPH (Association for managing funds for the employment of disabled persons) and Occupational Health to extend consideration of the arrangements required to equip workstations for disabled employees. For example, the Human Resources Department worked with the Health, Safety and Working Conditions Committee to develop a standard for furniture and a type of chair suited to the problems of disabled employees; PHARMAGEST Group is assisted by an occupational ergonomist when adapting workstations and uses specialised suppliers for the purchase of equipment.
- A portion of the activity of managing network incidents and telephony has been outsourced to sub-contracting company authorised for the integration of disabled workers and representing a work unit.

#### 1.6.3 Policy implemented to combat discrimination

PHARMAGEST Group's hiring policies are based on the principle of non-discrimination and the Group does not apply any form of positive or negative discrimination with regard to potential candidates in the recruitment process.

PHARMAGEST Group reasserts its firm commitment to combating all forms of discrimination (ethnic, national, cultural, religious or other), ensuring respect for diversity, fostering equal opportunities and promoting the employment of persons with disabilities.

10 nationalities in addition to French are represented in PHARMAGEST Group.

### 1.7 Promotion of and compliance with the core conventions of the ILO (International Labour Organisation)

The Group's presence is almost exclusively in France and Europe, where it complies with all agreements on international labour law.

PHARMAGEST Group confirms that it respects the provisions of the ILO conventions on freedom of association, protection of the right to organise, and the right to collective bargaining, the elimination of discrimination in employment and occupation, the elimination of forced or compulsory labour and the effective abolition of child labour.

The teams in the Mauritian HDM subsidiary apply European rules insofar as they comply with local laws. HDM is structured along the lines of the organisation in France, with personnel representation, a structured compensation system, strategic employment and skills management, job descriptions and annual career development appraisals.

## 2 Environmental information

### 2.1 General policy

The Group's primary activity is as an independent software vendor. It does not operate in consequence any classified industrial installations that could have a significant impact on the environment or climate change.

#### 2.1.1 Consideration of environmental issues

Bearing in mind the non-significant environmental impact of its businesses, PHARMAGEST Group has not introduced specific environmental assessment or certification measures.

#### 2.1.2 Measures to train and inform employees about protecting the environment

Since 2016, PHARMAGEST Group has provided employees with information about eco-driving good practices.

#### 2.1.3 Resources devoted to preventing environmental risks and pollution

As PHARMAGEST Group has no industrial site or facility classified for the protection of the environment, it is not concerned by this type of risk and therefore does not set aside resources for their prevention.

#### 2.1.4 Amount of provisions and guarantees for environmental risks

In view of its business, the Group does not recognise provisions for environmental risks.

### 2.2 Pollution

#### 2.2.1 Measures to prevent, reduce and remedy air, water and soil pollution

PHARMAGEST Group's activities do not create pollution or generate emissions into air, water and soil.

#### 2.2.2 Response to noise pollution and other forms of pollution specific to the business.

PHARMAGEST Group does not generate noise or specific forms of pollution in its business.

Its server room generates high sound levels which is managed by confinement measures and the provision of protective headsets for employees.

### 2.3 Circular economy

#### 2.3.1 Waste prevention and management

##### *2.3.1.1 Measures taken for prevention, recycling, reuse and other types of recovery and the elimination of waste*

Circular economy combines environmental and economic priorities by proposing a new societal model using and optimising inventories, energy and material inputs and waste to achieve resource efficiencies. Circular economy is based upon several principles:

- Eco-design: consider and integrates in its conception the environmental impacts throughout the life cycle of a product.
- Industrial and territorial ecology: establishment of an industrial organisational method in a territory characterised by an optimised management of stocks and flows of materials, energy and services.
- “Functionality” economy: favour the use versus possession, the sale of a service versus a good.
- Second use: reintroduce in the economic circuit those products that no longer correspond to the initial consumer needs.
- Reuse: reuse certain products or parts of those products that still work to elaborate new products.
- Reparation: find damaged products a second life.
- Recycle: make use of materials founded in waste.

In the case of PHARMAGEST Group, the principles of the circular economy apply primarily to waste management and treatment.

The main category of waste generated by PHARMAGEST Group's activity, besides ordinary industrial waste, consists of IT hardware.

The Group has successfully established a process for the recovery of computer hardware from customers in France, Belgium and Luxembourg at the end of their contracts. The portion that is not fed into the recycling sector is earmarked for destruction by service providers specialising in the disposal of waste electronic and electronic equipment (WEEE). This is the first step in a policy to promote the circular economy. Quantity of WEEE:

| In tonnes | 2015 | 2016 | 2017 | Change 2016/2017 |
|---|---|---|---|---|
| Recycled WEEE | 33.68 | 29.66 | 24.30 | -18.09% |

In view of the large number of service providers (local authorities or private companies according to certain agencies) for ordinary industrial waste and the different units of measure in use, it is not possible for us to provide accurate and consistent data on the waste produced.

PHARMAGEST Group's headquarters launched a local initiative for recycling used batteries and paper.

#### *2.3.1.2 Measures for combating food wastage*

In light of the nature of its operating activities and the absence of a company canteen, PHARMAGEST Group has not implemented measures to combat food wastage.

PHARMAGEST Group is fully aware of these issues and is one of the founding members of the MESA Mirabelle food bank collection and distribution not-for-profit. This includes companies other than those from the food processing or food retail industry concerned by the issue of food insecurity in their territory.

### 2.3.2 Sustainable use of resources

#### *2.3.2.1 Water consumption*

The Group does not use water resources. Water consumption is limited to normal everyday consumption (bathrooms).

PHARMAGEST installs mains supplied water fountains in all its sites, because of their low footprint, replacing bottled water dispensers.

#### *2.3.2.2 Consumption of raw materials*

The Group does not use raw materials directly in its activities.

#### *2.3.2.3 Energy consumption*

PHARMAGEST Group's electricity consumption increased 0.55% between 2016 and 2017 from 2,243,579 KWH (data corrected after adjustments) to 2,256,036 KWH (excluding ADI). The sites with the highest consumption were PHARMAGEST INTERACTIVE's registered office at VILLERS-LES-NANCY (842,751 KWH) and the QUEVEN site (212,263 KWH).). These two alone accounted for 47% Group electricity consumption. This data is to be considered in relation to the increase in PHARMAGEST Group's headcount (+5 %).

Gas and fuel oil consumption are not material.

The Group does not use renewable energy sources.

#### *2.3.2.4 Soil utilisation*

*There was no significant land use in the business.*

## 2.4 Climate change

### 2.4.1 Greenhouse gas emissions

#### *2.4.1.1 Vehicles*

The main source of GHG (Greenhouse Gas) emissions is the Group's fleet of 465 vehicles, up from 442 vehicles in 2016 or +5.2%. They travelled 14,814,669 km in 2017, -5.4% compared to 15,666,250 km in 2016.

PHARMAGEST INTERACTIVE and MALTA INFORMATIQUE account for 74.8% and 6.7%, respectively, of the total fleet, mainly for our sales and technical personnel.

PHARMAGEST INTERACTIVE's registered office at VILLERS-LES-NANCY is a member of the Inter-company Transport Scheme of the Technopole of NANCY-BRABOIS (PDIE) to promote car-pooling and improve public transport.

PHARMAGEST Group is committed to reducing the carbon footprint of its fleet by selecting low emission vehicles.

#### *2.4.1.2 Travel management*

The Group advocates limiting business travel and using rail over air travel whenever feasible to offset the environmental impact of air travel.

Preference is given to the use of audio and video conferencing systems to reduce business travel, and e-learning for training.

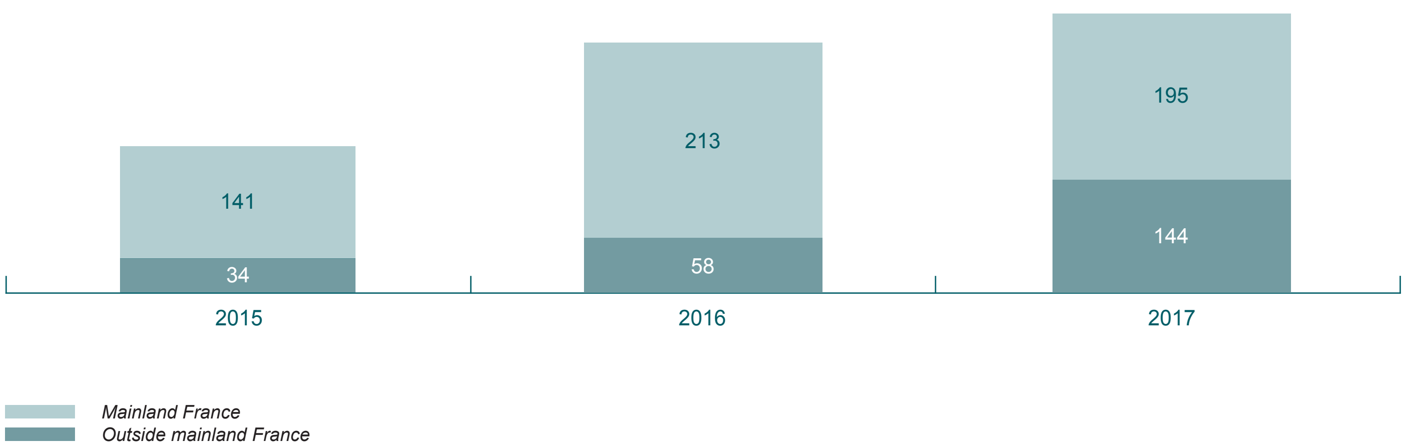
For the PHARMAGEST ESU, the trend for single  trips by train over the past three years was as follows:

| | 2015 | 2016 | 2017 | Change 2015-2016 | Change 2016-2017 |
|---|---|---|---|---|---|
| Number of trips | 2,746 | 2,462 | 3,212 | -10% | 30% |

The ESU accounts for practically all the Group's train travel.

Air travel in 2017 increased 25% from the previous year. This increase reflects the strong international development initiated in 2016 which has accelerated in 2017.

**Growth in the air travel:**



#### *2.4.1.3 Server rooms*

To date, the Group has not introduced carbon offset measures.

#### *2.4.1.4 Estimated greenhouse gas (GHG) emissions*

Taking the nature of the Group's business into account, greenhouse gas emissions were measured solely for significant sources of greenhouse gas emissions generated by PHARMAGEST Group's business, and namely: electrical consumption and travel (road, rail and air transport, the transport of goods). They are:

- Direct GHG emissions (Scope 1) amounted to 151 tonnes $CO_2$ eq.; Scope 1 emissions are direct emissions from fossil fuels (petrol, gas, coal and turf) by the resources owned or controlled by the Group. These emissions are generated by vehicles held by PHARMAGEST Group;
- Indirect GHG emissions (Scope 2) amounted to 176 tonnes $CO_2$ eq.; The indirect emissions are generated through the purchase of electricity;
- Other indirect GHG emissions (Scope 3) amounted to 2,704 tonnes of $CO_2$ eq. They are calculated solely on the basis of travel by air and rail (excluding ADI and MALTA INFORMATIQUE), the transport of goods and vehicles leased by the Group.

### 2.4.2 Measures to adapt to the consequences of climate change

Our business is such that we are not affected by climate change.

## 2.5 Protection of biodiversity

The Group has not introduced a policy to protect biodiversity.
The Group's sites are primarily located in integrated development zones or special industrial zones, and no office is located in a protected area where it might generate an impact on biodiversity.

# 3 Information on societal commitments to promote sustainable development

## 3.1 Territorial, economic and social impact of our business on employment, regional development and local communities

Determined to build close relations with its customers, PHARMAGEST Group's presence extends throughout FRANCE. Essentially, this strategy involves developing regional networks with some 30 offices or sales agencies as the focal points. The Group has branches in regional areas with low population density such as: REIMS (Marne), DIJON (Côte-d'Or), BOURGES (Cher), LIMOGES (Haute-Vienne), CLERMONT-FERRAND (Puy-de-Dôme), PAU (Pyrénées-Atlantiques).

**Therefore, the Group's regional economic and social impact is twofold:**

- PHARMAGEST Group produces positive impacts by employing local staff for its secondary offices;

- Its activities help to counter the trend of rural depopulation and declining access to healthcare in rural areas by facilitating the work of healthcare professionals:
  - PHARMAGEST INTERACTIVE's Pharmacy business and the SELLEN robotic system offer pharmacists the opportunity to optimise pharmacy management;
  - The software suites of MALTA INFORMATIQUE and DICSIT INFORMATIQUE facilitate the management and development of elderly residential care homes;
  - The products of the Group's e-Patient Business Line optimise monitoring and care in the home for the elderly and the chronically ill.

PHARMAGEST Group actively contributes to the economic and social ecosystem, helping to create direct and indirect employment. The Group partners healthcare professionals, working side by side with them to counter the flight from rural areas and the declining number of doctors in many regions in France.

## 3.2 Stakeholder relations

### 3.2.1 Conditions of dialogue with stakeholders

#### *3.2.1.1 Employees*

In addition to its legal personnel representation obligations, set out in 1.3 of this report, PHARMAGEST Group is committed to on-going dialogue with its employees.

In 2017, the Group continued its efforts to introduce a participatory and cross-disciplinary project management involving the employees of the PHARMAGEST ESU, from the registered office and from the different branches and throughout the regions. The aim of this approach to be rolled out over time is twofold:

- Inside the company: employee accountability, engagement and motivation;
- Relations with customers: strengthening local presence.

2013 saw the first projects to emerge from this process, notably the upgrade of the Intranet portal to a new version to simplify and improve internal communications and provide personnel with access to all administrative and also professional documentation, and facilitate them in performing their roles.

#### *3.2.1.2 Customers*

**NF Service Certification**

PHARMAGEST INTERACTIVE decided in 2013 to embark on a certification process for its services. Certification aims to improve the quality of interaction with customers and as a result, enhance customer satisfaction overall. This cross-disciplinary project was completed in 2015 and the Group obtained AFNOR NF SERVICES Customer Relations certification for its Centralised Software Support and remains the first pharmacy IT partner to be granted the certification for this service.

### 3.2.2 Teaching organisations, not-for-profits

PHARMAGEST Group participates in these organisations primarily at three levels:

- The Pharmacy - Europe Solutions Divisionis pursuing a sustained initiative targeting higher education institutions, and in particular University pharmacy departments or student associations throughout France.
- PHARMAGEST Group is a regular contributor of apprenticeship contributions paid to Apprentice Training Centres and pharmacy departments and also partner universities.
- The Group has not defined a general sponsorship policy to date. However it does contribute on a one-off basis to actions by associations focusing on humanitarian issues, health or regional development.

  These include, for example:

  - PHARMAGEST INTERACTIVE is a founding member of the "MESA-Mirabelle" endowment *(Mouvement des Entreprises pour une Solidarité Alimentaire)*, a business-led food solidarity initiative to facilitate aid to the food bank innovation and business initiatives.
  - PHARMAGEST Group made donations to not-for-profits ("RANDO MUCO", "ARPH) and purchases UNICEF greeting cards.

## 3.3 Suppliers and sub-contractors

### 3.3.1 Social and environmental issues taken into account in the procurement policy

Through its tendering process, PHARMAGEST Group ensures that it selects partners, suppliers and sub-contractors that are committed to a CSR policy and are compliant with national and international sustainable development standards.

### 3.3.2 Inclusion of social and environmental responsibility of sub-contractors and suppliers

External subcontracting expenses in 2017 amounted to €2,183,976 excluding tax. Intra-Group subcontracting expenses amounted to €3,827,022.

PHARMAGEST INTERACTIVE focuses on local employment for its secondary sites.

PHARMAGEST Group has a system of monitoring its partners' CSR commitments and certifications (ISO 14001 mainly) for all sectors of activity.

These include, for example:

- The PHARMAGEST ESU Human Resources Department uses recruitment consultancies that guarantee ethical practice;
- LENOVO, PHARMAGEST Group's main supplier of computer equipment has undertaken to manufacture and market energy-efficient products with a minimum environmental footprint over the entire product lifecycle from design to recycling.
- Our main logistics and transport companies are either ISO 14001 certified or actively applying a CSR approach;
- The Group closely monitors the commitments of its other service providers. All our suppliers of office supplies or furniture, motor vehicle and related suppliers and specialist waste and waste treatment operators are actively committed to a sustainable development policy and/or are certified and/or have won awards for their environmental commitments and/or are committed to promoting integration in the workplace of the unemployed.

## 3.4 Fair operating practices

### 3.4.1 Actions undertaken to prevent corruption

In view of the fact that PHARMAGEST Group's main business is publishing and marketing pharmacy management software, which is not governed by the rules of calls for tender, in principle, the Group is not exposed to corruption risk.

However, in 2017 PHARMAGEST Group implemented an anti-corruption system in accordance with the new French legislative provisions ("Sapin II" law).

The Group's main sites are in France or elsewhere in Europe and no specific corruption prevention measures are required. The only site that is in a country where there is potential risk is the HDM subsidiary, based in Mauritius. Mauritius declined from the 50$^{th}$ to 54$^{th}$ place in Transparency International's 2017 corruption perception index: http://www.transparency.org/country#MUS. PHARMAGEST Group closely monitors this phenomenon.

Moreover, the Group is not the subject of any legal action for anti-competitive behaviour, breach of anti-trust laws or monopolistic practices.

### 3.4.2 Measures taken on consumer health and safety

PHARMAGEST Group's products and services generate no health or safety risks for consumers.

PHARMAGEST Group is a health and well-being stakeholder through its different Divisions:

- For pharmacists and their teams, the Pharmacy - Europe Solutions Division provides:
    - A software suite that is maintained and regularly updated, as well as services designed to ensure dispensing to the highest safety standards,
    - Databases to draw on for advisory services (travel, vaccinations, etc.),
    - Training tools (e-learning).

  It has also developed the free app for the general public, Ma Pharmacie Mobile®, to find the nearest open pharmacy, send a scan of their prescription, access their medication history or receive reminders to take their medication.

- The Health and Social Care Facilities Solutions Division develops software to improve care of dependent or frail persons;

- The e-Health Solutions Division helps to improve healthcare systems:
    - The e-Pharma Business Line positions the Group in the public health sector through the establishment of health observatories, prevention and screening surveys. All content made available to pharmacists and patients by PHARMAGEST INTERACTIVE is checked by a qualified pharmacist;
    - The e-Patient Business Line deploys the new technologies in its software and products to maintain the elderly and chronically ill in their home and improve outcomes by increasing compliance.

Data protection is extremely important for PHARMAGEST, and the Health Data Hosting business has developed a customised and highly secure architecture to guarantee data security, the quality of which has been recognised through the two accreditations granted by the French Ministry of Social Affairs, Health and Women's Rights.

## 3.5 Other actions taken to promote human rights

As the Group is almost exclusively based in France and Europe and is compliant with the laws in its host countries, no specific measures have been undertaken in the area of human rights.

Nonetheless, PHARMAGEST Group acknowledges and reaffirms its firm commitment to the values of the Universal Declaration of Human Rights, the principles of the ILO's core conventions (see 1.7 of this report), as well as its commitment to respecting national and international laws, principles, standards and regulations.

The International Charter of Human Rights is fully adhered to by the Mauritius-based HDM subsidiary. The nature of this subsidiary's business as an independent software vendor requires highly trained personnel and excludes all forms of child labour. In addition, HDM's operating procedures have been brought into line with those in the French companies, including the introduction of personnel representation and a pension plan for all staff. These steps were taken on the Group's initiative outside of any local legal obligation.

No incidence of discrimination has been reported for any of the entities of PHARMAGEST Group.

# 4 Methodology, scope and definition of indicators

In accordance with the recommendations of the AMF report on social and environmental responsibility information published by listed companies, dated 5 November 2013, PHARMAGEST Group presents information to facilitate understanding of the information reported.

## 4.1 Methodology

General management, and particularly the Human Resources Department and Administration and Finance Department, have specific responsibility for oversight of the process of gathering, validating and consolidating CSR information in the Group. This review helps to continuously improve internal data-collection procedures.

Data checks are performed by persons responsible for each data set to the extent possible. Such verifications may take different forms: consistency checks, request for supporting data for qualitative information, internal audits, detailed testing. More comprehensive controls are performed when data is consolidated.

## 4.2 Scope

Quantitative or qualitative data disclosed in the CSR report are largely defined in reference to the following three reporting boundaries:

- PHARMAGEST ESU: the Economic and Social Unit comprising PHARMAGEST INTERACTIVE, CP INTERACTIVE (CPI), EUROPEAN HEALTH LOGISTIC SOURCING (EHLS), CPSI and DIATELIC;
- PHARMAGEST Group's French entities that include those of UES PHARMAGEST, INTECUM, KAPELSE, MALTA INFORMATIQUE, APPLICATIONS ET DEVELOPPEMENTS INFORMATIQUES (ADI), HEALTHLEASE, SCI HUROBREGA, DOMEDIC EUROPE, NANCEO, SAILENDRA, NOVIA SEARCH and DICSIT INFORMATIQUE;
- PHARMAGEST Group that include the French entities of PHARMAGEST Group as well as SABCO, SABCO SERVICES, HDM and NOVIATEK.

The companies in which equity stakes were acquired in 2017 (MULTIMEDS, CAREMEDS, MEDICATION SYSTEMS LIMITED, AXIGATE et WELFINITY GROUP) are not included in the PHARMAGEST Group reporting boundary.
If no information is available for one or more of these entities, this fact is noted (e.g. PHARMAGEST Group, excluding ADI).

## 4.3 Indicators

Specific definitions and calculations have been used to construct PHARMAGEST Group's indicators. This information only covers the indicators for which additional clarification in addition to the information in the CSR report was needed:

- **Workforce**: employees who have a permanent or fixed-term employment contract with a company in PHARMAGEST Group;
- **FTE**: Full Time Equivalent, monthly, as at 31 December 2017;
- **Part time**: a job that is not full-time, i.e. the working hours are less than the standard working hours in the country in question;
- **Average age**: the weighted average age per entity, relative to the total workforce of PHARMAGEST Group or the PHARMAGEST ESU;
- **Departures:** employees leaving through retirement, lay-offs, negotiated settlements, resignations or expiration of contracts;

- **Annual salaries by category and gender**: change in average salaries for the past four years by status (manager or non-manager) and gender. The workforce used is the full-time workforce for the PHARMAGEST ESU, employed from 1 January to 31 December 2016, excluding specific cases leading to salaries that are lower than the French annual minimum wage. The calculation of the overall average is based on the aggregate change in the salaries provided by the HR Department;

- **Absenteeism rate**: the ratio of the number of hours of absence to the total number of contractual hours;

- **Occupational accident**: an occurrence arising out of or connected with work, regardless of the cause (including road accidents), declared to and recognised by the health insurance board (CPAM - Caisse Primaire d'Assurance Maladie);

- **Occupational illness:** an illness resulting from a person's exposure to a risk in the workplace. They include the occupational illnesses declared to and recognised by the health insurance board (CPAM - Caisse Primaire d'Assurance Maladie); They include the occupational illnesses declared to and recognised by the health insurance board (CPAM - Caisse Primaire d'Assurance Maladie);

- **Number of lost time days:** the number of days during which an employee is unable to work following an occupational accident or occupational illness. The number of lost days is calculated in working days;

- **Occupational accident frequency rate:** The number of lost time accidents, multiplied by 1,000,000 and divided by the total number of contractual hours;

- **Accident severity rate:** The number of lost time days, multiplied by 1,000 and divided by the total number of contractual hours;

- **Circular economy:** Economy founded on reduced and responsible consumption of natural resources and primary raw materials and, in order of priority, on preventing waste generation, especially by reusing products, and, in accordance with the hierarchy of waste processing methods, on recycling or energy recovery from waste (Article L. 110-1-1 of the French Energy Code *(code de l'énergie)*, based on the law of 17-8-2015);

- **Electricity consumption:** PHARMAGEST Group's consumption in kWh. This data does not include the subsidiaries SAILENDRA and NOVIATEK and the Lyon agency of PHARMAGEST INTERACTIVE representing 3 % of the total area of PHARMAGEST Group's sites;

- **Kilometres travelled by car:** the PHARMAGEST ESU tracks the number of kilometres travelled by staff using a company car on a quarterly basis;

- **Number of train trips:** this information is provided directly by the travel agent;

- **Number of flights:** this information is provided by the travel agent directly or by the accounts department for reservations made directly;

- **Greenhouse gas calculation:** greenhouse gas emissions for trains are provided directly by the travel agent for flights, the information on emissions is provided either by the travel service providers, or calculated using the calculator: http://eco-calculateur.aviation-civile.gouv.fr/.

  GHG car emissions were calculated on the basis of 7 litres of fuel consumed per 100 km. The ADEME (French environment and energy management agency) V7 BC factor was applied to the total estimated fuel consumption.

  Emissions are classified into three categories:

  - Direct GHG emissions (or SCOPE 1) generated by fixed or mobile facilities inside the scope of the organisation;
  - Indirect GHG emissions (or SCOPE 2) resulting from the purchase or generation of electricity, heating and cooling, or steam generated off site for the organisation's activities; These emissions do not include the gas consumption of PHARMAGEST Group's sites;
  - Other indirect emissions (or SCOPE 3) generated indirectly by the organisation's activities (e.g. employee travel and commuting, etc.).

• **The Group's regions** comprise the following geographical areas and administrative departments in France:
- North Region: 02, 14, 27, 59, 60, 62, 76, 80;
- Ile-de-France (IDF): 75, 77, 78, 91, 92, 93, 94, 95;
- East Region: 08, 10, 21, 25, 39, 51, 52, 54, 55, 57, 67, 68, 70, 71, 88, 89, 90;
- Rhône-Alpes Region: 01, 07, 26, 38, 42, 43, 69, 73, 74;
- South-East Region: 04, 05, 06, 13, 30, 34, 48, 83, 84, 98, 2A and 2B;
- South-West Region: 09, 11, 12, 16, 17, 24, 31, 32, 33, 40, 46, 47, 64, 65, 66, 81, 82;
- Centre Region: 03, 15, 18, 19, 23, 28, 36, 37, 41, 45, 58, 63, 72, 86, 87;
- West Region: 22, 29, 35, 44, 49, 50, 53, 56, 61, 79, 85.
- French Overseas Departments and Territories: 971, 972, 973.

## 4.4 Recommendation on implementing the "comply or explain" principle

Article R. 225-105 of the French commercial code provides that companies must include among the disclosures mentioned in Article R.225-105-1 of the said Code, *"information which, given the nature of the company's activities or its organisation, cannot be produced or is not considered relevant, by providing explanations as relevant".*

Accordingly, when information cannot be produced or does not seem relevant, the AMF recommends that companies provide sufficiently grounded and appropriate explanations for the company's particular situation.
In the interests of greater transparency, PHARMAGEST includes a summary table of the information which, given the nature of its activities or its organisation, cannot be provided or does not seem relevant.

**Summary of undisclosed information**

| Information not produced | Grounds |
|---|---|
| 2.1.1. Organisation of the company for addressing environmental issues and, as applicable, environmental assessments or certification approaches | Bearing in mind the non-significant environmental impact of its businesses, PHARMAGEST Group has not introduced specific environmental assessment or certification measures. |
| 2.1.3. Resources devoted to preventing environmental risks and pollution | As PHARMAGEST Group has no industrial site or facility classified for the protection of the environment, it is not concerned by this type of risk and therefore does not set aside resources for their prevention. |
| 2.1.4. Amount of provisions and guarantees for environmental risks | In view of its business, the Group does not recognise provisions for environmental risks. |
| 2.2.1. Measures to prevent, reduce and remedy air, water and soil pollution | PHARMAGEST Group's activities do not create pollution or generate emissions into air, water and soil. |
| 2.2.2. Response to noise pollution and other forms of pollution specific to the business | PHARMAGEST Group does not generate noise or specific forms of pollution in its business. |
| 2.3.1.2. Measures for combating food wastage | In light of the nature of its operating activities and the absence of a company canteen, PHARMAGEST Group has not implemented measures to combat food wastage. |
| 2.3.2.1. Water consumption and water supply as related to local constraints | The Group does not use water resources in its activities. |
| 2.3.2.2 Consumption of raw materials and measures taken to improve the efficient use thereof | The Group does not use raw materials directly in its activities. |
| 2.4.2 Adapting to the consequences of climate change | Potential climate change does not have an impact on PHARMAGEST's businesses. |
| 2.5. Measures to preserve or develop biodiversity | The Group has not introduced a policy to protect biodiversity.<br>The Group's sites are primarily located in integrated development zones or special industrial zones, and no office is located in a protected area where it might generate an impact on biodiversity. |

# 24.2 Statutory auditors' independent third-party report on the consolidated social, environmental and societal information

*This is a free translation into English of the original report issued in the French language and it is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.*

Fiscal year ended 31 December 2017

**To the Shareholders,**

In our capacity as statutory auditors of PHARMAGEST INTERACTIVE, acting as independent third-party provider of assurance services, certified by COFRAC (under number 3-1048)[1], we hereby present our report on the consolidated human resources, environmental and social information for the financial year ended on 31 December 2017, (hereafter the CSR information) included in the management report pursuant to Article L.225-102-1 of the French commercial code.

## Responsibility of the company

The Board of Directors is responsible for preparing a management report including CSR Information in accordance with the provisions of Article R.225-105-1 of the French commercial code and the Guidelines used by the Company (hereinafter the "Guidelines") summarised in said report and available on request from the company's headquarters.

## Independence and quality control

Our independence is defined by regulations, the code of ethics of the profession and by the provisions of Article L.822-11 of the French commercial code. We have also implemented a quality control system comprising documented policies and procedures for ensuring compliance with the codes of ethics, professional guidance and applicable legal and regulatory texts.

## Responsibility of the auditors

It is our responsibility, on the basis of our work to:

- Certify that the required CSR Information is presented in the management report or, in the event that any CSR Information is not presented, that an explanation is provided in accordance with the third paragraph of Article R.225-105 of the French commercial code (Statement of disclosure of CSR Information);
- Express limited assurance that the CSR Information, taken as a whole, is, in all material respects, fairly presented in accordance with the Guidelines (Substantiated opinion on the true and fair presentation of CSR Information).

It is not, however, our responsibility to assess compliance with any other legal requirements, where applicable, and in particular those provided by Law 2016-1691 of December 9, 2016 introducing new anti-corruption measures ("Sapin II").

Our work was conducted by a team of four persons for a period of around a week between 5 and 16 March 2018. In the performance of this engagement, we were assisted by our specialised CSR experts.

We performed our work in accordance with the French legal order published on 13 May 2013 determining the conditions in which the independent third party performs its engagement as well as the professional guidelines of the French National Institute of Statutory Auditors *(Compagnie nationale des Commissaires aux Comptes)* relating to this engagement and, concerning the reasoned opinion of fairness, in accordance with the ISAE 3000 international standard[2].

*(1) The scope of which may be consulted on www.cofrac.fr*
*(2) ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information*

## 1. Statement of disclosure of CSR information

### Nature and scope of the work

We obtained an understanding from interviews with management of the relevant departments, on priorities for sustainable development, according to the employment-related and environmental impacts of the Company's activity and its social commitments and, where appropriate, any action or programs related thereto.

We compared the information compiled in the Management Report with the list provided in Article R. 225-105-1 of the French commercial code.

Where consolidated information was missing, we verified that the explanations provided met the requirements of Article R. 225-105-3 of the said Code.

We ensured that the CSR Information covers the scope of consolidation, i.e., the company, its subsidiaries as defined by Article L. 233-1 and the entities it controls as defined by Article L. 233-3 of the French commercial code within the limitations set out in the "Methodology Note" presented in paragraph 4. "Methodology, scope and definition of indicators" of the management report.

### Conclusion

On the basis of our work and within the limits set out above, we certify the completeness of the information in the CSR report.

## 2. Limited assurance report on the sustainability reporting

### Nature and scope of the work

We conducted two interviews with persons responsible for preparing CSR information, departments responsible for collecting information and, where appropriate, those in charge of internal control and risk management procedures in order to:

- assess the suitability of the Guidelines in the light of their relevance, completeness, reliability, impartiality and comprehensibility, and taking industry best practice into account when necessary;

- verify the implementation of a data-collection, compilation, processing and control procedure designed to produce CSR Information that is exhaustive and consistent, and familiarise ourselves with the internal control and risk management procedures involved in preparing the CRS Information.

We selected the CSR information to be tested and determined the nature and scope of the tests, taking into consideration their importance based on the company's profile, the social and environmental impact of its activities, priorities in terms of sustainable development and industry best practice.

With regard to the CSR Information that we considered to be the most important[3] :

- At the level of the consolidating entity and controlled entities, we have consulted documentary sources and conducted meetings to corroborate qualitative information (organisation, policies, actions), we implemented analytical procedures for quantitative information and verified, using sampling techniques, calculations as well as the consolidation of data, and have verified their consistency and concordance with other information contained in the management report;

- At the level of a representative sample of entities we selected according to their activity, contribution to the consolidated data, location and a risk analysis, we conducted interviews to verify the correct application of procedures and identify possible omissions and implement tests on details based on samples, consisting in verifying calculations and reconciling data with supporting evidence. The selected sample represents 80% of headcount and between 37% and 100% of quantitative human resources and environmental data presented.

We assessed the consistency of the other consolidated CSR information based on our knowledge of the Company.

Finally, we assessed the relevance of the explanations to the absence of information when appropriate.

We consider that the sampling methods and the size of the samples retained based on our professional judgement allows us to issue a moderate assurance. A higher level of assurance would have required more extensive verifications. The use of sampling techniques and other limits inherent in any information system or internal control system means that it is not possible to totally eliminate the risk of not detecting a material anomaly in the CSR data.

### Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly, in all material respects, in accordance with the Guidelines.

Neuilly-sur-Seine, 25 April 2018
Statutory Auditors,
**Deloitte & Associés**

**Anne Philipona-Hintzy**
Partner

**Julien Rivals**
Partner, Sustainable Development

[3] ***Human resources indicators:*** *Total workforce by type of employment contract, status and gender; number of recruitments; number of departing employees; absenteeism rate; total number of training hours; number of persons trained; number of disabled employees.*
***Environmental indicators:*** quantity of WEEE; annual electricity consumption of the Group; total number of kilometres travelled ; number of vehicles; total number of trips by train; total number of trips by plane; direct and indirect greenhouse gas emissions (scope 1, 2 and 3).
***Social indicators:*** total amount of external subcontracting; total amount of intra-group subcontracting.
***Qualitative disclosures :*** Evolution of wages; measures for the employment and integration of disabled people; measures to promote gender equality; training policy; territorial and social impact of our business on employment, regional development and local communities; measures taken for prevention, recycling, reuse and other types of recovery and the elimination of waste; taking into account the social and environmental responsibility of sub-contractors and suppliers.

[4] *PHARMAGEST ESU.*

## 24.3 Report on corporate governance

PHARMAGEST INTERACTIVE
A FRENCH PUBLIC LIMITED COMPANY *(SOCIÉTÉ ANONYME)* WITH SHARE CAPITAL OF €3,034,825
REGISTERED OFFICE: TECHNOPOLE DE NANCY BRABOIS
05 ALLEE DE SAINT CLOUD 54600 VILLERS LES NANCY
NANCY COMPANIES REGISTER (RCS) NO. 403 561 137

BOARD OF DIRECTORS' REPORT
ON CORPORATE GOVERNANCE TO
ANNUAL ORDINARY GENERAL SHAREHOLDERS' MEETING
ON 28 JUNE 2018

Pursuant to the provisions of article L. 225-37 of the French commercial code the Board of Directors hereby reports to you the report on corporate governance enclosed with the management report.

## 1. Corporate governance

At its meeting of 25 March 2010, the Board of Directors of PHARMAGEST INTERACTIVE voted to adopt the MiddleNext Corporate Governance Code of December 2009 as the most appropriate corporate governance framework in light of its size and shareholder structure.

This code lists a number of points to be watched by the Board for the purpose of ensuring good corporate governance. In accordance with recommendation R19, PHARMAGEST Group's Board of Directors duly noted these points to be watched which are monitored regularly.

Changes made to the MiddleNext code in September 2016 provided PHARMAGEST INTERACTIVE's Board of Directors with an opportunity to offer training to Board members devoted to corporate governance issues.

PHARMAGEST INTERACTIVE applies all recommendations of the MiddleNext code which may be consulted at the organisation's website (www.middlenext.com).

## 2. The Board of Directors

### 2.1. Procedures for exercising Executive Management including information, as applicable, on limitations imposed by the Board of Directors on the Managing Director's powers

The Company is governed by a Board of Directors with a separation of the functions of Chair *(Président)* and Managing Director *(Directeur Général)* main roles are as follows:

- The Managing Director, in accordance with Article L.225-56 of the French commercial code, is vested with all powers to act in the name of the company under all circumstances. He/she exercises his/her authority within the limits of the Company's purposes and subject to those expressly reserved to the shareholders and the Board of Directors. The Articles of Association and/or the rules of procedure contain no provisions limiting the powers of the Managing Director and the Board of Directors made no decision to limit these powers during the financial year.

- The Chair of the Board of Directors organises and leads the work of the Board and reports on it to the General Meeting. The Chairman also reports to the Meeting on the conditions related to the preparation and organisation of the work of the Board, the internal control procedures in the Company and the restrictions the Board may place on the Managing Director's powers, where relevant. He/she ensures the correct functioning of the Company's corporate bodies, and in particular that the directors are able to fulfil their duties.

## 2.2. Succession for the manager

The separation of the functions between the Chair of the Board of Directors and the Managing Director, assisted by two Deputy Managing Directors, effectively addresses the issue raised by recommendation of R14 of the MiddleNext code designed to ensure the company's sustainability. The Board of Directors if it considers, appropriate, may take all additional actions such as creating a special committee or strengthening the recovery or business continuity plans.

## 2.3. Composition of the Board of Directors and committees

As at 31 December 2017, the Board of Directors comprised 12 members of French nationality, three of whom are independent.

| Member's full name or Company Name and their roles | Independent Director | Year of first appointment | Office expiry date [1] | Audit Committee | Expertise and background [2] |
|---|---|---|---|---|---|
| **Mr. Thierry CHAPUSOT**<br>*Chair of the Board of Directors* | No | 2002 (Dir.)<br>2010 (Chair of the Board) | 31/12/2019 | / | *Chair of the Management Board of LA COOPERATIVE WELCOOP (formerly named GROUPE WELCOOP)* |
| **Mr. Dominique PAUTRAT**<br>*Managing Director and Director* | No | 2010 (CEO)<br>2009 (Director) | 31/12/2019 (CEO)<br>31/12/2020 (Director) | / | National and international development |
| **Mr. Thierry PONNELLE**<br>*Deputy Managing Director and Director* | No | 2002 ((DMD)<br>2002 (Director) | 31/12/2019 (DMD)<br>31/12/2019 (Director) | / | Development of the Marketing and Business Development Strategy |
| **Mr. Denis SUPPLISSON**<br>*Deputy Managing Director and Director* | No | 2010 ((DMD)<br>2013 (Director) | 31/12/2019 (DMD)<br>31/12/2020 (Director) | / | National and international development of the Pharmacy Division |
| **Mr. Daniel ANTOINE**<br>*Director* | No | 2002 | 31/12/2019 | Member | Knowledge of the business of pharmacists |
| **Ms. Marie-Louise LIGER**<br>*Independent Director* | Yes | 2015 | 31/12/2020 | Chair | Accounting |
| **Mr. François JACQUEL**<br>*Director* | No | 2011 | 31/12/2019 | Member | Knowledge of the business of pharmacists |
| **Ms. Anne LHOTE**<br>*Director* | No | 2011 | 31/12/2022 | / | Experience in finance and accounting expertise |
| **Ms. Sophie MAYEUX**<br>*Independent Director* | Yes | 2012 | 31/12/2017 [3] | / | Communications |
| **Ms. Céline GRIS**<br>*Independent Director* | Yes | 2017 | 31/12/2022 | / | International development and communications |
| **Ms. Emilie LECOMTE**<br>*Director* | No | 2017 | 31/12/2022 | / | Knowledge of the business of pharmacists |
| **LA COOPERATIVE WELCOOP**<br>*(formerly named GROUPE WELCOOP)*<br>**represented by Mr. Hugues MOREAUX**<br>*Director* | No | 2002 | 31/12/2019 | / | Knowledge of the business of pharmacists |

*[1] The term of office ends at the close of the Annual General Meeting called to approve the financial statements for the financial year indicated.*
*[2] Information on the professional background and roles of directors is given in section 14.1.2 of this Registration Document.*
*[3] The renewal of Ms. MAYEUX's term of office as director will be proposed at the next annual general meeting of 28 June 2018.*

## 2.4. Changes in the Board membership in 2017

The composition of the Board of Directors on 31 December 2017 was modified in relation to 31 December 2016, with the Ordinary general Meeting having decided to appoint two new women directors:

- As a new Independent Director:
  Ms. Céline GRIS
- As a new Director:
  Ms. Emilie LECOMTE (maiden name: DALLA-COSTA)

For a six-year term that will end at the close of the annual ordinary general meeting to be called for the purpose of approving the financial statements for the period ending 31 December 2022.

## 2.5. List of offices and functions exercised in any company by each corporate officer in the period ended

In accordance with recommendation R1 of the MiddleNext Code, Executive Directors do not hold more than two other offices in other listed companies, including in foreign companies or companies outside the Group.

In accordance with the provisions of Article L. 225-37-4 of the French commercial code, offices and functions exercised in any company by corporate officers of the company are listed below.

PHARMAGEST INTERACTIVE
A FRENCH PUBLIC LIMITED COMPANY *(SOCIÉTÉ ANONYME)* WITH SHARE CAPITAL OF €3,034,825
"REGISTERED OFFICE: TECHNOPOLE DE NANCY BRABOIS - 05 ALLEE DE SAINT CLOUD
54600 VILLERS LES NANCY"
NANCY COMPANIES REGISTER (RCS) NO. 403 561 137

ANNUAL ORDINARY GENERAL MEETING OF 28 JUNE 2018
LIST OF DIRECTORSHIPS AND POSITIONS HELD BY THE COMPANY'S CORPORATE OFFICERS
IN OTHER COMPANIES IN 2017

(Article L 225-37-4 of the French Commercial Code)

| Companies | Thierry CHAPUSOT | Dominique PAUTRAT | Thierry PONNELLE | Denis SUPPLISSON | Daniel ANTOINE |
|---|---|---|---|---|---|
| *** PHARMAGEST INTERACTIVE (SA) listed company** | Chair of the Board of Directors | Managing Director and Director (holds an employment contract) | Deputy Managing Director and Director (holds an employment contract) | Deputy Managing Director and Director (holds an employment contract) | Director |
| *** LA COOPERATIVE WELCOOP (SA)** *(formally WELCOOP GROUP)* | Chair of the Executive Committee (holds an employment contract) | Executive Committee member | | | Vice-Chair of the Supervisory Board |
| *** MARQUE VERTE SANTE (SA)** | Chair of the Executive Committee | Executive Committee member | | | Board representative of LA COOPERATIVE WELCOOP, Supervisory Board member |
| *** EUROPEAN HEALTH LOGISTIC SOURCING - EHLS (SAS)** | | Representing the Chair of PHARMAGEST INTERACTIVE | | | |
| *** A.D.I. APPLICATIONS ET DEVELOPPEMENTS INFORMATIQUES (SA)** | | Board representative of CP INTERACTIVE | Board representative of PHARMAGEST INTERACTIVE | | |
| *** DIATELIC (SAS)** | | Representing the Chair of PHARMAGEST INTERACTIVE | | | |
| *** DOMEDIC EUROPE (SA)** | Director | Chair of the Board of Directors | | Managing Director and Director | |
| *** CP INTERACTIVE (SARL)** | | Manager | | | |
| *** SABCO (SA)** (Luxembourg) | | Chair & Director | | Managing Director | |
| *** HDM** (Mauricius) | | Manager | | | |
| *** SABCO SERVICES (SPRL)** (Belgium) | | Manager | | | |
| *** INVESTIPHARM FRANCE (SA)** | | | | | Director |
| *** GROUPE DOMEDIC INC. (SA)** (Canadian company) | Director | Director | | | |
| *** INTECUM (SAS)** | | | | Chair | |
| **SOFAREX** (Belgium) | | | | | |
| *** INVESTIPHARM BELGIUM** (Belgium) | | | | | |
| *** PHARMALAB INTERNATIONAL Ltd** (Hong Kong) | | | | | |
| *** UK PHARMA** (Great Britain) | Board representative of MARQUE VERTE SANTE | Manager | | | |

| Hugues MOREAUX | Francois JACQUEL | Anne LHOTE | Sophie MAYEUX | Marie-Louise LIGER | Emilie LECOMTE | Céline GRIS |
|---|---|---|---|---|---|---|
| Board representative of LA COOPERATIVE WELCOOP | Director | Director | Independent Director | Independent Director | Director as from 27/06/2017 | Independent Director as from 27/06/2017 |
| Chair of the Supervisory Board | Supervisory Board member | Executive Committee member (holds an employment contract) | | | Supervisory Board member | |
| Chair of the Supervisory Board | | Executive Committee member | | | | |
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| Board representative of LA COOPERATIVE WELCOOP | | Chair of the Board of Directors | | | | |
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| | | Managing Director | | | | |
| | | Managing Director | | | | |
| | | Director | | | | |
| | | Manager | | | | |

| Companies | Thierry CHAPUSOT | Dominique PAUTRAT | Thierry PONNELLE | Denis SUPPLISSON | Daniel ANTOINE |
|---|---|---|---|---|---|
| * **ESPAFARMED** (Spain) | | | | | |
| * **ITAFARM** (Italy) | | | | | |
| * **AUXI EXPORT** (Belgium) | | | | | |
| * **ALPHA REPARTITION** (Belgium) | | | | | |
| * **ALPHA FINANCE REPARTITION** (Belgium) | | | | | |
| * **WELFINITY GROUP** (Luxembourg) | Director as of 22/02/2017 | Managing Director as of 22/02/2017 | | | |
| * **LABORATOIRE MARQUE VERTE (SA)** | Board representative of LA COOPERATIVE WELCOOP | Chair of the Board of Directors | | | |
| * **D'MEDICA (SA)** | Chair of the Board of Directors | | | | |
| * **OBJECTIF PHARMA (SA)** | Chair of the Executive Committee | | | | Supervisory Board member |
| * **DEVELOPPEMENT PROMOTION CRISTERS (SAS)** | Chair | | | | |
| * **KAPELSE (SAS)** | | Representing the Chair of PHARMAGEST INTERACTIVE | | | |
| **SC ERMITAGE SAINT JOSEPH** | Manager | | | | |
| * **SCI HUROBREGA** | | Manager | | | |
| **SCI JADD** | | | | | Manager |
| **SNC MOREAUX DUCASSOU** | | | | | |
| * **SCI CERP IMMO 2** | Board representative of LA COOPERATIVE WELCOOP, Manager | | | | |
| **PLANT ADVANCED TECHNOLOGIES - PAT (SA) Listed company** | Director | | | | |
| **SCI MESSIRE JACQUES** | | Manager | | | |
| **SOCIETE CIVILE CHANOINE JACOB** | | Manager | | | |
| **SCI DU FRONTON** | | | | | |
| **SCI JAMERAI** | Manager | | | | |
| **SARL DUVAL DE VITRIMONT** | Manager | | | | |

| Hugues MOREAUX | Francois JACQUEL | Anne LHOTE | Sophie MAYEUX | Marie-Louise LIGER | Emilie LECOMTE | Céline GRIS |
|---|---|---|---|---|---|---|
| | | Director until 02/05/2017 | | | | |
| | | Director | | | | |
| | | Manager until 28/02/2017 | | | | |
| | | Managing Director as of 20/06/2017 | | | | |
| | | Managing Director | | | | |
| | | Managing Director | | | | |
| Director | | | | | | |
| Board representative of LA COOPERATIVE WELCOOP | | Director | | | | |
| Vice-Chair of the Supervisory Board | | Executive Committee member | | | Supervisory Board member | |
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| Joint Manager until 30/11/2017 | | | | | | |
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| | | | | | | |
| Manager | | | | | | |
| | | | | | | |
| | | | | | | |

| Companies | Thierry CHAPUSOT | Dominique PAUTRAT | Thierry PONNELLE | Denis SUPPLISSON | Daniel ANTOINE |
|---|---|---|---|---|---|
| *** SARL CARAIBES PHARMA SERVICES INFORMATIQUE** | | | | Manager | |
| **SELARL FRANCOIS JACQUEL** | | | | | |
| **SCI CRAPAUDINE** | | | | | |
| **PHARMACIE LECOMTE DALLA-COSTA (SELARL)** | | | | | |
| **SARL LECOMTE DALLA COSTA (SPFPL)** | | | | | |
| **GRIS DECOUPAGE SAS** | | | | | |
| **GRIS INVEST INDUSTRIES - G 21 (SASU)** | | | | | |
| **ESKARCEL (SOCIÉTÉ CIVILE)** | | | | | |

** WELCOOP GROUP's member companies*

| Hugues MOREAUX | Francois JACQUEL | Anne LHOTE | Sophie MAYEUX | Marie-Louise LIGER | Emilie LECOMTE | Céline GRIS |
|---|---|---|---|---|---|---|
| | | | | | | |
| | Manager | | | | | |
| | Joint Manager | | | | | |
| | | | | | Joint Manager | |
| | | | | | Joint Manager | |
| | | | | | | Managing Director |
| | | | | | | Managing Director |
| | | | | | | Joint Manager |

## 2.6. Application of the principles of balanced representation of men and women

The obligation of gender balance of the Board of Directors imposed by article L. 225-18-1 of the French commercial code (Law of 27 January 2011) is respected. At 31 December 2017 and to date, the percentage of women serving on the Board of Directors is 42%.

## 2.7. Independent Directors

The criteria for independence as defined in MiddleNext code recommendation R3 has been met for each independent director. These criteria are as follows:

- they must not have been in the course of the previous five years an employee or executive officer of the company or a company in its group;
- they must not have had any material business relationship with the company or its group for the last two years (as a client, supplier, competitor, service provider, creditor, banker, etc.);
- they must not be a reference shareholder of the company or hold a significant percentage of voting rights;
- they must not have a close relationship or close family ties with a corporate officer or a reference shareholder;
- they must not have been an auditor of the company in the course of the previous six years.

The status of independence is determined at the time of the director's first appointment and each year thereafter when the report on corporate governance is written and approved.

The Board has three independent directors (see above the Table on the composition of the Board of Directors and committees). The MiddleNext code recommends the presence of at least two Independent Directors.

## 2.8. Appointment of Board members by personnel

The Company's articles of association do not provide for the appointment of one or more Directors representing employees. There are no Directors representing employees serving on the Board.

In addition, the number of employees of the Company and its subsidiaries was below the threshold provided for by article L. 225-27-1 of the French commercial code at the end of both 2016 and 2017. In consequence, the obligation to appoint Directors representing the employees under this article is not applicable to the Company.

## 2.9. Appointment of Board Members representing employee shareholders by the General Meeting of Shareholders

Since the Company does not meet the conditions in Article L 225-23-1 of the French commercial code (shares held by the employees representing more than 3% of the company's share capital), a Director representing employee shareholders has not been appointed.

## 2.10. Terms of office - Minimum number of shares to be held

Directors serve for a term of six years, as permitted by law and the Company's Articles.

In accordance with recommendation R9 of the MiddleNext Code, the Board ensures that the terms of office defined by the articles of association are adapted to the Company's specific needs, within the limits set by law. In view of the size and composition of its Board, PHARMAGEST INTERACTIVE considers that six-year terms make it possible to take advantage of the Directors' experience and knowledge of the Company, its markets and businesses when making decisions.

To guarantee the Board of Directors' stability, the appointment of directors is staggered over time.

In accordance with the Company’s articles of association and the Board of Directors' rules of procedure, each director must hold at least one share.

## 2.11. Director ethics

In accordance with recommendation R1 of the MiddleNext Code, each Director, both existing and newly appointed, received information on Group governance and their responsibilities.

The Board of Directors has adapted its internal rules of procedure to comply with the new wording of the MiddleNext recommendation to ensure that each Director respects the following rules of ethical conduct:

- Exemplary conduct entailing at all times, a behaviour reflecting consistency between words and acts, a guarantee of credibility and confidence;
- Before taking up their appointment, they must be informed of their general or specific obligations. They must ensure they have read all the relevant legal or regulatory texts, the articles of associations and rules of procedure, as well as any additions to same by the Board;
- Although Directors are themselves shareholders, they represent the shareholders as a whole and must act in the corporate interest in all circumstances;
- The director is required to inform the Board of any existing (customer, supplier, competitor, consultant, etc.) or potential (other offices) conflicts of interest and depending on its nature, the director in question shall abstain from voting or taking part in the proceedings, and, in extreme circumstances, will resign;
- The absence of disclosure constitutes recognition that there is no conflict of interest;
- They must devote the time and attention necessary to their duties. When Directors hold an executive position, they should not in principle accept more than two other directorships in listed companies, including in foreign companies or companies outside the Group;
- They should have good attendance records and should take part in all meetings of the Board and committees on which they sit;
- They are obliged to ensure they are properly informed. To this end, they must obtain the information they need to address the subjects on the agenda for meetings from the Chairman within reasonable time frames;
- With respect to non-public information acquired in connection with their duties, each member of the board shall be considered subject to an obligation of strict professional confidentiality that exceeds the legal obligation of discretion;
- Finally, Board Members must:
  - Refrain from all dealings in the Company's securities, including derivatives, about which they possess based on their positions insider information not yet available to the public;
  - Declare transactions on the company's shares, pursuant to applicable law and regulations. The Company is subject to the legal obligation to disclose all securities transactions by Board Members and related parties to the French financial markets authority (AMF). As such Board Members undertake to inform the Board Secretary of any such transactions within 30 days therefrom.
- Board Members must also attend the General Shareholders' Meetings, unless in exceptional circumstances.

## 2.12. Conflicts of interest

PHARMAGEST Group's Board of Directors considers that it has a decisive role in handling conflict of interest and ensuring that decisions are made by managers in the Company's corporate interest. In compliance with recommendation R2 and all regulations governing regulated agreements, the Board reviews on an annual basis these agreements and potential conflicts of interest that might arise between the duties with regards to PHARMAGEST INTERACTIVE, Board members and their private interests. In accordance with the Board of Directors' rules of procedure, any director is required to inform the Board of any existing or potential conflict of interest and must abstain from voting or taking part in the deliberations relating thereto.
In exercising its oversight, the Board of Director seeks to improve procedures for identifying and managing conflicts of interest and, if it considers appropriate, may seek to obtain an independent opinion.

In 2017, PHARMAGEST INTERACTIVE's Board of Directors did not identify any potential conflicts of interest with regards to PHARMAGEST INTERACTIVE between the duties of the corporate officers and managing directors and their private interests.

### 2.13. Choice of Board Members

In accordance with the recommendation R8 of the MiddleNext code and Article R. 225-73-1 of the French commercial code, when a Director is appointed or reappointed, information on their background and expertise made available on PHARMAGEST INTERACTIVE's website (www.pharmagest.com) in the section for the general meeting under Investor Relations and is sent to shareholders on request in accordance with article R. 225-83 of said code.

The appointment of each Director and the renewal of their terms of office are the subject of a distinct resolution.

### 2.14. Relations with shareholders

Other than LA COOPERATIVE WELCOOP (formerly GROUPE WELCOOP) and the executive founders, PHARMAGEST INTERACTIVE has no other significant shareholders. In compliance with recommendation R12, managers of PHARMAGEST Group have opportunities outside General Meetings for exchanges between significant shareholders. In addition, managers are committed to organising the General Meeting in a manner that provides general access to all.

## 3. Preparation and organisation of the Board's work

### 3.1. Rules of procedure

The Board of Directors adopted rules of procedure 16 June 2011, which define:

- The role and powers of the Board of Directors and limits to the powers of the Managing Director;
- The rules governing the composition of the Board and the independence criteria applicable to Directors;
- Directors' duties and the rules of ethical conduct to which they are subject;
- Board practices;
- Rules for determining the compensation of Audit Committee members.

To comply with changes to MiddleNext code recommendation R7, the Board will adapt its rules of procedure and include the following:

- The definition of the role of specialised committees that may be set up;
- The protection provided to directors and officers: directors and officers liability insurance (D&O insurance);
- Changes with regard to the code of ethics.

The Board's rules of procedure are available to the public and are published on the PHARMAGEST INTERACTIVE website (www.pharmagest.com) under Investor Relations / Corporate Governance.

### 3.2. Information provided to Board members

The Board Members consider that they received sufficient information to perform their duties. In order to facilitate preparation for meetings, the Chair endeavoured to send the documentation and information required at least eight days in advance.

Moreover, whenever appropriate in light of developments in the company, Directors are regularly updated between meetings in accordance with recommendation R4 of the MiddleNext Code.

Finally specific training was provided in 2017 to directors wishing to strengthen their knowledge in this area.

## 3.3. Board meetings

Board practices (convening, meetings, quorum and information provided to its members) are in line with the provisions of applicable law and the Company's Articles of Association. These provisions have been included in and supplemented in the rules of procedure.

The mission of the Board of Directors is to determine the strategy of the company and ensure that this strategy is implemented. Subject to those powers expressly granted to General Shareholders' Meetings and within the limits of the Company's corporate purpose, the Board of Directors addresses all issues relating to the Company's operations and handles all its affairs (Article L. 225-35, paragraph 1 of the French commercial code).

Moreover, in accordance with the rules of procedure, the Board of Directors may refer matters to the General Shareholders' Meeting if they concern a large majority of the Group's assets or activities.

The Board meets at least four times a year, in compliance with recommendation R5 of the MiddleNext Code.

The members of the Board of Directors and the Works Council were given sufficient advance notification to arrange to attend meetings and were provided with the documents they needed to ensure the efficient working of the Board.

The Statutory Auditors were invited to all meetings of the Board of Directors.

The Board met as many times as required in the Company's interests.
Minutes are drawn up at the end of each Board meeting, indicating the issues raised and any reservations expressed. Minutes are approved at the following Board meeting.

The Board of Directors met six times in 2017, including two working meetings, with an attendance rate of 98%. The table below indicates Directors' attendance at meetings.

| Meeting date | Nature of the meeting | Number of participants | Attendance rate |
|---|---|---|---|
| 31/03/2017 | Board of Directors | 10 | 100% |
| 27/06/2017 | Working meeting | 10 | 100% |
| | Board of Directors | 10 | 100% |
| 22/09/2017 | Board of Directors | 12 | 100% |
| 04/12/2017 | Working meeting | 11 | 92% |
| | Board of Directors | 12 | 100% |

The two working meetings provided board members an opportunity to learn about different projects for products and services developed by the Company and its subsidiaries.
The Board meetings addressed oversight of the Group's day-to-day operations and priorities relating to significant points. At each Board meeting, the Chair provided an update of items of business in progress. At the four Board meetings the main items of business discussed were as follows:

- Review and approval of the separate parent company and consolidated financial statements as at 31 December 2016;
- Review of the interim financial statements and report, quarterly positions and forward-planning documents;
- A regular review of the Group's financial position and investment projects;
- Preparation of the Annual General Meeting; proposal for the appropriation of earnings, review of the Directors and Auditors' offices, proposal for the amount of directors' attendance fees, setting the agenda and calling the meeting, adopting the draft resolutions, the annual management report, including the corporate social responsibility (CSR) report, approval of the report by the Chair, update on the executive compensation policy ("say on pay");
- Definition of strategic priorities for information and consultation with the Works Council;
- Lease management authorisation, implementation of current account agreements with subsidiaries;
- Authorisation for simplified merger procedure entailing the company's dissolution and the global transfer of its assets and liabilities *(transmission universelle de patrimoine)*;
- Discussion of the policy on gender equality and equal pay;
- Annual review and authorisation of regulated agreements.

## 3.4. Assessment of Board performance

PHARMAGEST Group's Board of Directors complies with the requirements of recommendation R11. In the opinion of the Board of Directors, a formal self-assessment (on the basis of questionnaires) every three years is sufficient and any anomalies detected are addressed by the Directors at each meeting (miscellaneous questions) without the need to update the agenda. Points raised in Board meetings are recorded in the minutes. Otherwise, the Chair formulates the question orally to ensure in order to ensure that no dysfunction in the conduct of the meeting was recognised.

The most recent formal assessment was carried out during the meeting of 9 December 2016, by means of an individual questionnaire sent to each member. The next assessment will take place no later than December 2019.

## 3.5. Creation of committees

### 3.5.1. Principles

In accordance with recommendation R6 of the MiddleNext Code, information on PHARMAGEST INTERACTIVE's choice of ad hoc committees is provided below.

In light of its size and structure, PHARMAGEST INTERACTIVE's Board of Directors does not consider it necessary to create ad hoc committees such as a Compensation Committee, a Nominating Committee or a Strategic Committee.

PHARMAGEST Group's main business is publishing and marketing pharmacy management software in France, which does not generate significant impacts on the environment or on society. For that reason, it also does not consider it necessary to establish a CSR Oversight Committee, with the responsibility of monitoring these issues assigned to the Managing Director.

### 3.5.2. The Audit Committee

Pursuant to applicable regulations, PHARMAGEST INTERACTIVE's formed an Audit Committee in 2006.

The main tasks of the Audit Committee and their performance are in line with the final report of the working group on audit committees, issued on 22 July 2010 by the AMF.

In 2017, the members of the Audit Committee appointed by the Board of Directors were as follows:

- Mr. Daniel ANTOINE, Director;
- Ms. Marie-Louise LIGER, Independent Director;
- Mr. François JACQUEL, Director.

Ms. Marie-Louise LIGER, Independent Director according to the criteria of the MiddleNext code and possessing the requisite financial and accounting expertise, has chaired the Audit Committee since 1 July 2015 and assures the role of Committee secretary for its work.

The Audit Committee met five times in 2017 with an attendance rate of 100%.

The Audit Committee's rules of procedure were drawn up and approved in 2008. These rules were incorporated as part of the Board's rules of procedure during the Board meeting on 16 June 2011.

**The Audit Committee's main tasks are to monitor:**

- The process for producing accounting and financial information;
- The effectiveness of internal control and risk management systems;
- The statutory audit of the Company's annual financial statements and the Group's consolidated financial statements;
- The independence of the statutory auditors.

In addition, the Board of Directors may assign any other responsibilities it deems appropriate to the Audit Committee, in line with the Board's duties.

**Scope of the Audit Committee's work:**

- The Committee is not limited solely to financial and accounting aspects and covers all areas of the company. It is the Audit Committee's responsibility to ensure that the Group has a process for identifying and analysing risks likely to have a material impact on the accouting and financial information;
- It must include in its review the risks that are reflected in accounting terms (including information in the notes to the financial statements) and the risks identified by the internal control and risk management systems established by general management and which may have an impact on the financial statements.

**In light of the above, based on the recommendations of the AMF working group, the Audit Committee:**

- Conducts quarterly, half-yearly and annual reviews of the financial statements with the Finance Department and the Statutory Auditors to ensure that all material events or complex transactions are correctly reflected in the accounts;
- Reviews the Registration Document, the interim report and the quarterly press releases, prior to publication;
- Ensures that the internal control and risk management system is in keeping with the Reference framework for internal control: Implementation guide for small and mid caps, issued by the AMF;
- Requests the Auditors' participation during Audit Committee meetings;
- Requests the Statutory Auditors to provide an annual statement of independence;
- Monitors the performance by the Auditors of their missions and takes into account, as applicable, the observations and conclusions of the French auditors supervisory body *(Haut Conseil du Commissariat aux Comptes)* pursuant to audits performed in accordance with regulations;
- Approves, as applicable, the provision of services other than account certification in compliance with applicable regulations;
- Issues a recommendation on the Statutory Auditors proposed for appointment to the Annual General Meeting;
- Reports to the Board of Directors on the performance of its role and promptly informs it about any difficulties encountered.

**During the 2017 financial year, the Audit Committee:**

- Review of the annual and interim financial information;
- Reviewed the Statutory Auditors' presentation of their work and conclusions on the annual and interim consolidated financial statements;
- Monitored the financial position and structure of the Group's foreign and French subsidiaries;
- Analysed subsidiaries' equity holdings;
- Studied the presentation by members of the Executive Management growth projects and the main contracts;
- Updated internal audit procedures;
- Monitored priority technology action programmes;
- Analysed offers received in connection with the call for tender for the renewal of one of the statutory auditors.

Information was provided orally during these meetings and the Board of Directors was also informed about the work of the Audit Committee by a report given to the Chair and the Managing Director at each of the meeting.

**In addition to ongoing missions (financial information, Statutory Auditors' conclusions and independence), the main subjects to be addressed during the 2018 financial year are summarised below:**

- Review of the quarterly, half-yearly and annual financial information;
- Review the Statutory Auditors' presentation of their work and conclusions on the annual and interim consolidated financial statements;
- Examination of the financial position and structure of the Group's French and foreign subsidiaries as at the start of the financial year, as well as any that are added to the scope of consolidation during the year;
- Examination of the risk mapping and action plans arising as a result.

A number of specific "operating" committees also report to Executive Management. The Finance and Personnel Management Committee or certain members thereof may be directly solicited by the Board of Directors or the Audit Committee to address specific topics.

# 4. Compensation of corporate officers

## 4.1. Compensation policy for non-executive officers

Non-executive Board Members receive director's fees, set in accordance with recommendation R10 of the MiddleNext Code as follows:

- Directors' fees are paid to Directors who do not occupy operating positions in LA COOPERATIVE WELCOOP (formerly GROUPE WELCOOP) and for which they are paid compensation;
- The allocation of directors' fees also takes into account distance to travel, attendance and the amount of time spent by Directors performing their duties. In addition, attendance at Audit Committee meetings and the nature of the function within said Committee are also taken into account.

In 2017, directors' attendance fees were allocated to:

- Directors not exercising operational functions within LA COOPERATIVE WELCOOP for amounts per meeting of up to €150 for those near the venue and €250 for those coming from a farther distance requiring them to be absent for a full day;
- To Directors who are Audit Committee members, a flat annual amount of €4,000. Ms. Marie-Louise LIGER received additional attendance fees of €10,000 for the performance of specific missions relating to her particular financial and accounting expertise.

The attendance fees for 2017 were paid on 31 December 2017.

The total amount of attendance fees proposed for 2018 submitted for approval by the Annual General Meeting of 28 June 2018 is €33,000.

## 4.2. Executive officer compensation policy

### 4.2.1. Compensation policy for executive officers on the basis of their office (based on ex-ante say-on-pay)

In application of article L. 225-37-2 of the French commercial code, information on the compensation policy for executive officers in reference to payments made on the basis of their offices is provided below. Parties concerned:

- The Chair of the Board of Directors,
- The Managing Director,
- The Deputy Managing Director(s).

Compensation paid on the basis of corporate offices is comprised exclusively of fixed compensation. On that basis, the corporate officers do not received any other components of compensation referred to in article R. 225-29-1 of the French commercial code.

The Board of Directors also complies with the principles of recommendation R13 of the MiddleNext Code in determining compensation of corporate officers, and namely, comprehensiveness, balance, benchmarking, consistency, understandability, proportionality and transparency.

A policy has been adopted providing for the stability in the fixed compensation paid to executive officers with respect to their offices. On that basis, the executive officers receive the following compensation:

**Mr. Thierry CHAPUSOT**

The compensation of Mr. Thierry CHAPUSOT for his office as Chair of the Board of Directors was set at the time of his appointment by decision of the Board of Directors of 5 November 2009 and entering into effect as from 1 January 2010 at a gross annual amount of €24,000. There have been no changes since this date. It is specified that this compensation was the same that Mr. CHAPUSOT has received since 2008 as Managing Director.

**Mr. Dominique PAUTRAT**

The compensation of Mr. Dominique PAUTRAT for his office as Managing Director was set at the time of his appointment by decision of the Board of Directors held on 5 November 2009 and entering into effect as from 1 January 2010 at a gross annual amount of €24,000. Since this date, there have been no changes to this amount.

**Mr. Denis SUPPLISSON**

The compensation of Mr. Denis SUPPLISSON for his office of Deputy Managing Director was set by the Board of Directors on 24 March 2011 for a gross annual amount of €2,400 as from 1 January 2011. This amount was increased to a gross annual amount of €12,000 as from 1 January 2013 under the terms of a decision by the Board of Directors on 14 December 2012. No change has been made to this compensation since.

**Mr. Thierry PONNELLE**

The current compensation of Mr. Thierry PONNELLE for his office as Deputy Managing Director was set by decision of the Board of Directors held on 18 December 2009 and entering into effect as from 1 January 2010 at a gross annual amount of €12,000 and an amount that remains unchanged.

The Board of Directors proposes that this compensation be maintained and asked the Annual Ordinary General Meeting to approve the above principles and procedures on an ex-ante vote basis, by approving the "ex-ante vote" resolutions submitted to your vote.

### 4.2.2. Holding employment contracts in conjunction with corporate office

In accordance with its compensation policy for executive officers and recommendation R15 of the MiddleNext Code, the Board of Directors authorised Messrs. Dominique PAUTRAT, Denis SUPPLISSON and Thierry PONNELLE to hold an employment contract concurrent with their corporate offices.

Its decision was based on the Board Member's length of service with the company (since he already held an employment contract when he was appointed to the Board), his employment benefit intended to retain him in his role within the company and the low compensation paid for the role as corporate officer in view of the actual risks incurred.

In addition, the Board of Directors also complies with the principles of recommendation R13 of the MiddleNext Code in determining compensation of corporate officers, and namely, comprehensiveness, balance, benchmarking, consistency, understandability, proportionality and transparency.

In general terms, compensation paid to the Managing Director and Deputy Managing Directors consists, in addition to the fixed compensation in respect of their corporate office and fixed compensation in respect of their employment contract, a benefit in kind (a company car, where applicable) and a bonus, established on the basis of results achieved, which are assessed based on the sector, Group-wide performance targets and factors related to each financial year.

Fixed salaries may be upgraded in line with general wage increases or according to the scope of the person's responsibilities. If a substantial change is made to an employment contract, fixed salaries are amended accordingly, once authorised by the Board of Directors.

Bonuses are recognised in the accounts of the financial year for which they are calculated, even if they are paid during the next or later financial years.

**Compensation is set according to the following principles:**

The terms of their contracts are applied for Board Members who have an employment contract with PHARMAGEST INTERACTIVE.
The variable performance of compensation takes into key performance indicators within the scope of responsibilities associated with the beneficiaries. Procedures for its calculation are as follows:

The guidelines are based on internal reporting according to ARC regulation 99,02.

- For Mr. Dominique PAUTRAT: based on the target for PHARMAGEST Group's earnings before tax (EBT). This compensation may evolve according to the percentage of achievement of meeting the EBT target;

- For Mr. Thierry PONNELLE: according to quantitative PHARMAGEST Group targets based on EBT (subject to change depending on the percentage of achievement for the EBT target) and the gross operating profit or EBITDA for the Pharmacy France business (subject to change according to the percentage of achievement of the of the EBITDA target), but also qualitative objectives (management of PHARMAGEST Consulting and the Internal Communications Plan subject to changes according to the percentage of completion of these objectives);

- For Mr. Denis SUPPLISSON: according to the Operating Profit (OP) target for the Pharmacy France business (subject to change according to the percentage of achievement of the OP target), to the OP target for the Pharmacy Belgium and Luxembourg Business Line (subject to change according to the percentage of achievement of the OP targets) and to the Earnings before Tax (EBT) target of PHARMAGEST Group (subject to change depending on the percentage of achievement for the EBT target);

- In addition, by authorisation of the Board of Directors on 29 March 2018, it was decided to grant Messrs. Dominique PAUTRAT and Denis SUPPLISSON within the framework of their employment contracts, subject to achievement of objectives defined for a four-year period (2017-2020):

    * For Mr. Dominique PAUTRAT, a long-term incentive bonus bearing, according to the level of objectives achieved, between €0 and a gross maximum amount of €350,000, with such objectives linked to the PHARMAGEST Group business plan, excluding Health and Social Care Facilities and upon the consolidation of business plans at the WELCOOP Group level;

    * For Mr. Denis SUPPLISSON, a long-term incentive bonus bearing, according to the level of objectives achieved, between €0 and a maximum gross amount of €180,000, with such objectives linked to the business plan of the Pharmacy Europe business and the business plan of PHARMAGEST Group business, excluding Health and Social Care Facilities.

  Provisions are made in the financial statements for the incentive bonuses each financial year on a pro-rata basis, according to progress towards achieving the targets over the four-year period.

PHARMAGEST Group does not wish to disclose certain qualitative criteria, whereby it is specified that this criteria has been previously established and precisely defined but not disclose for reasons of confidentiality.

The executive officers are beneficiaries under a defined-benefit plan ("Article 83 plan") with the cost fully assumed by PHARMAGEST INTERACTIVE based on an amount equal to 8% of their total compensation within the limit of tranche C.

#### 4.2.3. Special indemnities

Executive officers do not receive indemnities (with the exception of financial consideration in exchange for the non-compete clause in Mr. Dominique PAUTRAT's employment contract), severance pay, or advantages under defined benefit supplementary pension schemes in accordance with recommendations R16 and R17 of the MiddleNext Code.

#### 4.2.4. Policy for restricted stock units or stock option plans

PHARMAGEST INTERACTIVE does not have restricted share plans. A new stock option plan authorised by the EGM on 27 June 2014, was established by the Board Directors at its meeting of 5 December 2014. Pursuant to recommendation R18 of the MiddleNext Code, the executive officers, Managing Directors, Deputy Managing Directors, Managing Partners and Directors of PHARMAGEST INTERACTIVE and its subsidiaries, as well as the members of PHARMAGEST INTERACTIVE's Finance and Personnel Management Committee are not eligible for the plan.

## 4.3. Compensation paid to PHARMAGEST INTERACTIVE executive officers

The company complies with the standard presentation of compensation of corporate officers proposed in the AMF recommendation.

Any heading not included in the following tables is considered not applicable.

**Table 1: Summary of compensation, stock options and restricted shares granted to corporate officers (in €)**

| | 2017 | 2016 |
|---|---|---|
| CHAPUSOT Thierry - Chair of the Board of Directors | | |
| Compensation due in respect of the financial year | 24,000 | 24,000 |
| **TOTAL** | **24,000** | **24,000** |

| | 2017 | 2016 |
|---|---|---|
| PAUTRAT Dominique - Managing Director/Director [(1) (2) (3)] | | |
| Compensation due in respect of the financial year | 214,962 | 214,962 |
| Value of multi-year bonuses granted during the financial year | 31,651 | 14,500 |
| **TOTAL** | **246,613** | **229,462** |

| | 2017 | 2016 |
|---|---|---|
| PONNELLE Thierry - Deputy Managing Director/Director [(1) (2)] | | |
| Compensation due in respect of the financial year | 124,002 | 124,002 |
| Value of multi-year bonuses granted during the financial year | 0 | 11,000 |
| **TOTAL** | **124,002** | **135,002** |

| | 2017 | 2016 |
|---|---|---|
| SUPPLISSON Denis - Deputy Managing Director/Director [(1) (2) (3)] | | |
| Compensation due in respect of the financial year | 163,287 | 159,164 |
| Value of multi-year bonuses granted during the financial year | 25,627 | 24,250 |
| **TOTAL** | **188,914** | **183,414** |

[(1)] *Messrs. Dominique PAUTRAT, Thierry PONNELLE and Denis SUPPLISSON are the beneficiaries of a defined contribution plan (known as the "Article 83 plan" in reference to article 83 of the French General Tax Code), where PHARMAGEST INTERACTIVE pays contributions equal to 8% calculated in reference to their total compensation within the limit of tranche C. PHARMAGEST INTERACTIVE pays all costs and contributions under the scheme to Swiss Life.*

[(2)] *Acting on the authorisation of the Board of Directors meeting on 13 December 2013, it was decided to grant Messrs. Dominique PAUTRAT, Thierry PONNELLE and Denis SUPPLISSON a long-term (2013-2016) incentive bonus in line with the objectives of the Group's business plan, and an acquisitions incentive bonus covering the activities of PHARMAGEST Group for the period 2013-2016 and concerning investments in 2013/2014, as part of their employment contracts. Payment of these incentive bonuses was contingent on meeting the targets set in 2017 for a period of four years, where this payment is subject to condition of presence of the above-named individuals in their positions. Provisions for the bonuses have been recorded each year in the financial statements pro rata based on the progress achieved in meeting the targets for the year in question.*

[(3)] *It was furthermore decided to establish a long-term incentive plan (2017-2020) for Messrs. Dominique PAUTRAT and Denis SUPPLISSON, by authorisation of the Board of Directors of 29 March 2018, within the framework of their employment contracts. The objectives to be met under this long-term (2017 - 2020) incentive plan for Dominique PAUTRAT are linked to the business plan for PHARMAGEST Group's business excluding Health and Social Care Facilities and the consolidation of the business plans at the level of WELCOOP Group, and for Denis SUPPLISSON to the business plans of the Pharmacy Europe and the business plan for PHARMAGEST Group's business, excluding Health and Social Care Facilities. Payment of these incentive bonuses shall be subject to meeting the targets for the four-year period in 2021, whereby it is specified that payment is contingent on meeting the condition of presence for the above-named individuals in their positions at the time the bonuses paid. Provisions for the bonuses have been recorded each year in the financial statements pro rata based on the progress achieved in meeting the targets for the year in question.*

**Table 2: Summary of compensation paid to each corporate officer (in €)**

| CHAPUSOT Thierry<br>Chairman of the Board of Directors | 2017 | | 2016 | |
|---|---|---|---|---|
| | Amounts owed | Amounts paid | Amounts owed | Amounts paid |
| Corporate office [1] | 24,000 | 24,000 | 24,000 | 24,000 |
| **TOTAL** | **24,000** | **24,000** | **24,000** | **24,000** |

| PAUTRAT Dominique<br>Managing Director/Director | 2017 | | 2016 | |
|---|---|---|---|---|
| | Amounts owed | Amounts paid | Amounts owed | Amounts paid |
| Fixed compensation | 146,004 | 146,004 | 146,004 | 146,004 |
| Annual performance-based compensation | 40,000 | 40,000 | 40,000 | 34,000 |
| Multi-year bonus | 31,651 | 82,000 | 14,500 | 0 |
| Corporate office [1] | 24,000 | 24,000 | 24,000 | 24,000 |
| Benefit in kind (car) | 4,958 | 4,958 | 4,958 | 4,958 |
| **TOTAL** | **246,613** | **296,962** | **229,462** | **208,962** |

| PONNELLE Thierry<br>Deputy Managing Director/Director | 2017 | | 2016 | |
|---|---|---|---|---|
| | Amounts owed | Amounts paid | Amounts owed | Amounts paid |
| Fixed compensation | 93,252 | 93,252 | 93,252 | 93,252 |
| Annual performance-based compensation | 18,750 | 18,750 | 18,750 | 21,400 |
| Multi-year bonus | 0 | 44,000 | 11,000 | 0 |
| Special compensation | 0 | 0 | 0 | 0 |
| Corporate office [1] | 12,000 | 12,000 | 12,000 | 12,000 |
| **TOTAL** | **124,002** | **168,002** | **135,002** | **126,652** |

| SUPPLISSON Denis<br>Deputy Managing Director / Director | 2017 | | 2016 | |
|---|---|---|---|---|
| | Amounts owed | Amounts paid | Amounts owed | Amounts paid |
| Fixed compensation | 114,000 | 114,000 | 114,000 | 114,000 |
| Annual performance-based compensation | 25,500 | 25,500 | 25,500 | 26,500 |
| Multi-year bonus | 25,627 | 97,000 | 24,250 | 0 |
| Special compensation | 7,300 | 10,500 | 3,200 | 0 |
| Corporate office [1] | 12,000 | 12,000 | 12,000 | 12,000 |
| Benefit in kind (car) | 4,487 | 4,487 | 4,464 | 4,464 |
| **TOTAL** | **188,914** | **263,487** | **183,414** | **156,964** |

*[1] With respect to the "ex post" vote, it is specified that amounts paid to executive officers in 2017 on the basis of their offices comply with the decisions of the Annual Ordinary General Meeting of 27 June 2017 within the framework of the "ex ante" vote.*

**Table 3: Directors' attendance fees and other compensation received by non-executive directors (in €)**

| MOREAUX Hugues<br>Board representative of LA COOPERATIVE WELCOOP (formerly GROUPE WELCOOP) | 2017 | 2016 |
|---|---|---|
| Directors' attendance fees<br>Other compensation | 0<br>0 | 0<br>0 |
| **TOTAL** | **0** | **0** |

| ANTOINE Daniel | 2017 | 2016 |
|---|---|---|
| Directors' attendance fees<br>Audit Committee | 900<br>4,000 | 900<br>4,000 |
| **TOTAL** | **4,900** | **4,900** |

| LIGER Marie-Louise - Independent Director | 2017 | 2016 |
|---|---|---|
| Directors' attendance fees<br>Audit Committee | 900<br>14,000 | 900<br>14,000 |
| **TOTAL** | **14,900** | **14,900** |

| JACQUEL François | 2017 | 2016 |
|---|---|---|
| Directors' attendance fees<br>Audit Committee | 1,500<br>4,000 | 1,500<br>4,000 |
| **TOTAL** | **5,500** | **5,500** |

| LHOTE Anne | 2017 | 2016 |
|---|---|---|
| Directors' attendance fees<br>Other compensation | 0<br>0 | 0<br>0 |
| **TOTAL** | **0** | **0** |

| MAYEUX Sophie - Independent Director | 2017 | 2016 |
|---|---|---|
| Directors' attendance fees<br>Other compensation | 900<br>0 | 750<br>0 |
| **TOTAL** | **900** | **750** |

| LECOMTE Emilie - Director as from 27/06/2017 | 2017 | 2016 |
|---|---|---|
| Directors' attendance fees<br>Other compensation | 750<br>0 | *Not concerned*<br>*Not concerned* |
| **TOTAL** | **750** | ***Not concerned*** |

| GRIS Céline - Independent Director as from 27/06/2017 | 2017 | 2016 |
|---|---|---|
| Directors' attendance fees<br>Other compensation | 750<br>0 | *Not concerned*<br>*Not concerned* |
| **TOTAL** | **750** | ***Not concerned*** |

**Table 4: Executive Directors**

| | Employment contract | | Supplemental retirement plan | | Compensation or benefits due or likely to be due upon termination or change of duties | | Compensation under a non-competition clause | |
|---|---|---|---|---|---|---|---|---|
| | Yes | No | Yes | No | Yes | No | Yes | No |
| **CHAPUSOT Thierry** | | | | | | | | |
| Chair of the Board of Directors<br><br>**Beginning of term of office:**<br>Appointed Managing Director and Board Member on 30/05/2002, then Chairman of the Board of Directors on 05/11/2009 with effect from 01/01/2010.<br><br>**Term of office expires on:** 31/12/2019 | | X | | X | | X | | X |
| **PAUTRAT Dominique** | | | | | | | | |
| Managing Director<br>Director<br><br>**Beginning of term of office:**<br>Appointed Director on 19/06/2009 and Managing Director and Director on 05/11/2009 with effect from 01/01/2010<br><br>**Term of office expires on:** 31/12/2019 | X | | X | | | X | X[1] | |
| **PONNELLE Thierry** | | | | | | | | |
| Deputy Managing Director and Director<br><br>**Beginning of term of office:**<br>Appointed Deputy Managing Director and Director on 30/05/2002<br><br>**Term of office expires on:** 31/12/2019 | X | | X | | | X | | X |
| **SUPPLISSON Denis** | | | | | | | | |
| Deputy Managing Director and Director<br><br>**Beginning of term of office:**<br>Appointed Deputy Managing Director (non-Director) on 09/11/2010 and Deputy Managing Director and Director on 1/1/2013<br><br>**Term of office expires on**: 31/12/2019 | X | | X | | | X | | X |

[1] *Non-compete clause with financial compensation amounting to 50% of monthly salary for 12 months, calculated based on average salary for the last 12 months.*

PHARMAGEST INTERACTIVE considers that it is justified in maintaining the employment contracts of Messrs. Dominique PAUTRAT, Thierry PONNELLE and Denis SUPPLISSON (all of whom already had employment contracts at the time of their appointment as corporate officers) due to their length of service in the company, their employment benefit intended to retain them in their functions within the company and the low compensation paid for their role as corporate officers in view of the actual risks incurred.

## 4.4 Compensation paid to corporate officers of companies controlling PHARMAGEST INTERACTIVE

Any heading not included in the following tables is considered not applicable.

### 4.4.1 Compensation paid to corporate officers of MARQUE VERTE SANTE, the parent company of PHARMAGEST INTERACTIVE

No compensation is paid to executive directors of MARQUE VERTE SANTE. The persons concerned by executive offices of MARQUE VERTE SANTE are:

- CHAPUSOT Thierry - Chair of the Management Board;
- PAUTRAT Dominique - Management Board member;
- LHOTE Anne - Management Board member;
- MOREAUX Hugues - Chair of the Supervisory Board;
- ANTOINE Daniel - Representing LA COOPERATIVE WELCOOP - Supervisory Board member.

### 4.4.2 Compensation paid to corporate officers of LA COOPERATIVE WELCOOP the parent company of MARQUE VERTE SANTE

**Compensation paid to each executive officer (in €)**

| CHAPUSOT Thierry - Chair of the Management Board (1) (2) | 2017 | 2016 |
|---|---|---|
| Fixed compensation | 243,000 | 243,000 |
| Annual performance-based compensation | 75,000 | 55,000 |
| Multi-year bonus | 160,000 | 0 |
| Special compensation | 0 | 0 |
| Corporate office | 54,000 | 54,000 |
| Benefit in kind (car) | 7,824 | 7,824 |
| **TOTAL** | **539,824** | **359,824** |

| PAUTRAT Dominique - Management Board member | 2017 | 2016 |
|---|---|---|
| Fixed compensation | 0 | 0 |
| Annual performance-based compensation | 0 | 0 |
| Multi-year bonus | 0 | 0 |
| Special compensation | 0 | 0 |
| Corporate office | 24,000 | 24,000 |
| Benefit in kind (car) | 0 | 0 |
| **TOTAL** | **24,000** | **24,000** |

| LHOTE Anne – Management Board member (1) (2) | 2017 | 2016 |
|---|---|---|
| Fixed compensation | 170,000 | 163,750 |
| Annual performance-based compensation | 54,000 | 32,100 |
| Multi-year bonus | 56,000 | 0 |
| Special compensation | 70,000 | 0 |
| Corporate office | 24,000 | 24,000 |
| Benefit in kind (car) | 2,360 | 2,292 |
| **TOTAL** | **376,360** | **222,142** |

*(1) Mr. Thierry CHAPUSOT (since 2010) and Ms. Anne LHOTE hold employment contracts and are the beneficiaries of a defined contribution plan (the "Article 83 plan" in reference to article 83 of the French General Tax Code), where LA COOPERATIVE WELCOOP pays all costs and the total contributions to Swiss Life, based on an amount equal to 8% of their total compensation within the limit of tranche C.*

*(2) Acting on the authorisation of the Supervisory Board of 29 March 2013, it was decided to grant Mr. Thierry CHAPUSOT and Ms. LHOTE a long-term (2013-2016) signing bonus, in line with the objectives of the Groupe WELCOOP's four-year business plan. These bonuses were paid on 30 April 2017 based on meeting objectives set for a four year period.*
*In line with Groupe WELCOOP's payroll policy, a new a long-term incentive bonus plan was established based on objectives linked to its business plan for the financial period from 2017 to 2020.*
*PHARMAGEST Group does not wish to disclose certain qualitative criteria, whereby it is specified that this criteria has been previously established and precisely defined but not disclose for reasons of confidentiality.*

### Attendance fees and other compensation received by non-executive corporate officers (in €)

| MOREAUX Hugues - Vice-Chair of the Supervisory Board | 2017 | 2016 |
|---|---|---|
| Directors' attendance fees<br>Other compensation (office of Chair) | 0<br>113,784 | 0<br>113,784 |
| **TOTAL** | **113,784** | **113,784** |

| ANTOINE Daniel - Vice-Chair of the Supervisory Board | 2017 | 2016 |
|---|---|---|
| Directors' attendance fees<br>Other compensation (compensatory payments) | 0<br>1,091 | 775<br>0 |
| **TOTAL** | **1,091** | **775** |

| JACQUEL François - Supervisory Board member | 2017 | 2016 |
|---|---|---|
| Directors' attendance fees<br>Other compensation (compensatory payments) | 0<br>1,299 | 1,295<br>0 |
| **TOTAL** | **1,299** | **1,295** |

| LECOMTE Emilie - Supervisory Board member | 2017 | 2016 |
|---|---|---|
| Directors' attendance fees<br>Other compensation (compensatory payments) | 0<br>1,091 | 465<br>0 |
| **TOTAL** | **1,091** | **465** |

## 5. Agreements executed by an executive of significant shareholder of the parent company with a subsidiary

In accordance with article L.225-37-4, paragraph 2 of the French commercial code, we are required to inform you of agreements (except where these relate to current operations and are transacted under normal conditions), that took place, directly or through an intermediary, between, as relevant, the Managing Director, one of the Deputy Managing Directors, one of the Directors or one of the shareholders with more than 10% of the voting rights of a company and another company in which the latter owns more than 50% of the capital, either directly or indirectly. To the Company's knowledge, there were no agreements of this type.

## 6. Special arrangements for shareholder attendance at general meetings or the provisions providing for such arrangements.

The methods of participation in Annual General Meetings are specified in Article 20.3 of the Articles of Association and are governed by Article R. 225-85 of the French commercial code.

## 7. Items having a potential impact in the event of public offerings

In application of article L. 225-37-5 of the French commercial code, items that could have an impact in the event of a public offering concern the capital structure presented in the management report.

## 8. Delegations of powers currently in force granted by the General Meeting in the case of capital increases

No delegation of authorities granted by the General Meeting are currently in force.

## 24.4 Report of the Board of Directors to the Extraordinary General Meeting

**Dear Shareholders,**

We are pleased to present to you, in compliance with the provisions of the law and the articles of association, our report concerns the draft resolutions submitted to your vote in Extraordinary General Meeting of Shareholders.

These draft resolutions are presented below:

### Amendment of article 19 of the articles of association

To harmonise the wording of article 19 of the articles of association with the new provisions of L. 823-1, subsection 2 of the French commercial code, we propose that the article shall read as follows:

> *"One or several Statutory Auditors must be appointed by the company in accordance with the provisions provided for by law and who shall perform their engagement in accordance with the law."*

If you agree to this modification, we request that you adopt the resolutions that will be submitted to your vote.

### Employee savings

Finally, in order to comply with the provisions of article L. 225-129-6 of the French commercial code, your Board of Directors is required to submit a resolution proposing a capital increase reserved of employees:

- For capital increases through cash contributions; in this case, the three-year period is extended to five years if upon this capital increase, the Extraordinary General Meeting voted within less than three years on a draft resolution to proceed with a capital increase reserved for employees;
- And every three years on a regular basis when the share capital held by employees is less than 3%, this consultation must be organised during the third year.

It is duly noted that:

- Lastly, shareholders have voted on a proposition for a capital increase reserved for employees on 26 June 2015. This draft resolution had been rejected;
- The management report for the period ended indicated, in accordance with L. 225-102 of the French commercial code, that the number of shares held by PHARMAGEST Group in connection with an employee savings plan as defined in said article: the percentage of capital held was nil.

In consequence, a draft resolution is submitted for a capital increase reserved for employees, under the conditions provided for by articles L. 3332-18 to L. 3332-24 of the French labour code This means that the capital increase shall be reserved for members of an employee stock ownership plan or voluntary company saving scheme.

The amount of the capital increase has been set at €50,000, which would thus increase the share capital from €3,034,825 to €3,084,825, by the creation and issuance of 250,000 shares at €0.20 per share. For this purpose, all powers would be given to the Board of Directors to set the procedures for this capital increase and amend the articles of association in consequence.

However, it is noted that this project is submitted for the purposes of fulfilling a legal obligation. As your Board of Directors does not consider it opportune, it asks you that you not proceed with such capital increase nor to create a corresponding plan and in consequence to reject the resolution that shall be submitted to you.

**The Board of Directors**

# 24.5 Draft resolutions

PHARMAGEST INTERACTIVE
A FRENCH PUBLIC LIMITED COMPANY *(SOCIÉTÉ ANONYME)* WITH SHARE CAPITAL OF €3,034,825
REGISTERED OFFICE: TECHNOPOLE DE NANCY BRABOIS - 05 ALLEE DE SAINT CLOUD
54 600 VILLERS LES NANCY
NANCY COMPANIES REGISTER (RCS) NO. 403 561 137

ANNUAL ORDINARY AND EXTRAORDINARY GENERAL MEETING
ON 28 JUNE 2018

DRAFT RESOLUTIONS

## ORDINARY RESOLUTIONS

### RESOLUTION ONE

***Approval of the separate parent company financial statements***

The shareholders, acting in accordance with the quorum and majority requirements applicable to Ordinary General Meetings, after considering:

- The management report of the Board of Directors on the activities and results of PHARMAGEST INTERACTIVE and its subsidiaries during the financial year ended on 31 December 2017 and on the financial statements for this period, the Corporate Social Responsibility report and the Board of Director's report on corporate governance in accordance with Article L. 225-37 of the French commercial code,
- The Statutory Auditors' report on the annual financial statements,

Hereby approve the annual financial statements as presented showing a profit of €13,920,140.98.

In accordance with Article 223 *quater* of the French General Tax Code, the Annual General Meeting approves the expenditure and charges provided for by Article 39-4 totalling €60,003 and resulting in tax of €20,000.

### RESOLUTION TWO

***Discharge of the Board Members***

The shareholders, acting in accordance with the quorum and majority requirements applicable to Ordinary General Meetings, discharge the members of the Board of Directors for the performance of their duties and discharge the Statutory Auditors for the performance of their engagement.

### RESOLUTION THREE

***Approval of the consolidated financial statements***

The shareholders, acting in accordance with the quorum and majority requirements applicable to Ordinary General Meetings, after considering the Management Report of PHARMAGEST Group and the report of the Statutory Auditors, approve the consolidated financial statements as at 31 December 2017, as presented.

## RESOLUTION FOUR

***Appropriation of earnings***

The shareholders, acting in accordance with the quorum and majority requirements applicable to Ordinary General Meetings, on the proposal of the Board of Directors, decide to appropriate profit for the year of €13,920,140.98 as follows:

| | |
|---|---|
| Profit of the period<br>Retained earnings | €13,920,140.98<br>€47,815,168.54 |
| **Amount available to shareholders** | **€61,735,309.52** |
| **Dividends (€0.75 per share)**<br>The balance<br>is appropriated to retained earnings | €11,380,593.75<br>€50,354,715.77 |

The dividend per share will amount to €0.75.

The dividend will have a payment date of 4 July 2018 and be distributed by BNP PARIBAS Bank as the paying agent and security services provider.

If PHARMAGEST INTERACTIVE holds shares in treasury at the time of the dividend payment (under a liquidity contract), the amount of unpaid dividends as a result will be appropriated to retained earnings.

Since 1 January 2018, dividends paid to natural persons who are tax residents in France are taxed as follows:

Dividends in France are subject to flat tax *(prélèvement forfaitaire unique)* on investment income of 30% which are deducted by the company or subject to withholding taxes as follows:

- A compulsory social security contribution *(prélèvement social obligatoire)* of 17.2 %;
- A withholding tax of 12.8 % for individuals persons who are tax residents in France (Article 117 quater (new) of the French General Tax Code). The calculation of this amount is based on gross income. However, individuals belonging to a tax household where the reference tax income of the year before last, as defined in 1 of IV of Article 1417 is less than €50,000 for single, divorced or widowed taxpayers and less than €75,000 for taxpayers subject to joint taxation, can apply for an exemption, under the conditions provided in Article 242 *quater*. This withholding is applied to income tax for the year in which the dividends were paid. If it is higher than the amount of tax due, the difference is refunded.

Natural persons retain the option when filing the income tax statement for the application of progressive income tax scale to their combined earnings and capitals gains of the year after applying, if applicable, the 40% reduction on dividend payments (2° of 3 of article 158 of the French general tax code *(code général des impôts)*.

As required by law, the General Meeting duly notes dividends payments for the last three financial years were as follows:

| Year | Dividend per share | Dividend eligible for the 40% allowance (paid to individuals) | Dividend not eligible for the 40% allowance (paid to legal entities) |
|---|---|---|---|
| 31/12/2014 | €2.90* | €2.90 | €2.90 |
| 31/12/2015 | €0.60* | €0.60 | €0.60 |
| 31/12/2016 | €0.65* | €0.65 | €0.65 |

** The Extraordinary General Meeting on 26/06/2015 voted to approve the 5-for-1 stock split, thereby increasing the number of shares making up the share capital by the same multiple.*

## RESOLUTION FIVE

***New agreements covered by article L. 225-38 of the French commercial code***

The shareholders, acting in accordance with the quorum and majority voting requirements applicable to Ordinary General Meetings, having considered the Statutory Auditors special report on regulated agreements subject to the provisions of articles L. 225-38 et *seq*, approve the new agreements entered into in the period and renew an agreement duly authorised by the Board of Directors, as these arrangements are described in this report.

## RESOLUTION SIX

***Prior related party agreements covered by article L. 225-38 of the French commercial code remaining in force***

The shareholders, acting in accordance with the quorum and majority requirements applicable to Ordinary General Meetings, after considering the Statutory Auditors' report on regulated agreements provided for articles L. 225-38 et seq. of the French commercial code, duly note that the agreements previously approved by the Ordinary General Meeting of the shareholders remain in force.

## RESOLUTION SEVEN

***Authorisation for the Company to buy back shares***

The shareholders, acting in accordance with the quorum and majority requirements applicable to Ordinary General Meetings, after considering the Board of Directors' report in accordance with provisions of articles 225-209 et seq. of the French commercial code, hereby authorise the Board, which the latter may further delegate in accordance with the law and regulations applicable at the time of the transaction, and in particular, in accordance with the conditions provided for under articles L. 225-209 seq. and by Regulation (EU) no. 596/2014 of the European Parliament and of the Council of 16 April 2014 and by European Commission Regulation no. 2016/1052 of 8 March 2016, and by the AMF General Regulation, to proceed, on one or more occasions, with the purchase by PHARMAGEST INTERACTIVE of its own shares within the limit of 10% of the share capital, i.e. up to a maximum of 1,517,412 shares.

The General Meeting resolves that the Board of Directors has the authority, with the option of subdelegation under the conditions laid down by law, to buy back shares for the following purposes:

- Maintaining an orderly market or the liquidity of the Pharmagest share by an investment services provider through a liquidity agreement that complies with an ethics charter recognised by the Autorité des Marchés Financiers;
- Purchasing shares for future use, to be tendered in exchange or payment for acquisitions;
- Granting shares to the employees or corporate officers of PHARMAGEST INTERACTIVE or its Group, in accordance with the terms and conditions provided by law, notably as part of a profit-sharing plan, to cover stock options, as part of a company savings plan or to be used to award performance shares to employees pursuant to the provisions of Articles L. 225-197-1 et seq. of the French commercial code.

The General Meeting decided that the maximum funds destined for this share repurchase programme, excluding costs, shall be €75,000,000.

The purchase, sale or transfer of shares may be carried out by any means authorised by applicable regulations, in the market, by mutual agreement and including through block purchases, at any time, including while a public tender offer is in progress.

The shareholders grant authority to the Board of Directors, in the case of a modification of the nominal value of the share, to proceed with capital increases through the capitalisation of reserves, distribution of stock dividends, stock splits or reverse splits, distribution of reserves or other assets, amortisation of capital, or any other transaction having an impact on the company's shareholders' equity, to adjust the purchase and sale price mentioned above to take into account the impact of these corporate actions on the value of the share. More generally, the maximum size of this buyback and the maximum number of shares repurchased will, as required, be adjusted to take into account subsequent corporate actions of the Company or decisions affecting the share capital.

The shareholders grant all powers to the Board of Directors that may, in accordance with the law and regulations, in turn delegate such authority in order to:

- Implement this authorisation if it deems appropriate;
- Determine the conditions and procedures for the share buyback programme including notably the purchase price of the shares (maximum and minimum price per share);
- Set and adjusting the number of shares included in the share buyback programme, and the maximum purchase price defined under this programme;
- Acquire, sell or transfer these shares by any means; place all market orders;
- Allocate or re-allocate the shares thus acquired to the various objectives pursued, in compliance with the applicable legal and regulatory provisions;
- Enter into any agreement, and notably the liquidity contract, make all representations to any body and notable the French financial market regulator, the Autorité des Marchés Financiers, in compliance with article L. 225-212 of the French commercial code;
- And in general, do everything that is required for the application of this resolution.

The shareholders decide that this authorisation is granted for a period of eighteen (18) months from the date of this Meeting or until 27 December 2019 and cancels and supersedes any prior authorisation having the same purpose.

In its Management Report, the Board of Directors will report to the General Meeting each year on the transactions carried out under this authorisation.

## RESOLUTION EIGHT

***Renewal of the appointment of Ms. Sophie MAYEUX as Independent Director***

The shareholders, acting in accordance with the quorum and majority requirements applicable to Ordinary General Meetings, duly noting that the office of Director of Ms. Sophie MAYEUX, Independent Director, expires on this day, renew this appointment for a six-year term or until the annual Ordinary General Meeting called to approve the financial statements for the period ending 31 December 2023.

## RESOLUTION NINE

***Compensation of the Chair of the Board of Directors, Thierry CHAPUSOT (ex-ante vote)***

The shareholders, acting in accordance with the quorum and majority requirements applicable to Ordinary General Meetings, after considering the report provided for by article L. 225-37 of the French commercial code, approve, in accordance with the provisions of L. 225-37-2 of said code, the components of compensation attributable to Mr. Thierry CHAPUSOT on the basis of his office as Chair of the Board of Directors, as presented in this report.

## RESOLUTION TEN

***Compensation of the Managing Director, Dominique PAUTRAT (ex-ante vote)***

The shareholders, acting in accordance with the quorum and majority requirements applicable to Ordinary General Meetings, after considering the report provided for by article L. 225-37 of the French commercial code, approve  in accordance with the provisions of L. 225-37-2 of said code, the components of compensation attributable to Mr. Dominique PAUTRAT on the basis of his office as Managing Director and Director, as presented in this report.

## RESOLUTION ELEVEN

***Compensation of the Deputy Managing Director, Denis SUPPLISSON (ex-ante vote)***

The shareholders, acting in accordance with the quorum and majority requirements applicable to Ordinary General Meetings, after considering the report provided for by article L. 225-37 of the French commercial code, approve  in accordance with the provisions of L. 225-37-2 of said code, the components of compensation attributable to Mr. Denis SUPPLISSON on the basis of his office as Deputy Managing Director and Director, as presented in this report.

## RESOLUTION TWELVE

***Compensation of the Deputy Managing Director, Thierry PONNELLE (ex-ante vote)***

The shareholders, acting in accordance with the quorum and majority requirements applicable to Ordinary General Meetings, after considering the report provided for by article L. 225-37 of the French commercial code, approve in accordance with the provisions of L. 225-37-2 of said code, the components of compensation attributable to Mr. Thierry PONNELLE on the basis of his office as Deputy Managing Director and Director, as presented in this report.

## RESOLUTION THIRTEEN

***Directors' attendance fees***

The shareholders, acting in accordance with the quorum and majority voting requirements applicable to Ordinary General Meetings, decide to set the total annual amount for attendance fees for Directors at €33,000 in 2018.

## RESOLUTION FOURTEEN

***Compensation of the Chair of the Board of Directors, Thierry CHAPUSOT (ex-post vote)***

The shareholders, acting in accordance with the quorum and majority requirements applicable to Ordinary General Meetings, after considering the report provided for by article L. 225-37 of the French commercial code, approve in accordance with the provisions of L. 225-37-2 of said code, the components of total compensation paid to Mr. Thierry CHAPUSOT for fiscal 2017, on the basis of his office as Chair of the Board of Directors.

## RESOLUTION FIFTEEN

***Compensation of the Managing Director, Dominique PAUTRAT (ex-post vote)***

The shareholders, acting in accordance with the quorum and majority requirements applicable to Ordinary General Meetings, after considering the report provided for by article L. 225-37 of the French commercial code, approve in accordance with the provisions of L. 225-37-2 of said code, the components of total compensation paid to Mr. Dominique PAUTRAT for fiscal 2017, on the basis of his office as Managing Director.

## RESOLUTIONS SIXTEEN

***Compensation of the Deputy Managing Director, Denis SUPPLISSON (ex-post vote)***

The shareholders, acting in accordance with the quorum and majority requirements applicable to Ordinary General Meetings, after considering the report provided for by article L. 225-37 of the French commercial code, approve in accordance with the provisions of L. 225-37-2 of said code, the components of total compensation paid to Mr. Denis SUPPLISSON for fiscal 2017, on the basis of his office as Deputy Managing Director.

## RESOLUTION SEVENTEEN

***Compensation of the Deputy Managing Director, Thierry PONNELLE (ex-post vote)***

The shareholders, acting in accordance with the quorum and majority requirements applicable to Ordinary General Meetings, after considering the report provided for by article L. 225-37 of the French commercial code, approve in accordance with the provisions of L. 225-37-2 of said code, the components of total compensation paid to Mr. Thierry PONNELLE for fiscal 2017, on the basis of his office as Deputy Managing Director.

## EXTRAORDINARY RESOLUTIONS

### RESOLUTION EIGHTEEN

The shareholders, acting in accordance with the quorum and majority voting requirements applicable to extraordinary general meetings, after having reviewed the Board of Directors' report, decide to modify article 19 of the articles of association to harmonise its provisions with new legal provisions resulting from the "Sapin II" law, amending article of L. 823-1, subsection 2 of the French commercial code. The new wording of this article will be as follows:

#### ARTICLE 19 - STATUTORY AUDITORS

One or several Statutory Auditors must be appointed by the company in accordance with the provisions provided for by law and who shall perform their engagement in accordance with the law.

### RESOLUTION NINETEEN

***Proposal for proceeding with a capital increase reserved for employees under employee savings schemes***

The shareholders, subject to the quorum and majority voting requirements applicable to Extraordinary General Meetings, after having reviewed the Board of Director's report and the Auditors' special report, resolve in accordance with the provisions of Article L. 225-129-6 of the French commercial to reserve in favour of employees of the Company a capital increase through the issue of shares in accordance with the provisions of Articles L. 3332-18 to L. 3332-24 of the French labour code.

Should this resolution be adopted, the General Meeting decides:

- That the Managing Director shall have a maximum period of six months to implement an employee stock ownership plan *(Plan d'Epargne Entreprise)* in accordance with the conditions provided for by articles L. 3332-1 to L. 3332-8 of the French Labour Code;
- To authorise the Board of Directors to proceed, on one or more occasions for period not exceeding one year to increase the share capital by a maximum amount of €50,000 reserved for employees participating in such a plan established in compliance with the provisions of articles L. 3332-18 to L. 3332-24 of the French labour code.

In consequence, this authorisation entails  waiver by operation of law by the shareholders of their preferential subscription right.

The issue price of the shares shall be set by in accordance with the provisions of Article L.3332-19 of the French labour code.

The shareholders grant all powers to the Board of Directors to implement this delegation of authority and notably to:

- Determine the length of service requirements that must be met in order to participate in the offering, within any limits set forth by law, the maximum number of shares to which each employee may subscribe;
- Set the number of new shares to be issued and their date of record;
- Determine, within any limits set forth by law, the issue price of the new shares and the time periods within which employees may exercise their rights;
- Set the timetable and procedures for payment of the new shares;
- Duly record completion of each capital increase and make the corresponding amendments to the articles of association;
- Take all steps and carry out all formalities necessary to complete the capital increase.

*(It should be noted this resolution was not approved by the Board of Directors which is proposed in compliance with legal provisions. It is proposed that this resolution not be adopted by the shareholders).*

### RESOLUTION TWENTY

***Powers for formalities***

The shareholders, acting in accordance with the quorum and majority voting requirements applicable to Ordinary General Meetings, grant all powers to the holder of an original or a copy of these minutes to perform all formalities required by law.

## 24.6 Upcoming financial communications

| | |
|---|---|
| Q1 2018 revenue | 16 May 2018 |
| H1 2018 revenue | 2 August 2018 |
| H1 2018 results | 21 September 2018 |
| Q3 2018 revenue | 14 November 2018 |
| 2018 annual revenue | 14 February 2019 |
| 2018 annual results | No later than 30 April 2019 |

# 25 INFORMATION ON HOLDINGS

PHARMAGEST INTERACTIVE's subsidiaries and equity holdings are presented in the notes to the separate parent company financial statements in Section 20.3.2.3. – Note 15.5 of this Registration Document.

PHARMAGEST

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