



REGISTRATION DOCUMENT 2016  
PHARMAGEST

Technologies for health



AUTORITÉ  
DES MARCHÉS FINANCIERS  
DES MARCHÉS FINANCIERS  
MONTENEGRO



## 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 28 April 2017, 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 2014 and 31 December 2015, which are contained in the 2014 Registration Document filed with the AMF on 29 April 2015 (D. 15-0429), and the 2015 Registration Document filed on 29 April 2016.(D. 16-0449).

---

*Translation disclaimer: This document is a free translation of "Document de Référence 2016" issued in the French language, registered on April 29, 2017 by the Autorité des Marchés Financiers (French Securities and Exchange Commission). In consequence, this English version has not been registered by this Authority nor been audited by our Statutory Auditors and the English translations of their reports included herein are provided for information only. While all possible care has been taken to ensure that this translation is an accurate representation of the original French document, in all matters of interpretation of information, views or opinions expressed therein, only the original language 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*





## TABLE OF CONTENTS

<b>1.</b>	<b>RESPONSIBILITY FOR THE FRENCH VERSION OF THE REGISTRATION DOCUMENT</b>	<b>6</b>
1.1	Person responsible for the information contained in the Registration Document	6
1.2	Responsibility statement	6
<b>2.</b>	<b>STATUTORY AUDITORS</b>	<b>7</b>
2.1	Name, address and position of the statutory auditors	7
2.2	Statutory auditors having resigned or not reappointed	7
<b>3.</b>	<b>SELECTED FINANCIAL INFORMATION</b>	<b>8</b>
3.1	Consolidated financial information relative to past years	8
3.2	Parent company financial information relative to past years	8
<b>4.</b>	<b>RISK FACTORS</b>	<b>8</b>
<b>5.</b>	<b>INFORMATION ABOUT THE COMPANY</b>	<b>9</b>
5.1	History and development of PHARMAGEST INTERACTIVE	9
5.2	Investments	11
5.3	Financial reporting	13
<b>6.</b>	<b>BUSINESS OVERVIEW</b>	<b>13</b>
6.1	PHARMAGEST Group	13
6.2	Our main markets	25
6.3	Exceptional factors influencing business during the year	28
6.4	Dependence with regard to patents, licences, contracts or manufacturing processes	28
6.5	Competition	28
<b>7.</b>	<b>ORGANISATIONAL STRUCTURE</b>	<b>31</b>
7.1	Description of WELCOOP GROUP and PHARMAGEST INTERACTIVE's position within the Group	31
7.2	PHARMAGEST Group Organisation Chart at 31 March 2017	32
<b>8.</b>	<b>PROPERTY, PLANT AND EQUIPMENT</b>	<b>35</b>
8.1	Real estate assets	35
8.2	The environment	36
<b>9.</b>	<b>OPERATING AND FINANCIAL REVIEW</b>	<b>37</b>
<b>10.</b>	<b>CAPITAL RESOURCES</b>	<b>37</b>



<b>11.</b>	<b>RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES</b>	<b>37</b>
11.1	Research and Development (R&D)	37
11.2	Patents	38
<b>12.</b>	<b>TREND INFORMATION</b>	<b>39</b>
12.1	Main trends	39
12.2	Potential developments	40
<b>13.</b>	<b>PROFIT FORECASTS OR ESTIMATES</b>	<b>42</b>
<b>14.</b>	<b>ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES AND SENIOR MANAGEMENT</b>	<b>43</b>
14.1	Composition and operation of the administrative, management and supervisory bodies	43
14.2	Absence of convictions and conflicts of interests concerning the members of the administrative, management and supervisory bodies and senior management	51
<b>15.</b>	<b>COMPENSATION AND BENEFITS</b>	<b>51</b>
<b>16.</b>	<b>BOARD AND MANAGEMENT PRACTICES</b>	<b>52</b>
<b>17.</b>	<b>EMPLOYEES</b>	<b>53</b>
17.1	Human resources	53
17.2	Shareholding and stock options	53
17.3	Contracts and agreements	53
<b>18.</b>	<b>MAJOR SHAREHOLDERS</b>	<b>54</b>
18.1	Shareholding structure	54
18.2	Control	56
18.3	Shareholders agreement	56
18.4	Agreement whose subsequent implementation could result in a change of control	57
<b>19.</b>	<b>RELATED PARTY TRANSACTIONS</b>	<b>57</b>
<b>20.</b>	<b>FINANCIAL INFORMATION CONCERNING THE ASSETS, FINANCIAL POSITION AND RESULTS OF THE ISSUER</b>	<b>58</b>
20.1	Historical financial information	58
20.2	Pro forma financial information	58
20.3	Financial statements	58
20.4	Auditing of financial information	116
20.5	Age of latest financial information	122
20.6	Interim and other financial information	122
20.7	Dividend distribution policy	122
20.8	Litigation and arbitration	123
20.9	Material change in financial or commercial condition	123



<b>21.</b>	<b>ADDITIONAL INFORMATION</b>	<b>124</b>
21.1	Share capital	124
21.2	Memorandum and Articles of Association	125
<b>22.</b>	<b>MATERIAL CONTRACTS</b>	<b>130</b>
<b>23.</b>	<b>INFORMATION PROVIDED BY THIRD PARTIES, STATEMENTS FROM EXPERTS AND DECLARATIONS OF SPECIAL INTERESTS</b>	<b>130</b>
<b>24.</b>	<b>DOCUMENTS ON DISPLAY</b>	<b>131</b>
24.1	Annual Management Report	131
24.2	Independent third-party assurance report on the sustainability information in the Management Report	172
24.3	Chair' report on corporate governance and internal control and risk management procedures	175
24.4	Report of the Statutory Auditors prepared pursuant to Article L. 225-235 of the French Commercial Code on the report of the Chair of the Board of Directors	195
24.5	The Board of Directors' report on officer compensation	196
24.6	Draft resolutions	197
24.7	Upcoming publications	202
<b>25.</b>	<b>INFORMATION ON HOLDINGS</b>	<b>202</b>



# 1 RESPONSIBILITY FOR THE FRENCH VERSION OF THE REGISTRATION DOCUMENT

## 1.1 Person responsible for the information contained in 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 is also our 2016 Annual Report and contains the annual financial report, as required under Article L. 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 the financial statements are prepared in accordance with the 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 2016 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 have obtained from the statutory auditors an engagement completion, document in which they indicate that they have verified the information on the financial position and the financial statements given in this document and that they have read the entire document.

The historical information for the year ended 31 December 2016 covering the financial years financial years ended on 31 December 2014 and 31 December 2015, presented in section 20.4, and incorporated herein by reference to the financial year ended on 31 December 2016, has been audited by the statutory auditors.

The Statutory Auditors' Report on the consolidated financial statements for FY 2014 includes an emphasis of matter on the note, "Accounting principles, texts applied" with regard to the new mandatory International Financial Reporting Standards (IFRS).

The Statutory Auditors' Report on the consolidated financial statements for FY 2015 includes an emphasis of matter on the note, "Accounting principles, texts applied" with regard to the new mandatory International Financial Reporting Standards (IFRS).

The Statutory Auditors' Report on the consolidated financial statements for FY 2016 includes an emphasis of matter on the note, "Accounting principles, texts applied" with regard to the new mandatory International Financial Reporting Standards (IFRS).

Dominique PAUTRAT, Managing Director, PHARMAGEST INTERACTIVE



## 2 STATUTORY AUDITORS

### 2.1 Name, address and position of the statutory auditors

#### Principal Statutory Auditors

##### **SA BATT AUDIT**

25, rue du Bois de la Champelle

54 600 VILLERS 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 convened to approve the financial statements for the financial year ended on 31 December 2019,

Represented by Mr Stéphane RONDEAU since 2014.

##### **MAZARS**

61, rue Henri Regnault

92400 COURBEVOIE

Member of the Regional Association of Statutory Auditors of Versailles

First appointed on 23 June 2005 and renewed on 16 June 2011 until the Annual General Meeting called to approve the financial statements for the financial year ended on 31 December 2016,

Represented by Ms Laurence FOURNIER since 2014.

#### Deputy Statutory Auditors

##### **REVILEC AUDIT ET ASSOCIES**

25, rue du Bois de la Champelle

54 600 VILLERS 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.

##### **Mr. Christian EINHORN**

20, avenue de la Paix

67000 STRASBOURG

Member of the Regional Association of Statutory Auditors of Colmar

First appointed on 23 June 2016 until the Annual General Meeting called to approve the financial statements for the financial year ended on 31 December 2016.

### 2.2 Statutory auditors having resigned or not reappointed

Mr. Christian EINHORN was appointed on 23 June 2016 in replacement of Mr. Antoine MERCIER retired at the end of 2015 for the remainder of the latter's term, i.e. until the Ordinary General Meeting called to approve the financial statements for the year ended on 31 December 2016.



## 3 SELECTED FINANCIAL INFORMATION

### 3.1 Consolidated financial information relative to past years

In €m*	2016	2015	2014
Revenue	128.38	113.48	114.56
Current operating profit	31.39	28.28	25.51
Operating profit	31.39	28.28	25.51
Consolidated profit attributable to equity holders of the parent	20.57	18.79	17.01
Equity attributable to equity holders of the parent	101.95	90.65	81.34
Net cash	63.72	54.89	47.51
Fixed assets net of depreciation, amortisation/provisions	66.36	46.05	44.39
<b>Balance sheet total</b>	<b>150.70</b>	<b>123.98</b>	<b>113.55</b>
Gearing <sup>(1)</sup>	-57.34%	-58.48%	-56.47%
ROE <sup>(2)</sup>	20%	21%	21%
Full-time equivalent workforce - Group	892	817	801
Dividend before the stock split <sup>(3)</sup>	/	/	2.90
Dividend after the stock split <sup>(3)</sup>	0.65	0.60	0.58
<b>Basic earnings per share before the stock split <sup>(3)</sup></b>	<b>/</b>	<b>/</b>	<b>5.68</b>
<b>Pro forma basic earnings per share after the stock split <sup>(3)</sup></b>	<b>1.37</b>	<b>1.25</b>	<b>1.14</b>

\* Except the dividend and the basic earnings per share (in euro).

<sup>(1)</sup> Net debt to equity ratio.

<sup>(2)</sup> Net profit to equity ratio.

<sup>(3)</sup> The dividend per share given for the 2016 financial year is the dividend that will be proposed to the AGM on 27 June 2017. The Extraordinary General Meeting on 26 June 2015 voted to approve the stock split, reducing the share value to €0.20 from €1. The decision was effective on 5 August 2015.

### 3.2 Parent company 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

PHARMAGEST Group reviewed the risks that could have a material negative impact on its business, financial position, results, or on its ability to achieve its objectives, and considers that there are no material risks other than those presented in the Chair's report in Section 24.3 of this Registration Document.

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.





## 5 INFORMATION ABOUT THE COMPANY

### 5.1 History and development of PHARMAGEST INTERACTIVE

#### 5.1.1 Company name and commercial name

The legal name of the company is: PHARMAGEST INTERACTIVE.

#### 5.1.2 Registration information and number

PHARMAGEST INTERACTIVE is registered in the NANCY Trade and Companies Register (RCS No. B 403 561 137) and its French industry code (NAF) is 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)3 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 Company history

###### **1996: Founding 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: Capital backing of pharmaceutical distributor CERP Lorraine.**

- PHARMAGEST INTERACTIVE conducted an operational merger with its MIRABEL IT subsidiary. CERP Lorraine was renamed WELCOOP GROUP in 2008.

###### **2000 : Initial public offering.**

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

###### **2003 : Market leader for pharmaceutical 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, in which PHARMAGEST INTERACTIVE has a 65% share.

#### 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.

#### 5.1.5.2 Recent events (2014 - 2016)

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

- Absorption of VIP PHARMA by PHARMAGEST INTERACTIVE through a merger procedure entailing the company's dissolution and the global transfer of its assets and liabilities (*transmission universelle de patrimoine*) effective on 1 January 2014;
- 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 French Guiana;
- 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 in 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. Since the transaction resulted in the loss of significant influence, QUALITY FLUX was derecognised based on a zero fair value;
- Disposal of 30% of KAPELSE securities without loss of control.



### 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 equipment lease financing solutions 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, acting alongside its subsidiary KAPELSE jointly acquire 80% with equal stakes of NOVIA TEK 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 interest 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. Following its investment in TELUS Health, PHARMAGEST Group retains a 26.02% stake.
- 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 1 January 2016.

## 5.2 Investments

### 5.2.1 Main capital expenditure by the issuer during the period covered by the historical financial information until the date of issue of this Registration Document

#### 5.2.1.1 Investments in intangible and tangible assets

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

In € thousands	2016	2015	2014
Intangible assets	6,917	3,161	2,545
Tangible assets	1,813	1,499	783
<b>TOTAL</b>	<b>8,730</b>	<b>4,660</b>	<b>3,328</b>

Research and development and innovation are the primary focus of PHARMAGEST Group's intangible investments to ensure that capital companies retain their lead 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's 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 NOVIA TEK (share capital: €250,100 after the investment). NOVIA TEK wholly-owns NOVIA SEARCH (share capital: €33,000);
  - **December 2016:** 70% in SAILENDRA (share capital: €403,500 after the investment).
- Creation of wholly-owned subsidiaries:
  - **January 2014:** CPSI - CARAÏBES PHARMA SERVICES INFORMATIQUES, (share capital: €100,000);
  - **January 2015:** NANCEO (share capital: €1 million)
- Increased equity stakes:
  - **In 2014 :**
    - **May:** following a share buyback, the holding in DIATELIC was increased from 68.58% to 95.29%;
  - **In 2015 :**
    - **June:** GROUPE DOMEDIC INC.: capital increase taken up by the Group, with no impact on capital ownership structure;
    - **December:** following a share buyback, the holding in INTECUM was increased from 63.99% to 100%.
  - **In 2016 :**
    - Execution of the first tranches 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 (29.60%). Pursuant to the last tranche of the capital increase, PHARMAGEST Group will remain a shareholder with a stake of 26.02%.

### 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. In early 2017, this approach resulted in the acquisition of equity interests in CAREMEDS in the United Kingdom and its sister company MULTIMEDS in Ireland.

### 5.2.3 Main future capital expenditure

PHARMAGEST Group's senior management had no 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](http://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 and Claire DERAY of DERAY ANALYSE ET CONSEIL to assure coverage of the PHARMAGEST share and produce financial analysis in accordance with market standards.

## 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 WELCOOP GROUP, a pharmacists' cooperative. As a result of this specific structure, WELCOOP GROUP's customers may also be shareholders in this company. This strong connection with the pharmacy profession provides the Group with an excellent understanding of the pharmacist's ecosystem. This gives it an ability to anticipate industry developments and develop the necessary tools for pharmacists in response.

#### 6.1.1 Operations and main activities

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 Solutions for Pharmacy Division - Europe, which includes the Pharmacy FRANCE and Pharmacy BELGIUM and LUXEMBOURG Business Lines;
- The Solutions for e-Health Division, which includes the e-Pharma, e-Patients and e-Connect Business Lines;
- The Solutions for health and medical-social institutions Division includes operations of MALTA INFORMATIQUE and its new subsidiary DICSIT INFORMATIQUE;
- The FinTech Division represents the business of NANCEO.



Revenue by business and region (IFRS) :

Divisions	2016		2015	
	Revenue	Group share	Revenue	Group share
Solutions for Pharmacy Division - Europe - of which, in FRANCE - of which, in BELGIUM and LUXEMBOURG	98.12 M€ 95.44 M€ 2.68 M€	76.43% 74.34% 2.09%	98.67 M€ 95.47 M€ 3.20 M€	86.95% 84.13% 2.82%
Solutions for e-Health Division (FRANCE)	9.95 M€	7.75%	6.42 M€	5.66%
Solutions for health and social care facilities (FRANCE)	10.29 M€	8.02%	6.87 M€	6.06%
FinTech Division (FRANCE)	10.02 M€	7.80%	1.52 M€	1.34%

### 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: 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 Solutions for Pharmacy Division - Europe

The Group's historical business, the Solutions for Pharmacy Division - Europe contributed 76.4% of total revenue (IFRS) in 2016.

The division consists of the Pharmacy FRANCE and Pharmacy BELGIUM and LUXEMBOURG Business Units.

### Pharmacy FRANCE Business Line

Our flagship software suite, **LGPI Global Services®**, equips more than 41% 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 billing and stock management functions, LGPI Global Services® also features tools to optimise profit and track business volumes:

- **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®;



- **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;
- **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;
- **Officonnect**: the government Order of 19 December 2012 authorising and controlling on-line sales of medicines in France opened up new opportunities to expand PHARMAGEST INTERACTIVE's catalogue by building an exchange platform between the pharmacies' websites and LGPI Global Services® for sales and inventory integration by the two systems;
- **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 software to manage and schedule PDA (Preparation of Doses to be Administered) will automate exchanges between LGPI Global Services®, care homes and PDA automated systems;
- **Offisecure®**: offers professional, and secure 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;
- **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;
- **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 software. 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' vital role in providing information and patient education. Furthermore, following legal reforms in France (Loi HPST - Hospitals, Patients, Health and Territory Act), the role of pharmacist in advising patients and prevention is to be expanded.

- **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 detection during the dispensing process according to predefined criteria, monitoring patient vitals integrating multimedia tools or maintaining an addendum shared within the pharmacy team;
- **Ma Pharmacie Mobile®**: within an environment of increasing penetration of mobile technology, 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;
- **OffiMédia®**: is a point-of-sale marketing and communication system for pharmacies. The tool analyses patient data, prescriptions and inventory to send accurate messages. As of 2013, 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 an action plan, follow-up and support, and results measurement.

PHARMAGEST Consulting is backed by **My Pilot**<sup>®</sup>, 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

### BELGIUM

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<sup>®</sup> OPTIMUM and SABCO<sup>®</sup> ULTIMATE.

**SABCO<sup>®</sup> 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<sup>®</sup> ULTIMATE and its additional options OffiHome and OffiDistri offer a comprehensive management solution.

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<sup>®</sup>, OffiMédia<sup>®</sup>, Ma Pharmacie Mobile<sup>®</sup>, OffiSeen<sup>®</sup>, OffiCash<sup>®</sup>, etc.), in order to propose a comprehensive offering to Belgian pharmacies.

### LUXEMBOURG

With a 30% market share in the Grand Duchy of LUXEMBOURG, SABCO confirmed its position as a major player in the sector of software solutions for pharmacies with its **Officine 2016** application. 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. The product also offers exclusive access to an information portal and the Delphi Care database. Other features include a robot interface option, document scanning, a SMS function, an interface with electronic labelling, and financial order functions to calculate margins.

#### 6.1.1.2 Solutions for e-Health 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 Solutions for e-Health 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. E-Health combines the excellence and expertise of PHARMAGEST INTERACTIVE, DIATELIC, DOMEDIC EUROPE, KAPELSE, SAILENDRA, NOVIA TEK and NOVIA SEARCH, 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 Solutions for e-Health Division contributed 7.7% of total PHARMAGEST Group revenue in 2016.

To achieve its objectives, the Division is subdivided into three business lines: e-Patients, e-Connect and e-Pharma.

### E-Patients 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.

#### Improving patient medication compliance: DO-Pill SecuR™.

Through its equity stake in DOMEDIC INC. GROUP, a Canadian company, completed by its majority stake in DOMEDIC EUROPE, PHARMAGEST INTERACTIVE holds exclusive distribution rights for the DO-Pill SecuR™ pill dispenser in Europe, China and Japan;

This intelligent 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.

#### The rise of artificial intelligence and expert systems to improve medical monitoring and aid diagnosis

DIATELIC specialises in artificial intelligence applied to tele-monitoring and monitoring of patient compliance. The expert systems developed by DIATELIC generate automatic alerts and sophisticated diagnostic aids for use by healthcare professionals as part of therapeutic monitoring of patients. This offering provides a response to the crucial issue of how to handle the growing volume of relevant health data generated by telemedicine or e-health systems.

The range of software covers an increasing number of pathologies, from renal failure (medical tele-monitoring of home dialysis) and cardiology to diabetes and respiratory failure...

The relevance of these innovative solutions is demonstrated by the Group's success in being selected for calls for major projects which have now advanced to the operational stage:

- **The e-Chronic/e-Nephro project:** this pre-screening and care program for chronic renal failure at all stages of the illness has seen the development of new expert systems (post-transplant follow-up) and improvements to existing systems (peritoneal dialysis and haemodialysis).
- **The SATELOR project:** working in cooperation with research laboratories, industry, innovative start-ups and medical and social care facilities, this product has developed software solutions to detect falls and monitor the activity levels of elderly persons.



- **The "36 more months at home" ("36 mois de plus à domicile") project:** PHARMAGEST Group was selected by the Lorraine region as part of an agreement ('Pacte Lorraine') as an e-Health partner for this innovative programme, with other companies in the industry (SMEs and start-ups) and ITCs, academics, stakeholders from the medical world and local authorities. The objective is to develop innovative, multi-service offerings for the elderly to stave off approaching dependency, based on new technologies. The goal is to help people to remain in a suitably equipped home for an additional 36 months, while minimising the risk of accidents and anticipating potential health problems. PHARMAGEST Group was awarded for this project by the FIMBACTE 2016 Festival jury along with the city of PULNOY.
- **The PAERPA project (Elderly at risk of losing their independence)** tackles the challenge of ensuring coordination between different health sectors to mitigate the risks of disrupting the care pathway and improve compliance. The submission by the Lorraine ARS (regional health board) for this project was selected by the French Ministry of Social Affairs, Health and Women's Rights for the entire Greater Nancy urban area. The DO-Pill SecuR™ smart pill dispenser has been given priority for the strategic project objective of "promoting healthy ageing".

### Optimising data sharing and protection of personal health data

PHARMAGEST Group's core mission 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, Logiciel de Gestion d'Officine (LGO).

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 Minister 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 that are managed and administered by healthcare professional customers, mainly pharmacies, 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

KAPELSE designs, develops, produces, installs and operates innovative e-Health solutions for secure monitoring of patients at their place of residence and optimised care pathways.

It is positioned in the following main markets:

- 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.

Smart, user-friendly and efficient, KAPELSE solutions improve in-home monitoring of dependent patients and high-risk patients grappling with chronic conditions.

Engineered with robust authentication protocols and integrated in an extremely secure environment, KAPELSE's products offer a range of functionalities, with the highest degree of security:

- Automatic recording and storage of patient measurement data;
- Secure transfer of data to medical care servers;
- Recording of medical procedures carried out in the patient's home;
- Secure on-line access to medical records;
- Secure information sharing with medical personnel involved in the care pathway;
- Automated monitoring (warning systems, patient-health professional dialogue, communication between professionals,...).



KAPELSE has a range of four devices as at 31 December 2016:

- **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&LINK®**: a card reader suitable for all pharmacies based on innovated patented technology, for remote transmission, updating SESAM-Vitale cards and more;
- **KAP&GO®**: the mobile version of the e-Health box;
- **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-Patients 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.

In 2016, KAPELSE continued to build its technology and services infrastructure devoted in particular to home care solutions with the acquisition of NOVIA TEK and its subsidiary NOVIA SEARCH (a start-up specialising in the design of innovative technology systems for assisting people with specific needs: Alzheimer's, dependent elderly people, people with disabilities, etc.).

### 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 pharma sector.

#### **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.

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

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 2013, 259 awareness campaigns were organised, nearly 40,000 were people surveyed and 6,000 patients received advice leaflets. In 2016, pharmacies equipped with LGPI Global Services® were able to participate in several initiatives: chronic kidney failure, Parkinson's disease, diabetes, Alzheimer's disease, prostate cancer and psoriasis.



The consequences of failing to monitor compliance with treatment generate 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 from product marketing to patient-focused marketing. Today, the drug is no longer 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.

### 6.1.1.3 Solutions for health and social care facilities Division

In 2016, this division accounted for 8% of the Group's total revenue under IFRS.

A subsidiary of PHARMAGEST Group, MALTA INFORMATIQUE is a specialised independent software vendor for elderly residential care homes, day care and sheltered housing facilities for persons with disabilities. It has a high level of expertise in automated patient record 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;
- Computerised patient 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.

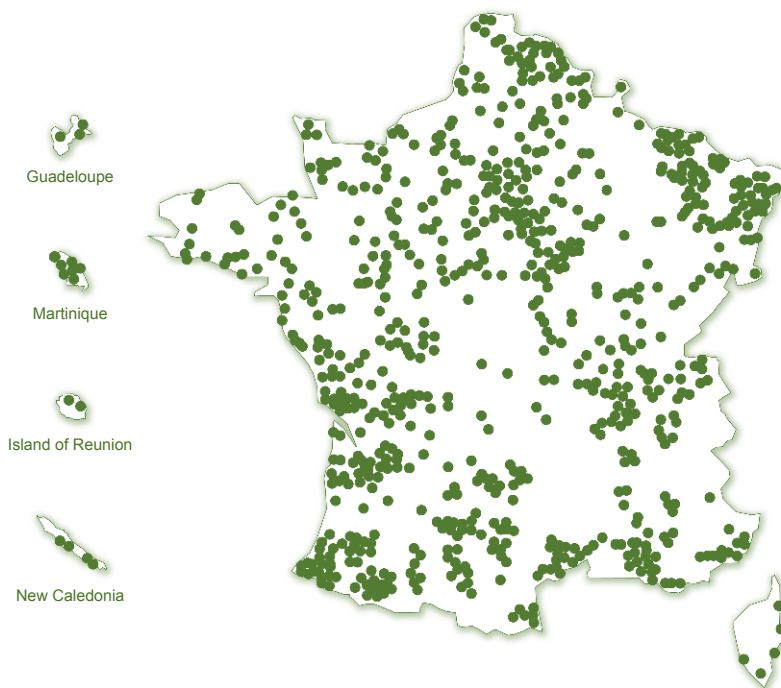
A focus on R&D is a defining characteristic of MALTA INFORMATIQUE's culture. All software modules are upgraded on a regular basis. The result is the existence of a mature standard offering:

- MALTA INFORMATIQUE completed two major projects in 2014:
  - It obtained dual certification for its out-patient and hospital prescription software in December 2014 to meet the recommendations of the French National Authority for Health (HAS - Haute Autorité de Santé).
  - In addition, a new **TITAN NOMADE** module will provide existing and potential customers with the ability to monitor healthcare, medication and support schemes on Android tablet.
- 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.

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



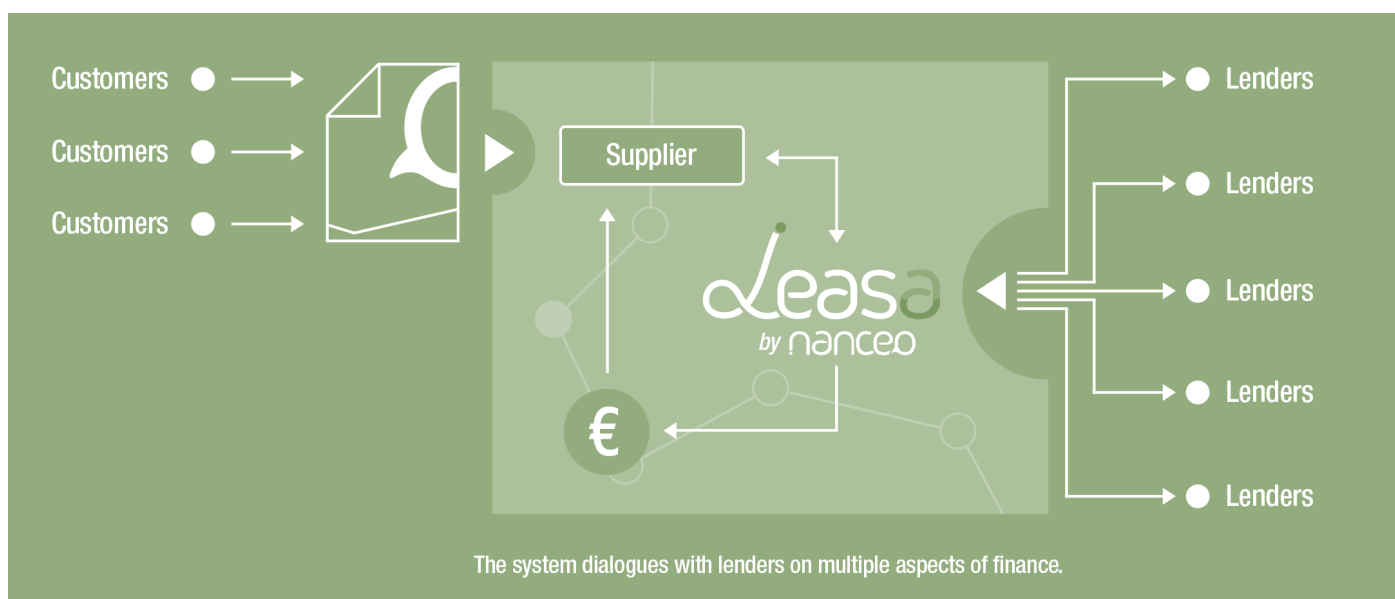
At year-end 2016, 1,580 elderly residential care homes ran MALTA INFORMATIQUE software.



**6.1.1.4 FinTech Division**

NANCEO was formed in 2015 to arrange equipment lease financing solutions in the services sector. NANCEO created Leasa by Nanceo, an online gateway 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.



For its first full year of operation, the FinTech Division contributed 7.8% of total PHARMAGEST Group revenue in 2016.



## 6.1.2 6.1.2 New products and/or services

### 6.1.2.1 6.1.2.1 Solutions for Pharmacy Division - Europe

#### Pharmacy FRANCE Business Line

**Rollout of the compliance monitoring software (LSO):** The Group started to roll out the compliance monitoring software in 2016. 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.

**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 conveying 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:

- DOMEDIC EUROPE's DO-Pill SecuR™ smart pill dispenser;
- KAPELSE's SESAM-Vitale card readers and the KAP&CARE terminal to update the cards;
- The software to manage and schedule PDA (preparation of doses to be administered) for 500 of the largest pharmacies in FRANCE, creating synergy with MALTA INFORMATIQUE's activities by ensuring full synchronisation of patient data between the OffiDose 2.0 and TITAN applications;
- The HEALTHLEASE financing solution.

#### BELGIUM and LUXEMBOURG Pharmacy Business Line

##### BELGIUM:

SABCO teams are constantly upgrading 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 2016 were:

- Addition of Recip-e in SABCO® ULTIMATE to manage electronic prescriptions;
- Connection to the Magex automatic distributor to manage problems relating to business hours of Belgian pharmacies, proposing an on-duty robot to automate the sale of pharmacy-related products, the delivery of the products and management of the on-duty counter;
- The launch of Offi-repport, a new reporting and statistics tool for pharmacists;
- Integration of Officash®: The closed-circuit payment terminal reduces costs (by eliminating errors, forged notes, etc.) and saves time for both customers and staff, while optimising security.



## 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 medicines, supplier relations and patient monitoring.

In 2016, SABCO worked in partnership with another major player in the Luxembourg market on the management of unpacking integrated into Officine 2016. The commercial launch will begin in 2017.

## BELGIUM and LUXEMBOURG

The development teams in FRANCE, BELGIUM and LUXEMBOURG work closely together on adapting satellite solutions (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 Solutions for e-Health Division

#### E-Patients Business Line

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

Project	Overview of project objectives
E-CHRONIC/E-NEPHRO	Care programme for chronic renal failure at all stages of the illness.
SATELOR/36 MORE MONTHS AT HOME	To develop a solution to provide a secure care path for patients with multiple pathologies and/or losing independence in their homes.
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.

After a pilot phase of the "36 more months at home" project 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 completed its range of expertise by offering 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

### Noviacare™: disruptive technology in the market for home-based care

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 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(TM) 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).

## E-Pharma business line

In 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.

### 6.1.2.3 Solutions for health and social care facilities Division

#### External growth and new expertise:

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 medical-social institutions, by ultimately offering a genuine pathway management for the user.

The DICSIT INFORMATIQUE offering covers four 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.
- Collaborative home-based support and care services (SPASAD) through a new offering based on a single user file.

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





### TITAN's commercial success bolstered by software upgrades:

- On the market since 2015, **TITAN NOMADE** is a tablet-based module offering a significant advantage of full operating autonomy. A simple Wi-Fi connection suffices to synchronise the data with the healthcare establishment's server. Based on a simple and intuitive design, TITAN NOMADE can be used as the primary tool for monitoring all care actions and in conjunction with **TITAN ZAPETTE**. In 2016, the module was enhanced by the addition of high value added functionalities including a prescription app and accommodation information that met with considerable commercial success. At 31 December 2016, 340 establishments were equipped with 922 TITAN NOMADE licenses.
- The relevance of the **TITAN GROUPE** multi-facility module, its expertise in performance-related issues and a customer department organised around specialised project leaders have enabled MALTA INFORMATIQUE to strengthen its presence across groups of establishments.

The know-how and maturity of MALTA INFORMATIQUE's offering in the area of interoperability led to the conclusion in 2016 of projects for major hospitals including the regional hospital (CHR) of ORLEANS and the teaching hospital (CHU) of REIMS.

#### 6.1.2.4 FinTech Division

The FinTech Division developed an application reserved for NANCEO certified partners offering mobile capabilities for its *Leasa* by *Nanceo* financing platform.

## 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; our health systems must also change and adapt to tackle 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 transformation of the network of dispensing pharmacies and its business model led to changes to the pharmacies' revenue structure: dispensing reimbursable medicines which include a dispensing fee, the authorisation of e-pharmacies, the introduction of payment for consultations in the pharmacy, the challenge to commercial discounts and commercial cooperation agreements, legislative developments with respect to the form of company adopted by pharmacies in FRANCE (*sociétés de participations financières de professions libérales* or SPFPL, i.e. limited liability companies holding shares in companies for the liberal professions). etc. A new era has begun opening up opportunities for growth by expanding into new activities and services for patients.



- **Overview:** at the end of 2016, there were close to 22,200 pharmacies in FRANCE and in the French Overseas Departments (*Source: French Chamber of Pharmacists*).
- **Revenue:** revenue of pharmacies stabilised in 2016 (+0.38%). 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.
- **Margin:** In line with this marginal increase in revenue, the gross margin rose slightly in 2016 (+0.23%), benefiting from an increase in dispensing fees. (*Source: CGP - Statistiques professionnelles de la Pharmacie - Edition 2017*)
- **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 BELGIUM

At 31 December 2016, there were 4,910 pharmacies in BELGIUM, with 53% in Flanders, 35% in Wallonia and 12% 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.

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.

### 6.2.2.2 LUXEMBOURG

There were 91 pharmacies open to the public in LUXEMBOURG in 2016, including 68 private concessions and 23 State concessions. The pharmacy market is restricted by significant barriers to entry, thus limiting competition. Their number is strictly controlled by the Ministry of Health.

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 covers several areas around the patient's life course: shared medical information system (the medical file), telemedicine (teleconsultation, teleassistance remote surveillance, etc.), services provided to patients, self-surveillance, 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)*

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

The market consists of over 10,000 care homes for the elderly in FRANCE, of which 75% are retirement homes, elderly residential care homes (EHPAD) or long-term care facilities (USLD), and 25% are 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 number of facilities is expected to double in the space of 20 years.

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.

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)*



### 6.2.5 Equipment lease financing solutions in the services sector

Lease financing can be arranged for practically all 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 FinTechs are significantly challenging operating methods and accelerating change.

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

The business and professional equipment financing market by specialist companies represented more than €30 billion in 2016, up nearly 10% from 2015.

*(Source: Association Française des Sociétés Financières (association of financial companies), 2016 management chart)*

## 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 Chair's report on corporate governance and internal control and risk management procedures in Section 24.3 of this Registration Document. Specific information on Research and Development, patents and licences is given in Section 11 herein.

## 6.5 Competition

### 6.5.1 The European pharmacy market

#### FRANCE

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

- PHARMAGEST INTERACTIVE is the French market leader with a 41% market share. 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)*



## BELGIUM

SABCO operates nationwide with a 12% market share with its two software products (SABCO® ULTIMATE and SABCO® OPTIMUM).  
(Source: SABCO estimates).

Its main competitors are CORILUS, NEXTPHARM and FARMAD.

## LUXEMBOURG

With a 30% market share in 2016, SABCO is a major player in the sector of software solutions for pharmacies with its Officine 2016 application.

(Source: SABCO estimates)

PROPHALUX is its main competitor.

### 6.5.2 The e-Health market

#### E-Patients 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).

#### E-Connect business line

Established in 2013, KAPELSE was positioned as a challenger in 2016 in a market dominated by companies specialising in payment terminals (INGENICO Group). KAPELSE's products are aimed at a range of health professionals, from pharmacists to nursing services providers.

#### E-Pharma business line

The e-Pharma business line has a unique comprehensive product offering based on solutions in a market 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 The Elderly residential care homes and Day Centres market

MALTA INFORMATIQUE was the second-largest player in this market in 2016 and holds almost 20% of the market.

(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 has nearly 900 customers in METROPOLITAN FRANCE and OVERSEAS DEPARTMENT AND TERRITORIES.

- More than 400 CLIC (No. 1 of the sector with and 86% market and no direct specialised competitor);
- 370 SSIAD and ESA, or a 15% market share. This market is dominated by APOLOGIC and MEDISYS;
- 100 HAD (No. 2 of the sector with nearly a 30% market share). DICSIT INFORMATIQUE is just behind ARCAN in terms of market share.

#### 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.



## 7 ORGANISATIONAL STRUCTURE

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

At 31 December 2016, MARQUE VERTE SANTE was the majority shareholder with 60.51% of the capital of PHARMAGEST INTERACTIVE. WELCOOP GROUP, MARQUE VERTE SANTE's parent, holds 6.12% of PHARMAGEST INTERACTIVE's capital directly.

Through the diverse nature of its business, WELCOOP GROUP 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.

WELCOOP GROUP increases access to health for all by drawing on the support of pharmacists 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.

This 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 WELCOOP GROUP, intervenes as a **citizen in the service of health and well-being**.

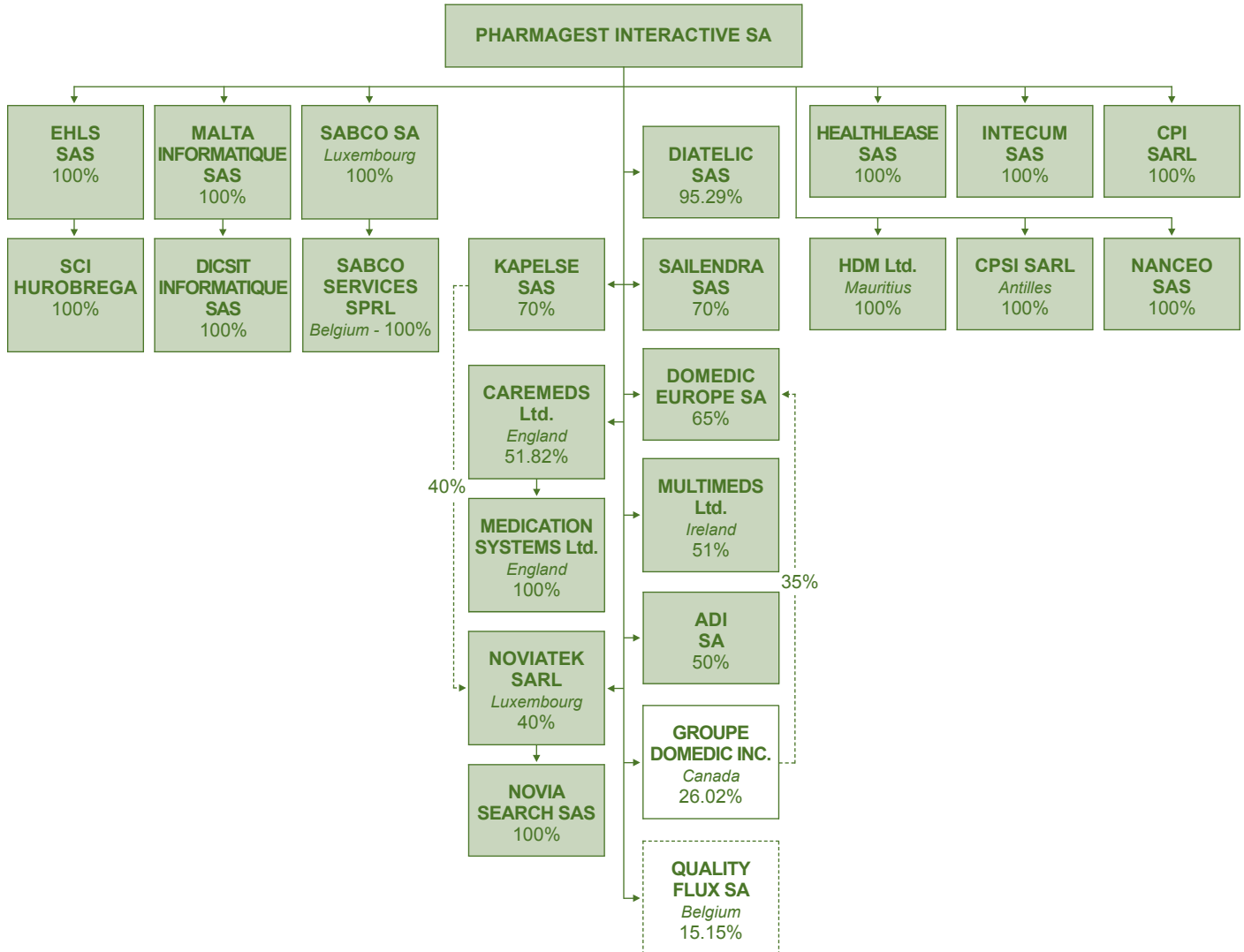
WELCOOP GROUP is present primarily in FRANCE and Europe.

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 €145 million as at 31 December 2016, MARQUE VERTE SANTE posted €879 million in consolidated sales for 2016 (French GAAP).



## 7.2 PHARMAGEST Group Organisation Chart at 31 March 2017\*



\* Green 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 the scope of consolidation since 31 December 2016:

- PHARMAGEST INTERACTIVE acquired a 51.82% equity interest in CAREMEDS Ltd., an English company registered in the Companies House of CARDIFF (No. 07 990 372). CAREMEDS Ltd. controls MEDICATION SYSTEMS Ltd., an English company registered in the Companies House of CARDIFF (No. 07 971 144).
- PHARMAGEST INTERACTIVE acquired a 51% equity interest in MULTIMEDS Ltd., an Irish company registered in the Companies Registration Office of DUBLIN (No. 533 817).

In early 2016, the Canadian company GROUPE DOMEDIC INC., a subsidiary of PHARMAGEST INTERACTIVE, signed a strategic partnership agreement with TELUS Health. This agreement provides for gradual increase of TELUS Health's stake over a period of 18 months. Following its investment in TELUS Health, PHARMAGEST Group will retain a 26.02% stake.





20 companies were fully consolidated in PHARMAGEST Group in 2016, including PHARMAGEST INTERACTIVE:

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

**CPI**, a wholly-owned subsidiary of PHARMAGEST INTERACTIVE, a French company registered in DIJON (RCS 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 (RCS 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.

**DCI**, a wholly-owned subsidiary of PHARMAGEST INTERACTIVE, a French company registered in BORDEAUX (RCS No. 395 381 817). The company has rented its goodwill to PHARMAGEST INTERACTIVE since 2001.

**DIATELIC**, a 95.29%-owned subsidiary of PHARMAGEST INTERACTIVE, a French company registered in NANCY (RCS 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 NANCY (RCS No. 400 504 387), specialised in the development and sale of application software.

**DOMEDIC EUROPE**, a 65%-owned subsidiary of PHARMAGEST INTERACTIVE, a French company registered in NANCY (RCS 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 (RCS No. 333 434 157). EHLS is a central purchasing service for IT hardware.

**HDM LIMITED**, 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 (RCS 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 (RCS 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 (RCS No. 507 906 329). The company designs, manufactures and markets automated systems.

**KAPELSE**, a 70%-owned subsidiary of PHARMAGEST INTERACTIVE, a French company registered in NANCY (RCS 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 (RCS No. 444 587 356). The company researches, designs and markets software and related products for elderly residential care homes.

**NANCEO**, a wholly-owned subsidiary of PHARMAGEST INTERACTIVE, a French company registered in PARIS (RCS No. 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 THIONVILLE (RCS No. 91 200 918), specialised in engineering and technical studies.

**NOVIATEK**, a subsidiary 40%-owned by PHARMAGEST INTERACTIVE, and 40%-owned by KAPELSE, a LUXEMBOURG company registered in LUXEMBOURG (Companies Register No B 186.323). The company designs and manufactures automated systems.

**SABCO**, a wholly-owned subsidiary of PHARMAGEST INTERACTIVE, a LUXEMBOURG company registered in LUXEMBOURG (Companies Register No. 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 (Companies Register No. number 0476 626 524). The company markets and sells IT hardware and software, amongst others.

**SILENDRA**, a 70%-owned subsidiary of PHARMAGEST INTERACTIVE, a French company registered in NANCY (RCS No. 502 040 900). SILENDRA provides consulting services and designs and develops behavioural analysis-based systems and software solutions using artificial intelligence.

And one company accounted for using the equity method:

**GROUPE DOMEDIC INC.**, a 29.60%-owned subsidiary of PHARMAGEST INTERACTIVE, a Canadian company registered in the QUEBEC (RCS 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:

Geographic regions	PHARMAGEST regional territories	REGISTERED OFFICES		
		Cities	Companies	Status of real estate assets
MAINLAND FRANCE	East	VILLERS-LES-NANCY	PHARMAGEST INTERACTIVE	Owner
			DIATELIC, DOMEDIC EUROPE, KAPELSE, EHLS, INTECUM, SAILENDRA	Tenants
		DIJON	CPI	Tenant
		FLORANGE	NOVIA SEARCH	Tenant
		BEZAUMONT	DICSIT INFORMATIQUE	Tenant
	West	QUÉVEN	SCI HUROBREGA	Owner
	Ile-de-France	SACLAY	ADI	Tenant
		PARIS	NANCEO, HEALTHLEASE	Tenants
	Southwest	MÉRIGNAC	MALTA INFORMATIQUE	Owner
French Overseas Departments	French Overseas Departments and Territories	BAIE MAHAULT (Guadeloupe)	CPSI	Tenant
BELGIUM	BELUX	GOSELIES	SABCO SERVICES	Tenant
LUXEMBOURG	BELUX	WINDHOF	SABCO	Tenant
		SCHIFFLANGE	NOVIATEK	Tenant
MAURITIUS	/	PORT LOUIS	HDM LIMITED	Tenant



**PHARMAGEST SALES AGENCIES:**

Geographic regions	PHARMAGEST operating regions	PHARMAGEST SALES AGENCIES	
		Cities	Status of real estate assets
MAINLAND FRANCE	East	LUDRES, DIJON, REIMS, STRASBOURG and CHARLEVILLE MAIZIERES	Tenants
	West	QUEVEN	Rented from SCI HUOBRE-GA, the owner
		NANTES, RENNES, SAINT LO and TREGUEUX	Tenants
	Ile-de-France	RUNGIS, CLICHY-LA-GARENNE et SAINT-CLOUD	Tenants
	North	ROUEN and CUINCY	Tenants
	Rhône-Alpes	VILLEFRANCHE-SUR-SAONE	Tenant
	Centre	BOURGES, POITIERS, LIMOGES and CLERMONT FERRAND	Tenants
	Southwest	TOULOUSE, ANGOULEME and LONS	Tenants
		PESSAC	Tenant
South-East	MEYREUIL, ANTIBES and MONTPELLIER	Tenants	
French Overseas Departments	French Overseas Departments and Territories	LE LAMENTIN (MARTINIQUE)	Tenant
BELGIUM	BELUX	GAND (FLANDERS)	Tenant

Wholly-owned premises represent 34% 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).

## 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 of this Registration Document).



## 9 OPERATING AND FINANCIAL REVIEW

The data and explanations are included in the Management Report under Section 24.1 of this Registration Document.

## 10 CAPITAL RESOURCES

The data and explanations in respect of capital, cash flow and funding are included in the presentation of the consolidated financial statements in Section 20.3.

## 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.

The 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;
- Incorporation of the complexity of the billing functions (to include direct payment, third-party payer, mutual insurance companies, and more).

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



R&D is a cross-disciplinary function cutting across all PHARMAGEST Group's divisions. It is organised around a **Technical Department** with six business lines, each headed by a Deputy Director:

- **Software Development and Quality Assurance**, responsible for regulatory supervision of the drafting of specifications, as well as directing tests and quality assurance for the entire product range.
- **Architecture, Tools and Methods**, responsible for promoting and developing the overall architecture (including infrastructure), development methods and tools across the product range.
- **Pharmacy Software Development & Sales for FRANCE, BELGIUM and LUXEMBOURG Business Line**, responsible for software solutions for the management of pharmacies and groups of pharmacies LGPI Global Services® and OffiDose, SABCO® OPTIMUM and ULTIMATE for BELGIUM, Officine 2016 for LUXEMBOURG and OffiCentral® for FRANCE and BELGIUM.
- **Web-based applications and Mobile Devices**, responsible for OffiMédia® and Pharmattitude® satellite products, Connected Services and other web-based and mobility products.
- **Enterprise Resorts Planning (ERP)**, responsible for our corporate IT system and the development of the Leasa by Nanceo platform of the FinTech Division.
- **e-Health & Data**, responsible for patient monitoring software and the development of expert systems of the e-Health Division.

Each project is headed by a project manager who leads the teams of software engineers, development analysts and testers tasked with ensuring the operation of the modules.

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 (DIATELIC, DICSIT INFORMATIQUE, GROUPE DOMEDIC INC., INTECUM, KAPELSE, MALTA INFORMATIQUE, NOVIA SEARCH and NOVIA TEK) hold the patents for systems having been developed.



## 12 TREND INFORMATION

### 12.1 Main trends

#### 12.1.1 Revenue by Division

**The Solutions for Pharmacy Division - Europe** accounted for 76.4% of PHARMAGEST Group's total revenue, or €98.66 million as of 31 December 2016, contracting marginally 0.5% from 31 December 2015.

- Revenue remained stable for the Pharmacy FRANCE Business Line in relation to the same period in 2015 at €95.44 million, reflecting by the level of recurrent business;
- The Pharmacy BELGIUM and LUXEMBOURG Business Line had €2.68 million in revenue, marginally down from the previous period.

**The e-Health Division** reported €9.95 million in revenue as of 31 December 2016, a 55% increase from one year earlier. This division is driven by sales of 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 registered a decline in revenue of 7.4% (€1.71 million) in relation to 2015.
- The e-Patients and e-Connect Business Lines, continuing the successful marketing of connected devices, reported €8.24 million in revenue.

Solutions for e-Health contributed 7.7% to PHARMAGEST Group's total revenue in 2016.

**The Solutions for health and medical-social institutions Division** registered continuing commercial momentum. In conjunction with the buoyancy of this segment, the acquisition in March 2016 of DICSIT INFORMATIQUE (specialised in the Hospital at Home segment) contributed to strong growth for this Division with revenue of €10.29 million at 31 December 2016, up 49.6% from one year earlier (+19.8% like-for-like).

This division accounted for 8% of the Group revenue at the end of 2016.

**The FinTech Division** had revenue of €10.02 million at 31 December 2016, displaying strong growth in relation to 2015, the year of its creation. The FinTech Division accounted for 7.8% to PHARMAGEST Group's total revenue in 2016.

#### 12.1.2 2016 operating highlights

##### **GROUPE DOMEDIC INC. signed a strategic partnership agreement with TELUS Health**

By joining forces GROUPE DOMEDIC INC and TELUS Health were able to create a new technology platform offering an integrated medication compliance solution. On that basis, pharmacists and care homes in Canada will now have optimum control over the medication dispensing chain, in full compliance with traceability obligations.

Following its investment in TELUS Health, PHARMAGEST Group retains a 26.02% stake in GROUPE DOMEDIC INC.

##### **External growth for MALTA INFORMATIQUE in the promising Hospital at Home market**

In March 2016, MALTA INFORMATIQUE announced the acquisition of DICSIT INFORMATIQUE, a specialist in information systems for HADs (Hospitals at Home), SSIADs (Home-based nursing services) and CLIC networks (Local Information and Coordination Centres for older people). This acquisition offers commercial, industrial and operational synergies and strengthens MALTA INFORMATIQUE's portfolio of services in key sectors. This new expertise positions PHARMAGEST Group's Solutions for health and medical-social institutions Division to address all needs of healthcare professionals specialised in home care support in FRANCE.



### **PHARMAGEST Group makes a new investment in the sector of innovative home care systems by acquiring a majority stake in NOVIATEK**

PHARMAGEST Group, with its subsidiary KAPELSE acquired 80% of NOVIATEK, thus becoming a subsidiary in turn of PHARMAGEST Group. NOVIATEK is a start-up specialising in the design intelligent home installations and innovative systems to assist people with specific needs (Alzheimer's, older people living alone, dependent people, people living with disabilities, etc.). NOVIATEK is preparing the launch of a new product, Noviacare™: a smart box operating in an autonomous manner contributing to homecare solutions for persons with specific needs.

### **PHARMAGEST Group's "36 more months at home" project has now advanced to an operational phase with the support of CARSAT Nord-Est.**

In April 2016, after a pilot phase, PHARMAGEST Group moved forward by equipping 50 additional housing units with this sensor-based offering in the existing base of residential facilities. This deployment was made possible by a €490,500 subsidy granted by CARSAT Nord-Est, a regional social security retirement agency. The future prospects of this project are numerous and include the adaptation of the existing installed base of residential facilities, the extension of the offer to all of FRANCE or the construction of fully equipped residential facilities.

### **The "36 more months at home" offering that has entered the industrial scale up phase, was rewarded by the FIMBACTE 2016 Festival jury.**

In November 2016, the construction of a senior housing facility equipped with the "36 more months at home" offering was completed in the new district of the Résidences Vertes real estate development in Pulnoy (Meurthe-et-Moselle). This real estate project, developed in partnership with a number of public and private stakeholders (Office Public de l'Habitat - OPH, the public health and safety authorities of Meurthe-et-Moselle -OHS, Linkcity, Nexcity) including PHARMAGEST Group was distinguished by FIMBACTE with three awards: two for the "Projects" and "Audio-visual" category respectively and one for the "Online Image" category.

### **Artificial Intelligence: PHARMAGEST Group becomes a majority shareholder of the start-up SAILENDRA**

In December 2016, PHARMAGEST Group became a majority shareholder of SAILENDRA, with a 70% stake. This acquisition completes the Group's Artificial Intelligence expertise, after the 2012 acquisition of DIATELIC, a subsidiary specialising in artificial intelligence and expert systems to predict the evolution of patients' health.

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 it is exemplified by the scalable algorithms capable of being easily updated.

## 12.2 Potential developments

### **Outlook for the Solutions for Pharmacy Division - Europe**

#### **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.

#### **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. With the signature of a contract to supply the leading Belgian pharmaceutical distribution network, MULTIPHARMA, starting in July 2017, SABCO will equip 300 new pharmacies and parapharmacies in BELGIUM, increasing its market share from 12% to 18%.

More generally, the Solutions for Pharmacy Division - Europe 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 industry-specific business solutions (Compliance with DO-Pill and Compliance Monitoring).





## Outlook for the Solutions for e-Health Division

### E-Patients Business Line

The e-Patients 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.

Growth of the business line will also be driven by the development of global compliance solutions integrating both the technological and manual components such as PDA (preparation of doses to be administered) in FRANCE and Europe.

### E-Connect Business Line

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

- Maintain growth levels;
- Address a new category of healthcare professionals;
- Roll out new innovative services to equip its installed base of terminals;
- Rollout the new telehealth solutions developed in 2016;
- Be selected for new telehealth projects.

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.

### 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.

## Outlook for the Solutions for health and social care facilities Division

MALTA INFORMATIQUE, maintaining its focus on innovation, will introduce in early 2017, a new free app, MON TITAN MOBILE for ANDROID and iOS smartphones, destined for management personnel of the facilities and doctors. This application automatically generates information alerts for a wide range of events, for example, a resident's hospitalisation or for the renewal of treatment. This trend was accompanied by a new version of TITAN with a completely redesigned and modernised flat design ergonomics and the project for launching an offering of connected devices like a weighing scale or a blood pressure monitor to be integrated into TITAN NOMADE.

The introduction of TITAN WEB ENTOURAGE in 2017 should drive significant add-on growth from existing customers while bolstering its attractiveness for prospects.

Finally, in early 2017, MALTA INFORMATIQUE proposed a hosting service to its customers at PHARMAGEST HDS. This new service managed by DICSIT INFORMATIQUE's "Assistance and Hosting Business Line" will allow users to access TITAN through a secure Web-based platform.

DICSIT INFORMATIQUE was bolstered in 2016 by its attachment to MALTA INFORMATIQUE. This resulted in the implementation of a new organisation for customer services, developments, company management and the marketing of products and services.

DICSIT INFORMATIQUE has been reinforced by the addition of MALTA INFORMATIQUE's multiple areas of expertise. On that basis, MALTA INFORMATIQUE's engineering department completed the product requirements specification for the new module integrating biological tests, "ANTHADINE HPRIM LABO", for the Hospital at Home segment.



DICSIT INFORMATIQUE plans a major project in 2017 to completely rewrite the functionalities associated with the medication pathway for the Hospital at Home segment. For this, MALTA INFORMATIQUE and DICSIT INFORMATIQUE teams are working together to contribute their business expertise to the DICSIT INFORMATIQUE development teams. The goal is to obtain dual certification in 2017 for ANTHADINE, the out-patient and hospital prescription software by the French National Authority for Health (HAS - Haute Autorité de Santé).

Finally, DICSIT INFORMATIQUE will continue to focus efforts on software developments with the goal of launching a complete web offering in 2017: LOGICLIC.NET for the CLIC (Local Information and Coordination Centres for older people), MICROSOINS.NET for the SSIAD (home-based nursing services) and ANTHADINE.NET for the HAD (Hospital at Home) segment.

The Solutions for health and social care facilities Division will be developing increasing synergies between markets and pharmacies through OffiDose 2.0.

### Outlook for the FinTech Division

Bolstered by the performances of its first year (with €10 million in new production), the FinTech Division confirms the relevance of its business model and remains on track for becoming a marketplace for equipment sales financing and services going beyond the Healthcare sector, both in FRANCE and international markets.

### External growth policy

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, PHARMAGEST Group created an International Business Development department in 2016. Finally, the conclusion of new strategic partnerships for PHARMAGEST Group are expected in 2017.

## 13 PROFIT FORECASTS OR ESTIMATES

As in previous financial years, the company does not include any profit forecasts or estimates in its Registration Document.



## 14 ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES AND SENIOR MANAGEMENT

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

#### 14.1.1 Composition of the Board of Directors as at 31 December 2016

Member's full name or Company Name and their functions	Term expiration date <sup>(1)</sup>
<b>Mr. Thierry CHAPUSOT</b> <i>Chair of the Board of Directors</i>	31 december 2019
<b>Mr. Dominique PAUTRAT</b> <i>Managing Director and Director</i>	31 December 2019 (MD) 31 December 2020 (Director)
<b>Mr. Thierry PONNELLE</b> <i>Deputy Managing Director and Director</i>	31 December 2019 (DMD) 31 December 2019 (Director)
<b>Mr. Denis SUPPLISSON</b> <i>Deputy Managing Director and Director</i>	31 December 2019 (DMD) 31 December 2020 (Director)
<b>Mr. Daniel ANTOINE</b> <i>Director</i>	31 december 2019
<b>Ms. Marie-Louise LIGER</b> <i>Independent Director</i>	31 december 2020
<b>Mr. François JACQUEL</b> <i>Director</i>	31 december 2019
<b>Ms. Anne LHOTE</b> <i>Director</i>	31 december 2016
<b>Ms. Sophie MAYEUX</b> <i>Independent Director</i>	31 december 2017
<b>WELCOOP GROUP,</b> <i>represented by Mr. Hugues MOREAUX, Director</i>	31 december 2019

<sup>(1)</sup> 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).

An engineer by training (ESSTIN), he obtained his DESS (Master's degree) in Biomedical Engineering in 1982.

Thierry CHAPUSOT began his career in 1983 as a micro-electronics design engineer with TEXET Corporation in Dallas, Texas (US). 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.

PHARMAGEST INTERACTIVE joined the WELCOOP GROUP in 1998 and Thierry CHAPUSOT is also a member of the Executive Committee of WELCOOP GROUP since 2006, and of the Executive Committee of MARQUE VERTE SANTE (formerly WELCOOP PHARMA) since 2008.

On 1 January 2010, he was appointed Chair of the Executive Committee of WELCOOP GROUP 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 Executive Committee of WELCOOP GROUP 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 developer and publisher 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 WELCOOP GROUP 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, joining PHARMAGEST INTERACTIVE as Technical Manager.

He moved to the position of Customer Services Manager for the Centre region.

2002: Head of Customer Services in 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 Director of the Solutions for Pharmacy 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 WELCOOP GROUP.

Member of the MARQUE VERTE SANTE Supervisory Board from 2008 to 2010, then permanent representative of WELCOOP GROUP 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** : 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 attached to 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 Chair from 2003 to 2006 - Honorary Chair 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, Chair 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 WELCOOP GROUP.

**Ms. Anne LHOTE** : Born on 12 August 1968 in LAXOU (FRANCE).

Master's Degree in Technical Accounting and Financial Sciences.

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 WELCOOP GROUP account (formerly called CERP LORRAINE).

In 2003: joined WELCOOP GROUP as Chief Administrative and Financial Officer.

Member of the Executive Committee of MARQUE VERTE SANTE since September 2005.

Member of the Executive Committee of WELCOOP GROUP effective on 1 January 2010.

Member of the Board of PHARMAGEST INTERACTIVE since 16 June 2011.

**Ms. Sophie MAYEUX** : Born on 28 June 1957 in REIMS (FRANCE).

Graduated with a DESS, "CAAE", (Certificate of Aptitude in Business Administration) from the Institute of Business Administration (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 PHARMAGEST INTERACTIVE since 22 June 2012.



**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 WELCOOP GROUP 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 WELCOOP GROUP, 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	Terms of office
PHARMAGEST INTERACTIVE*	As of 01/01/2010: Chair of the Board of Directors
WELCOOP GROUP	Executive Committee Member from April 2006 As of 01/01/2010: Chair of the Executive Committee
MARQUE VERTE SANTE (formerly WELCOOP PHARMA)	Executive Committee Member from 28/07/2008 As of 01/01/2010: Chair of the Executive Committee
SOCIETE CIVILE DE L'ERMITAGE SAINT JOSEPH	Manager
D'MEDICA	Director from 13/05/2009 to 31/12/2012, then Chair of the Board of Directors as of 01/01/2013
OBJECTIF PHARMA (formerly PHARMA MOSELLE)	Chair of the Executive Committee from 05/10/2010
DEVELOPPEMENT PROMOTION CRISTERS	Chair from 22/11/2013
LABORATOIRE MARQUE VERTE (formerly SEMES)	Board representative of WELCOOP GROUP from 01/01/2010
SCI CERP IMMO 2	Representative of WELCOOP GROUP, Manager from 01/01/2010
WELMO	Manager from August 2010 to the end of 2012
DIATELIC	Director from 08/09/2010 to 14/05/2014
SARL DUVAL DE VITRIMONT	Manager from March 2011
SCI JAMERAI	Manager from 2006
GROUPE DOMEDIC INC. (Canadian company)	Director from 05/05/2011
DOMEDIC EUROPE	Chair 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

\* Public listed company

**Mr. Dominique PAUTRAT**

Companies	Terms of office
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 ( <i>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</i> )	Managing Partner from 01/01/2010 to 28/06/2016
CP INTERACTIVE ( <i>formerly AF INFORMATIQUE</i> )	Manager from 01/01/2010
EUROPEAN HEALTH LOGISTIC SOURCING - EHLS ( <i>formerly MICRO MAINTENANCE France - MMF</i> )	Representative of the Chair of PHARMAGEST INTERACTIVE from 01/01/2010
SCI HUOBREGA	Manager from 01/01/2010
HDM ( <i>Mauricius</i> )	Director from 02/01/2010
SABCO ( <i>Luxembourg company</i> )	Chair and Director from 24/12/2009
SABCO SERVICES ( <i>Belgian company</i> )	Manager from 09/09/2009
SCI MESSIRE JACQUES	Manager
SC CHANOINE JACOB	Manager from 21/12/2013
DIATELIC	Director until 30/01/2012, Chair of the Board of Directors until 14/05/2014 then representative of the Chair of PHARMAGEST INTERACTIVE
QUALITY FLUX ( <i>Belgian company</i> )	Director from 2011 to 2015
GROUPE DOMEDIC INC. ( <i>Canadian company</i> )	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
GROUPE WELCOOP	Executive Committee Member from 01/01/2013
MARQUE VERTE SANTE ( <i>formerly WELCOOP PHARMA</i> )	Executive Committee Member from 01/01/2013
LABORATOIRE MARQUE VERTE ( <i>formerly SEMES</i> )	Chair of the Board of Directors from 01/01/2013
UK PHARMA ( <i>English company</i> )	Director as from 01/12/2016



**Mr. Thierry PONNELLE**

Companies	Terms of office
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	Terms of office
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 ( <i>Luxembourg company</i> )	Director from 11/06/2012, then Managing Director as of 28/04/2016
INTECUM	Chair from 01/01/2013
CPSI	Manager from 30/01/2014

**Mr. Daniel ANTOINE**

Companies	Terms of office
PHARMAGEST INTERACTIVE	Director from 30/05/2002
GROUPE WELCOOP	Vice-Chair of the Supervisory Board
MARQUE VERTE SANTE ( <i>formerly WELCOOP PHARMA</i> )	Representative of the Member of the Supervisory Board, WELCOOP GROUP, from 01/01/2011
OBJECTIF PHARMA	Member of the Supervisory Board from 05/10/2010
INVESTIPHARM FRANCE	Director
SCI JADD	Manager



**Ms. Marie-Louise LIGER**

Companies	Terms of office
PHARMAGEST INTERACTIVE	Director from 26/06/2015
SECEF SARL	Manager until 31/12/2012

**Monsieur François JACQUEL**

Companies	Terms of office
PHARMAGEST INTERACTIVE	Director from 01/01/2011
GROUPE WELCOOP	Member of the Supervisory Board
SELARL FRANCOIS JACQUEL	Manager
SA PHARMA 10	Member of the Supervisory Board to 31/03/2014
SCI CRAPAUDINE	Joint Manager

**Madame Anne LHOTE**

Companies	Terms of office
PHARMAGEST INTERACTIVE	Director from 16/06/2011
GROUPE WELCOOP	Executive Committee Member from 01/01/2010
MARQUE VERTE SANTE ( <i>formerly WELCOOP PHARMA</i> )	Member of the Executive Committee since September 2005
INVESTIPHARM FRANCE	Chair of the Board of Directors from 01/01/2010
D'MEDICA	Director
UK PHARMA ( <i>English company</i> )	Director until 30/11/2016
ESPAFARMED ( <i>Spanish company</i> )	Director
ITAFARM ( <i>Italian company</i> )	Director
SOFAREX ( <i>Belgian company</i> )	Managing Director
INVESTIPHARM BELGIUM ( <i>Belgian company</i> )	Managing Director
ALPHA FINANCE REPARTITION ( <i>Belgian company</i> )	Managing Director
BELGIUM INVESTMENT DISTRIBUTION ( <i>Belgian company</i> )	Board representative of STALLION MANAGEMENT until 09/12/2014
STALLION MANAGEMENT ( <i>Lucembourg company</i> )	Director until 09/12/2014
OBJECTIF PHARMA	Member of the Executive Committee since 25/06/2009
AUXI EXPORT ( <i>Belgian company</i> )	Manager
PHARMALAB INTERNATIONAL Ltd ( <i>Hong Kong</i> )	Director since 28/11/2014



**Ms. Sophie MAYEUX**

Companies	Terms of office
PHARMAGEST INTERACTIVE	Director from 22/06/2012

**Monsieur Hugues MOREAUX**

Companies	Terms of office
PHARMAGEST INTERACTIVE	Board representative of WELCOOP GROUP from 01/01/2011
GROUPE WELCOOP	Chair of the Supervisory Board from 01/01/2011
MARQUE VERTE SANTE ( <i>formerly WELCOOP PHARMA</i> )	Chair of the Supervisory Board from 01/01/2011
D'MEDICA	Board representative of WELCOOP GROUP from 26/06/2009
OBJECTIF PHARMA	Member of the Supervisory Board from 25/06/2009 Vice-Chair of the Supervisory Board from 01/01/2011
LABORATOIRE MARQUE VERTE ( <i>formerly SEMES</i> )	Director from 01/01/2011
INVESTIPHARM FRANCE	Board representative of WELCOOP GROUP from 01/01/2011
SNC MOREAUX DUCASSOU	Joint Manager
SCI DU FRONTON	Manager



## 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.

Whereas strict application of the criteria of the **MiddleNext** Code of Corporate Governance could mean that some of them should be considered as non-independent, PHARMAGEST INTERACTIVE considers that each of its Directors has both the professional competence and experience required by the Company, as well as free and independent judgement.

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.

## 15 COMPENSATION AND BENEFITS

The compensation paid by PHARMAGEST INTERACTIVE is given in the Management Report in Section 24.1 of this Registration Document.

The methods for determining compensation are set out in the report on internal control and risk management in Section 24.3 of this Registration Document.

The compensation paid by MARQUE VERTE SANTE and WELCOOP GROUP is given in the Management Report in Section 24.1 of this Registration Document.



## 16 BOARD AND MANAGEMENT PRACTICES

This information is provided in the management report and/or the report on internal control and risk management in Section 24 herein.

Nonetheless, we draw your attention to the following:

### Minimum number of shares for each Director

Each Director must hold one share, in accordance with the Articles of Association and the Board's internal rules.

### Board of Directors

The operating methods for the Board of Directors are set out in the Chair's report on internal control and risk management in Section 24.3 of this Registration Document.

### Independent Board Members

The Ordinary and Extraordinary General Meeting of Shareholders of 22 June 2012 appointed Ms. Sophie MAYEUX as an independent board member for a term of six years.

The Ordinary and Extraordinary General Meeting of Shareholders of 26 June 2015 appointed Ms. Marie-Louise LIGER as an independent board member for a term of six years.

The definition of independent board member is set out in the Chair's report on internal control and risk management in Section 24.3 herein.

### Audit Committee

In 2016, 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 Chair's report on internal control and risk management in Section 24.3 of this Registration Document.

### Compensation Committee

There is no Compensation Committee.

### Corporate governance

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



## 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.

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 30 June 2014. A profit-sharing agreement covering employees of the Solutions for health and social care facilities Division was signed on 1 June 2016.

PHARMAGEST Group recorded an expense of €1,359,439 in fiscal 2016, compared to €986,893 in 2015.

#### **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.

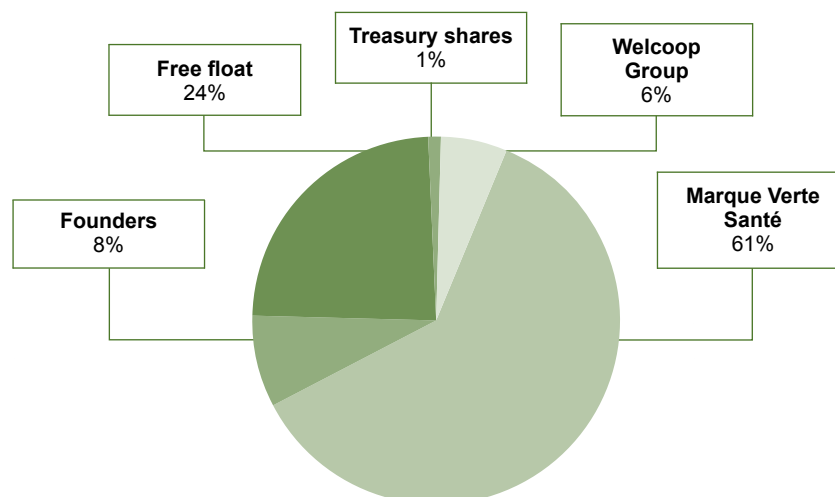
Mandatory profit-sharing amount paid in the second quarter of 2017 by PHARMAGEST Group in respect of the 2016 financial year: €1,844,120.



## 18 MAJOR SHAREHOLDERS

### 18.1 Shareholding structure

Capital breakdown as at 31 March 2017:



Voting rights as 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
<b>Subtotal founding directors</b>	<b>1,180,150</b>	<b>7.78</b>	<b>1,180,150</b>	<b>1,180,150</b>	<b>7.88</b>
MARQUE VERTE SANTE (formerly WELCOOP PHARMA)	9,182,595	60.51	9,182,595	9,182,595	61.33
WELCOOP GROUP	929,260	6.12	929,260	929,260	6.21
<b>Sub-total WELCOOP GROUP</b>	<b>10,111,855</b>	<b>66.63</b>	<b>10,111,855</b>	<b>10,111,855</b>	<b>67.54</b>
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
<b>TOTAL</b>	<b>15,174,125</b>	<b>100</b>	<b>15,174,125</b>	<b>14,972,104</b>	<b>100</b>

\* Founding shareholders

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

Mr. Thierry CHAPUSOT is Chair 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:

- In 2014 :
  - MARQUE VERTE SANTE sold 24,000 shares to PHARMAGEST INTERACTIVE (treasury shares), reducing its holding in PHARMAGEST INTERACTIVE to 60.51%;
  - WELCOOP GROUP purchased 27,812 shares on the market and now holds 6.12%.
- 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;

All transactions in 2014 and 2016 were duly declared to the AMF in accordance with disclosure requirements.

As far as PHARMAGEST INTERACTIVE is aware, no other significant transactions took place between 31 December 2016 and the date of issue of this Registration Document.

#### Voting rights as at 31 December 2015:

Shareholder	Number of shares	Percentage of capital	Theoretical voting rights	Voting rights exercisable at AGM	Percentage of 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
<b>Subtotal founding directors</b>	<b>1,230,150</b>	<b>8.11</b>	<b>1,230,150</b>	<b>1,230,150</b>	<b>8.21</b>
MARQUE VERTE SANTE (formerly WELCOOP PHARMA)	9,182,595	60.51	9,182,595	9,182,595	61.32
WELCOOP GROUP	929,260	6.12	929,260	929,260	6.21
<b>Sub-total WELCOOP GROUP</b>	<b>10,111,855</b>	<b>66.64</b>	<b>10,111,855</b>	<b>10,111,855</b>	<b>67.52</b>
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
<b>TOTAL</b>	<b>15,174,125</b>	<b>100</b>	<b>15,174,125</b>	<b>14,975,846</b>	<b>100</b>

The Extraordinary General Meeting of Shareholders on 26 June 2015 voted for a 5-for-1 stock split that reduces the share price for €1 to €0.20. As a result, on 5 August 2015, shareholders held five times more shares, but with no change to the percentage of their holdings.



**Voting rights as at 31 December 2014:**

Shareholder	Number of shares	Percentage of capital	Theoretical voting rights	Voting rights exercisable at AGM	Percentage of voting rights
SC Ermitage Saint Joseph ( <i>Thierry CHAPUSOT</i> )	154,440	5.09	154,440	154,440	5.16
Thierry PONNELLE	91,590	3.02	91,590	91,590	3.06
<b>Subtotal founding directors</b>	<b>246,030</b>	<b>8.11</b>	<b>246,030</b>	<b>246,030</b>	<b>8.21</b>
MARQUE VERTE SANTE ( <i>formerly WELCOOP PHARMA</i> )	1,836,519	60.51	1,836,519	1,836,519	61.32
WELCOOP GROUP	185,852	6.12	185,852	185,852	6.21
<b>Sub-total WELCOOP GROUP</b>	<b>2,022,371</b>	<b>66.64</b>	<b>2,022,371</b>	<b>2,022,371</b>	<b>67.52</b>
Treasury shares	39,709	1.31	39,709	0	0
Public share	726,715	23.95	726,715	726,715	24.26
<b>TOTAL</b>	<b>3,034,825</b>	<b>100</b>	<b>3,034,825</b>	<b>2,995,116</b>	<b>100</b>

## 18.2 Control

The WELCOOP GROUP holds 66.63% of PHARMAGEST INTERACTIVE'S capital, directly and indirectly.

The WELCOOP GROUP 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 WELCOOP GROUP's overall policy.

The presence of independent Board Members and the separation of the functions of the Chair of the Board and Managing Director serve to ensure that control is not exercised abusively.

The main shareholders do not have different voting rights.

## 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 shareholder pacts.

And no voting agreements between shareholders.





#### 18.4 Agreement whose subsequent implementation could result in a change of control

None.

## 19 RELATED PARTY TRANSACTIONS

Details of financial flows between PHARMAGEST INTERACTIVE and its subsidiaries are presented in Section 20.3.2.3 - Note 15, Information on related party transactions, to the separate parent company financial statements in this Registration Document.

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.



## 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 2014 and 31 December 2015 contained in the 2014 Registration Document filed on 29 April 2015 (No. D.15-0429) and the 2015 Registration Document filed on 29 April 2016 (No. D.16-0449).

### 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	31/12/2016	31/12/2015
<b>Non-current assets</b>			
Intangible assets	3.4.1/2	14,286	12,333
Goodwill	3.4.1/2	30,455	27,744
Property, plant and equipment	4.1/2	5,670	4,988
Non-current financial assets	6.1.1/2	15,037	313
Securities valued by the equity method	2.1.2	917	669
Deferred tax assets	9.2.2	388	364
<b>Total non-current assets</b>		<b>66,753</b>	<b>46,411</b>
<b>Current assets</b>			
Stocks and work-in-progress	7.5	2,570	2,384
Trade receivables	7.4	20,247	15,991
Other receivables	7.4	5,964	4,069
Available-for-sale securities	6.2	27,594	41,177
Other financial assets	6.3	0	0
Cash and cash equivalents	6.4	27,569	13,949
<b>Total current assets</b>		<b>83,944</b>	<b>77,569</b>
<b>TOTAL</b>		<b>150,697</b>	<b>123,981</b>



Statement of Financial Situation Equity and Liabilities - In € thousands	Notes	31/12/2016	31/12/2015
<b>Shareholders' equity</b>			
Share capital		3,035	3,035
Consolidated reserves		78,354	68,822
Profit for the year		20,567	18,792
<b>Equity capital - Group share</b>		<b>101,955</b>	<b>90,649</b>
Reserves - Minority interests		800	703
Earnings - Minority interests		897	204
<b>Minority interests</b>		<b>1,697</b>	<b>907</b>
<b>Total equity capital (consolidated)</b>	<b>10</b>	<b>103,653</b>	<b>91,557</b>
<b>Non-current liabilities</b>			
Long-term provisions	11.1	3,345	2,363
Long-term liabilities	6.5	3,442	1,103
Deferred tax liability	9.2.2	632	476
Other long-term payables	7.6	758	1,295
<b>Total non-current liabilities</b>		<b>8,178</b>	<b>5,237</b>
<b>Current liabilities</b>			
Short-term provisions	11.1	150	210
Financial liabilities owed within a year	6.5	6,960	478
Trade payables	7.6	8,196	6,696
Current tax	7.6	1,422	786
Other short-term payables	7.6	22,138	19,017
<b>Total current liabilities</b>		<b>38,866</b>	<b>27,187</b>
<b>TOTAL</b>		<b>150,697</b>	<b>123,981</b>



### 20.3.1.2 Consolidated profit and loss statement - IFRS

Statement of profit or loss - In € thousands	Notes	31/12/2016	31/12/2015
Revenue	7.1	128,381	113,477
Other business income		0	0
<b>Subtotal Operating revenue</b>		<b>128,381</b>	<b>113,477</b>
Purchases consumed		-31,483	-24,080
Personnel costs		-44,595	-42,232
Purchases and external expenses		-14,654	-13,898
Taxes other than on income		-2,615	-2,533
Allowances for depreciation and amortisation	7.7	-3,468	-2,957
Allocation to provisions	7.7	-341	174
Other income and expenditure		161	330
<b>Subtotal Operating expenses</b>		<b>-96,995</b>	<b>-85,196</b>
<b>Current operating profit</b>		<b>31,386</b>	<b>28,281</b>
Other operating income		0	0
Other operating expenses		0	0
<b>Operating profit</b>		<b>31,386</b>	<b>28,281</b>
Income from cash and cash equivalents	6.6	1,284	1,192
Cost of gross financial debt	6.6	-131	-159
<b>Cost of net financial debt</b>		<b>1,153</b>	<b>1,033</b>
Other financial income and expenditure	6.6	-15	0
Tax expense		-10,947	-10,274
Share of net profit/(loss) from equity-accounted entities		-112	-42
<b>Profit/(loss) from continuing operations</b>		<b>21,464</b>	<b>18,996</b>
<b>Profit/(loss) from discontinued operations</b>		<b>0</b>	<b>0</b>
<b>Net profit/(loss) for the year</b>		<b>21,464</b>	<b>18,996</b>
<b>Profit/(loss) attributable to equity holders of the parent</b>		<b>20,567</b>	<b>18,792</b>
<b>Net profit/(loss) Minority share</b>		<b>897</b>	<b>204</b>
Basic earnings per share (group share)	10.4	1.37	1.25
Diluted earnings per share (group share)	10.4	1.36	1.24



Statement of comprehensive income - In €'000s	Notes	31/12/2016	31/12/2015
<b>Net Profit</b>		<b>21,464</b>	<b>18,996</b>
<b>Items subsequently reclassified to net profit/(loss)</b>			
Foreign exchange differences		-4	2
Changes in fair value of derivative hedging instruments		0	0
Financial assets available for sale		90	0
Related taxes		0	0
<b>Other comprehensive income items that cannot be reclassified into net profit or loss</b>			
Revaluation of fixed assets		0	0
Revaluation/actuarial differences for defined contribution pension plans		-554	-413
Stock option expense over the period		125	125
Related taxes		155	138
<b>Total gains and losses recorded directly in equity</b>		<b>-188</b>	<b>-148</b>
<b>Net profit/(loss) and gains and losses recognised directly in equity</b>		<b>21,276</b>	<b>18,848</b>
<b>Net profit/(loss) and gains and losses recognised directly in equity - Attributable to equity holders of the parent</b>		<b>20,379</b>	<b>18,644</b>
<b>Net profit/(loss) and total gains and losses recorded directly in equity - Attributable to non-controlling interests</b>		<b>897</b>	<b>204</b>
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		1.35	1.24
Net income and gains and losses recognised directly in equity (attributable to the equity holders of the parent) - diluted earnings per share		1.34	1.23



### 20.3.1.3 Consolidated cash flow statement – IFRS

Consolidated cash flow statement - In € thousands	31/12/2016	31/12/2015
<b>I. Operating and investing activities</b>		
<b>Operating profit</b>	<b>31,386</b>	<b>28,281</b>
Net amortisation, depreciation and provisions excluding tax and financial items	3,754	2,940
Other estimated expenses, excluding financial items	125	125
Capital gains or losses on disposals of fixed assets	-487	-67
Other adjustments	90	0
<b>Cash flow from operating activities</b>	<b>34,867</b>	<b>31,279</b>
Gross financial debt, interest paid	-131	-159
Taxes payments	-10,791	-10,060
<b>Cash flow after interest and taxes</b>	<b>23,945</b>	<b>21,059</b>
Stock variation	-156	-85
Change in trade receivables	-3,164	-706
Change in trade payables	1,323	392
Change in other receivables and payables	653	-700
<b>Change in working capital</b>	<b>-1,344</b>	<b>-1,098</b>
<b>Change in cash flow from operations</b>	<b>22,601</b>	<b>19,961</b>
Acquisitions of intangible assets and property, plant and equipment	-6,018	-4,660
Disposals of intangible assets and property, plant and equipment	409	127
Security deposits and other cash flows from operating investments	-56	534
<b>Operating investment</b>	<b>-5,665</b>	<b>-4,000</b>
<b>Change in cash flow from operations and operating investments</b>	<b>16,936</b>	<b>15,961</b>
<b>II. Financial investments</b>		
Acquisitions of financial investments	0	0
Disposals of financial investments	0	0
Impact of acquisitions and disposals of investments in non-consolidated companies <sup>(1)</sup>	-2,874	-285
<b>Net cash from financial investments</b>	<b>-2,874</b>	<b>-285</b>
<b>III. Capital transactions</b>		
PHARMAGEST INTERACTIVE capital increase	0	0
Capital increase of subsidiaries by minority interests	0	0
Acquisitions and disposals of PHARMAGEST INTERACTIVE shares (treasury shares)	-110	-6
Dividends received from equity-accounted entities	0	0
Dividends paid by PHARMAGEST INTERACTIVE	-8,983	-8,686
Dividends paid to minority interests by consolidated subsidiaries	-180	-174
Acquisitions and disposals of minority interests	0	0
<b>Change in cash flow from capital transactions</b>	<b>-9,273</b>	<b>-8,865</b>
<b>IV. Financing operations</b>		
Loan issues or borrowings and financial liabilities	3,398	0
Repayments of borrowings and financial liabilities	-618	-626
Acquisitions and disposals of financial investments (securities available for sale/other financial assets)	-1,107	-5,941
Income from cash flow and equivalents, interest received	1,284	1,192
<b>Change in cash flow from financing operations</b>	<b>2,957</b>	<b>-5,375</b>
<b>V. Impact of translation adjustments/financial instruments and other financial income/expenses</b>	<b>-15</b>	<b>0</b>
Cash	13,620	1,473
Bank overdrafts	5,890	37
<b>Change in net cash position</b>	<b>7,730</b>	<b>1,436</b>



<sup>(1)</sup> The line item "Impact of acquisitions and disposals of investments in non-consolidated companies" includes cash contributions of €570 thousand from acquisitions completed in the period (investments are accordingly presented net of acquired cash).

Closing cash flow statement - In € thousands	31/12/2016	31/12/2015	Changes in scope	Change
Cash	27,569	13,949	638	13,620
Bank overdrafts	6,128	237	69	5,890
<b>Change in net cash position</b>	<b>21,441</b>	<b>13,712</b>	<b>570</b>	<b>7,730</b>

### 20.3.1.4 Statement of changes in equity - IFRS

Statement of changes in equity In € thousands	Group share					Equity - minority share	Total equity
	Share capital	Consolidated reserves and retained earnings	Treasury shares	Gains and losses recorded directly in equity	Equity capital - Group share		
<b>Equity capital as at 01/01/2015</b>	<b>3,035</b>	<b>82,588</b>	<b>-3,943</b>	<b>-338</b>	<b>81,345</b>	<b>350</b>	<b>81,695</b>
<b>Changes in accounting methods <sup>(1)</sup></b>		<b>168</b>			<b>168</b>	<b>3</b>	<b>171</b>
<b>Equity capital as at 01/01/2015, adjusted</b>	<b>3,035</b>	<b>82,756</b>	<b>-3,943</b>	<b>-338</b>	<b>81,513</b>	<b>353</b>	<b>81,866</b>
Capital transactions							
Share-based payments							
Purchases and sales of treasury shares			-6		-6		-6
Dividends		-8,686			-8,686	-174	-8,860
Net profit/(loss) for the year		18,792			18,792	204	18,996
Gains and losses recorded directly in equity				-150	-150		-150
<b>Net profit/(loss) and gains and losses recorded directly in equity</b>		<b>18,792</b>			<b>18,642</b>		<b>18,846</b>
Other		-5			-5		-5
<b>Changes in scope</b>							
<b>Change in equity interests in subsidiaries with no loss of control</b>		<b>-809</b>			<b>-809</b>	<b>524</b>	<b>-285</b>
<b>Equity capital as at 31/12/2015</b>	<b>3,035</b>	<b>92,047</b>	<b>-3,949</b>	<b>-488</b>	<b>90,649</b>	<b>907</b>	<b>91,557</b>
<b>Changes in accounting methods</b>							
<b>Equity capital as at 01/01/2016</b>	<b>3,035</b>	<b>92,047</b>	<b>-3,949</b>	<b>-488</b>	<b>90,649</b>	<b>907</b>	<b>91,557</b>
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) for the year		20,567			20,567	897	21,464
Gains and losses recorded directly in equity				-188	-188		-188
<b>Net profit/(loss) and gains and losses recorded directly in equity</b>		<b>20,567</b>		<b>-188</b>	<b>20,379</b>		<b>21,276</b>
Other		20			20		20
<b>Changes in scope</b>						<b>73</b>	<b>73</b>
<b>Change in equity interests in subsidiaries with no loss of control</b>							
<b>Equity capital as at 31/12/2016</b>	<b>3,035</b>	<b>103,651</b>	<b>-4,059</b>	<b>-676</b>	<b>101,955</b>	<b>1,698</b>	<b>103,653</b>

<sup>(1)</sup> Impacts of the application of IFRIC 21



### 20.3.1.5 Notes to the consolidated financial statements

The statement of financial position shows total assets of €150,697 thousand and net comprehensive income of €21,276 thousand.

## NOTE 1 - Accounting principles

### 1.1 Applicable texts

#### 1.1.1 Change in accounting policies in 2016

PHARMAGEST Group's annual consolidated financial statements at 31 December 2016 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 2015, with the exception of the following standards, amendments and interpretations mandatory as of 1 January 2016:

- **Amendment to IAS 19** on accounting for employee contributions to post-employment benefits;
- **Annual improvements:** 2010-2012 and 2012-2014 annual improvement cycles;
- **Amendments to IAS 16 and 38** on the clarification of acceptable methods of depreciation and amortisation;
- **Amendment to IAS 1** on the presentation of financial statements, "Disclosure Initiative";
- **Amendments to IFRS 10, 11, 12** on the exemption from preparing consolidated statements;
- **Amendments to IFRS 10 and IAS 28** on sales or contributions of assets between an investor and its associate/joint venture.

Application of these texts did not have any significant impact on the 2016 consolidated financial statements.

#### 1.1.2 Standards, amendments and interpretations with mandatory application as at 1 January 2017

The standards applicable to PHARMAGEST Group as of 1 January 2017 are:

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

These texts were not early-applied at 31 December 2016, where authorised by the texts.

Application of these standards had no material impact on PHARMAGEST Group's consolidated financial statements.

#### 1.1.3 Other changes to standards effective after 1 January 2017

PHARMAGEST Group formed working groups in 2017 and will continue to assess the impacts of application of the following standards:

- IFRS 9 Financial Instruments, as of 1 January 2018;
- IFRS 15 Revenue from Contracts with Customers, as of 1 January 2018;  
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:

- 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,
- Equipment financing offers in which the Group may intervene as an agent.

A reasonable estimate of the quantitative impacts of IFRS 15 is not yet available and will depend on the options chosen.

- IFRS 16 Leases, 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 liabilities**

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 2015 consolidation are those as at 31 December 2016.

#### 2.1.1 Fully consolidated companies

Companies	Address	% control	% interest
PHARMAGEST INTERACTIVE	Villers-lès-Nancy (54)	Consolidating company	Consolidating company
ADI <sup>(1)</sup>	Saclay (91)	50	50
CPI	Dijon (21)	100	100
CPSI	Baie Mahault (97)	100	100
DIATELIC	Villers-lès-Nancy (54)	95.29	95.29
DICSIT INFORMATIQUE	Beaumont (54)	100	100
DOMEDIC EUROPE	Villers-lès-Nancy (54)	65	65
EHLS	Villers-lès-Nancy (54)	100	100
HDM LIMITED	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
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)	70.01	70.01
SCI HUOBREGA	Quéven (56)	100	100

<sup>(1)</sup> 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, Chair'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
GRUPE DOMEDIC INC.	Québec (Canada)	29.59	29.59

**GRUPE DOMEDIC INC.** 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.

As at 31 December 2016, it reported a loss of CAD 481 thousand with a positive net equity of CAD 1,232 thousand. PHARMAGEST Group considers that it does not have significant influence.

Balance sheet items In € thousands	Gross value at 31/12/15	Increase	Decrease	Reclassification	Change in Group structure	Gross value at 31/12/2016
Equity-accounted investments <sup>(1)</sup>	669	258			-10	917

<sup>(1)</sup> Equity-accounted investments are measured in reference to restated equity and goodwill.

	Shareholders' equity	Restated equity	Group share	Net goodwill	Equity method
GRUPE DOMEDIC INC.	868	1,059	313	603	917

## 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.

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

- TELUS Health acquired an equity stake in GROUPE DOMEDIC INC. thus increasing PHARMAGEST INTERACTIVE's stake to 29.59%;
- 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 Trade and Companies Register under entry number 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 NOVIA TEK, a public limited company (*société à responsabilité limitée*) with registered capital of €250,100, and its registered office at L-3871 Schiffange, 1 rue de la paix, registered in the LUXEMBOURG Trade and Companies Register (No. B 186.323);
- NOVIA TEK 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 all equity in SALIENDRA, a simplified French joint stock company (*société par actions simplifiée*) with share capital of €403,500, a developer of application software, registered in Thionville (RCS No. 502 040 900). This company 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.

### 2.2.2 Changes in scope during the previous year

- Creation of NANCEO, a simplified French joint stock company (*société par actions simplifiée*) with share capital of €1,000,000 with its registered office in PARIS, offering equipment lease financing solutions for the services sector.
- Acquisition of the remaining shares of INTECUM, thus increasing PHARMAGEST INTERACTIVE's stake to 100% from 63.99%, though without impacting control.

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.

## 2.3 Off balance-sheet commitments of the consolidated PHARMAGEST Group

PHARMAGEST Group has no off-balance sheet commitments likely to have a significant financial impact relating to the scope of consolidation of PHARMAGEST Group.



## NOTE 3 - Intangible assets

### 3.1 Goodwill

When a company is taken over, its assets, liabilities and contingent liabilities are measured at fair value on the takeover 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.

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 existing software, its development costs are recognised as assets, provided that it makes it possible to reach 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 2016.



### 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 Software acquired	According to contract features 1 to 5 years	Straight line Straight line

### 3.4 Value of intangible assets and goodwill

#### 3.4.1 Gross value of intangible assets

Balance sheet items In € thousands	Gross value at 31/12/15	Increases	Decreases	Reclassifications	Variation de périmètre	Gross value at 31/12/2016
R&D expenses	18,525	3,546	13		126	22,184
Customer relations <sup>(1)</sup>	1,493					1,493
Other intangible assets	6,901	660	13		45	7,591
Goodwill	27,744	2,711				30,455
<b>TOTAL</b>	<b>54,663</b>	<b>6,917</b>	<b>26</b>		<b>171</b>	<b>61,725</b>

<sup>(1)</sup> Acknowledgement of a client relationship following the acquisition of SABCO;

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

Accordingly, and since there is no impairment to be reversed, the recoverable amount of CGUs is not disclosed, in accordance with IAS 36 revised (see Note 5).

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):

SOLUTIONS FOR PHARMACY DIVISION - EUROPE	Pharmacy FRANCE Business Line	24,781
	PHARMACIE France	24,059
	INTECUM	635
	ADI	87
	BELGIUM and LUXEMBOURG Pharmacy Business Line	2,164
	SABCO/SABCO SERVICES	2,164
	SME	15
	CPI Dijon	15
	<b>Sub-total Division</b>	<b>26,961</b>
SOLUTIONS FOR HEALTH AND MEDICAL-SOCIAL INSTITUTIONS DIVISION	MALTA INFORMATIQUE	255
	AZUR SOFTWARE	300
	DICSIT INFORMATIQUE	2,462
	<b>Sub-total Division</b>	<b>3,017</b>
SOLUTIONS FOR E-HEALTH DIVISION	NOVIATEK & NOVIA SEARCH	48
	DIATELIC	228
	SAILENDRA	201
	<b>Sub-total Division</b>	<b>477</b>
<b>TOTAL</b>	<b>30,455</b>	

### 3.4.2 Amortisation of intangible assets

Balance sheet items - In € thousands	Value at 31/12/2015	Increase	Decrease	Reclassification	Change in Group structure	Gross value as at 31/12/2016
Research & development	10,295	1,869	13		46	12,197
Customer relations	1,245	149				1,394
Other intangible assets	3,052	314	13		40	3,393
<b>TOTAL</b>	<b>14,592</b>	<b>2,332</b>	<b>26</b>		<b>86</b>	<b>16,984</b>

Impairment charges were not recorded for goodwill based on impairment tests performed in 2015. Impairment tests are performed at the end of each year. 31 December 2016, there was no evidence of impairment in relation to tests performed in 2015.





## 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	Value at 31/12/2015	Increase	Decrease	Reclassification	Change in Group	Gross value as at 31/12/2016
Land	631		46			585
Buildings	6,252	130	353		1	6,030
Equipment	843	303	1		23	1,168
Other property, plant and equipment	5,321	1,380	151		114	6,664
<b>TOTAL</b>	<b>13,046</b>	<b>1,813</b>	<b>551</b>		<b>137</b>	<b>14,447</b>

### 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	15 to 30 years	Straight line
Fittings	8 to 30 years	Straight line
General facilities	5 to 10 years	Straight line
Office and computer equipment	3 to 5 years	Straight line
Transportation equipment	1 to 5 years	Straight line
Furniture	5 to 10 years	Straight line

In € thousands	Value at 31/12/2015	Increase	Decrease	Reclassification	Change in Group	Gross value as at 31/12/2016
Property, plant and equipment	8,058	1,143	511	-4	91	8,777



## 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

IAS 36 requires that goodwill and intangible assets with indefinite useful lives are tested for impairment at least once a year, 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 book value. The recoverable amount of an asset is the higher fair value between fair value (less disposal costs) and useful value. Fair value is the amount obtained from selling the asset (or group of assets) in a transaction carried out in the normal course of business between fully-informed, consenting parties. Useful value is the present value of estimated future cash flows of the asset or group of assets being tested. The future cash-flow method was used where there was no comparable market information available.

Where they do not generate any cash flows independently from other assets, these assets are tested individually or grouped with other assets.

Impairment losses for intangible assets and property, plant and equipment may be reversed subsequently if the recoverable amount rises again above their net book value.

Impairment losses for goodwill cannot be reversed.

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

When carrying out impairment tests, goodwill was allocated to the relevant cash-generating units, in line with IFRS 8, according to the business lines identified in PHARMAGEST Group's internal organisational structure.

Thus, all intangible assets not subject to depreciation and goodwill are allocated to each business line (Note 3.4 to the consolidated financial statements).

The valuation method is based on discount cash-flow valuation with flows for 2017 to 2020 as projected by PHARMAGEST Group management.



The benchmark discount rate and growth rate to infinity (2%) are those used by financial analysts familiar with that business line. The benchmark discount rate is applied to mature business lines and adjusted for developing business lines (based on the assessment of risk premium).

The assumptions used by PHARMAGEST Group to calculate the recoverable amount of these assets are based on future growth assumptions.

To determine future sales growth rates and operational cash flows, PHARMAGEST Group used the budgets and business plans for each entity to estimate cash flows for the next 4 years.

Impairment tests carried out in 2016 by PHARMAGEST Group did not reveal any impairment loss on these assets.

## Financing and financial instruments

### 6.1 Non-current financial assets

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

In € thousands	Value at 31/12/2015	Increases	Decreases	Reclassifications	Change in Group	Gross value as at 31/12/2016
Loans, deposits and sureties	313	56	28		8	349
Investments <sup>(1)</sup>	0	14,689				14,689
Other investments	0	0				0
<b>TOTAL</b>	<b>313</b>	<b>14,745</b>	<b>28</b>		<b>8</b>	<b>15,038</b>

<sup>(1)</sup> 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).

At year-end, the investment was measured at fair value (surrender value). Changes in fair value are recognised in equity.

Because this investment is long-term nature, PHARMAGEST Group does not intend to make further changes to these investments in the next 12 months.

#### 6.1.2 Impairment of non-current financial assets

In € thousands	Value at 31/12/2015	Increase	Decreases	Reclassifications	Change in Group	Gross value as at 31/12/2016
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	31/12/2016	31/12/2015
Capitalisation contract <sup>(1)</sup>	27,594	41,177
<b>TOTAL</b>	<b>27,594</b>	<b>41,177</b>

<sup>(1)</sup> 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.

Gross values - In € thousands	31/12/2016	31/12/2015
Open-end investment fund/Time deposit accounts	8,630	6,134
Cash	5,696	3,807
Financial advance <sup>(1)</sup>	13,243	4,008
<b>TOTAL</b>	<b>27,569</b>	<b>13,949</b>

<sup>(1)</sup> PHARMAGEST Group provided an advance to MARQUE VERTE SANTE, which was authorised by its governance bodies.



## 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	31/12/2016				Of which Change in Group structure	31/12/2015 Gross amount
	Gross amount	Less than 1 year	1 to 5 years	More than 5 years		
Bank overdrafts	6,128	6,128				237
Bank borrowings	3,030	560	1,811	659		464
Sureties <sup>(1)</sup>	1,237	264	973			878
Loans and financial liabilities	7	7				0
<b>TOTAL</b>	<b>10,402</b>	<b>6,960</b>	<b>2,784</b>	<b>659</b>		<b>1,581</b>

<sup>(1)</sup> 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.

### Analysis of bank borrowings by maturity and rate type

In € thousands	Financial debt		
	Fixed rate	Fixed rate	Fixed rate
Less than 1 year	548	12	560
1 to 5 years	1,793	18	1,811
More than 5 years	659	0	659
<b>TOTAL</b>	<b>3,000</b>	<b>30</b>	<b>3,030</b>

None of these loans are subject to covenants.

## 6.6 Net financial income/(expense)

In € thousands	31/12/2016	31/12/2015
<b>Income from cash flow</b>	<b>1,284</b>	<b>1,192</b>
Capital gains from disposals of short-term investments	0	0
Revenue from short-term investments/Financial investments	1,091	1,133
Other financial income	193	54
Reversals of provisions	0	5
<b>Cost of gross debt</b>	<b>131</b>	<b>159</b>
Expenses on disposals of short-term investments	21	0
Financial interest paid and discounts obtained	110	144
Other financial expenses	0	15
Allowances for financial provisions	0	1
<b>Other financial income and expenditure</b>	<b>-15</b>	<b>0</b>
Gains on foreign exchange/currency hedging	5	0
Currency hedging gains	0	0
Losses on foreign exchange/currency hedging	-20	0
Currency hedging losses	0	0
Other financial income and expenditure	0	0



## 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 2016, 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 €7.7 million in undrawn bank overdraft facilities.
- As short-term resources, PHARMAGEST Group has access to euro funds in the amount of €27.6 million.
- To meet additional needs over the medium term, PHARMAGEST Group unit-linked investments in the amount of €14.7 million.

With €77 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.

The loan maturities 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				Floating rate
	Carrying amount	Less than 3%	3-4%	More than 4%	
<b>Maturity:</b>					
2017	528	522	5	1	12
2018	463	458	5		12
2019	459	457	2		6
2020	452	452			
2021	435	435			
Thereafter	663	663			
<b>TOTAL</b>	<b>3,000</b>	<b>2,987</b>	<b>12</b>	<b>1</b>	<b>30</b>



### 6.7.2.2 Risk of change

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 the 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 33.3% of consolidated sales in 2016, with 97% of this through leasing companies working with HEALTHLEASE and NANCEO.
- Trade receivables not written down at 31 December 2016 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	31/12/2016	31/12/2015
Pledges, mortgages and security interests on property <sup>(1)</sup>	0	440
Assigned receivables not yet due	0	0
Other financial commitments given	0	0
<b>TOTAL</b>	<b>0</b>	<b>440</b>

<sup>(1)</sup> All pledges were given in connection with bank loans. The amount shown corresponds to the balance of relevant borrowings at 31 December 2016.

PHARMAGEST Group has no off-balance sheet commitments received (apart from €7.7 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 2016, 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-lessors.

#### 7.1.1 Net sales

In € thousands	31/12/2016	31/12/2015
Maintenance and sale of databases	37,692	35,840
Sales of configurations and hardware	71,352	61,776
Training and new product services	17,631	14,017
Other services	1,706	1,843
<b>TOTAL</b>	<b>128,381</b>	<b>113,477</b>

### 7.2 Segment reporting

PHARMAGEST Group's operations are organised into four divisions:

- **Solutions for Pharmacy Division - Europe:** Essentially computer systems for pharmacies.
- **Solutions for e-Health Division:** Combines innovative technological infrastructures for e-Health, including applications for medical telemetry monitoring and services to the pharmaceutical industry.
- **Solutions for Sanitary and Medico-Social Establishments Division** This is the IT for care homes segment, mainly associated with MALTA INFORMATIQUE and DICSIT INFORMATIQUE.
- **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.





## 7.2.1 Operating highlights by Division

2016 - In € thousands	Divisions		IFRS restatement	Total
	Pharmacy Europe	Other*		
Revenue	98,009 76%	30,256 24%	116	128,381
Depreciation and amortisation of tangible and intangible assets	-1,207 51%	-1,168 49%	-1,092	-3 468
Operating profit	23,442 76%	7,527 24%	417	31,386
Earnings before tax	24,654 76%	7,528 24%	341	32,523
Share of profits and losses of equity-accounted investments	0	-112	0	-112
Income tax liability or income	-8,196 78%	-2,537 22%	-214	-10,947
<b>Profit/(loss) for the period</b>	<b>14,999</b> 74%	<b>5,010</b> 26%	<b>1,455</b>	<b>21,464</b>

2015 - In € thousands	Divisions		IFRS restatement **	Total
	Pharmacy Europe	Other*		
Revenue	98,061 87%	14,812 13%	604	113,477
Depreciation and amortisation of tangible and intangible assets	-1,098 56%	-848 44%	-1,011	-2,957
Operating profit	24,906 85%	4,490 15%	-1,116	28,281
Earnings before tax	26,004 85%	4,501 15%	-1,193	29,312
Share of profits and losses of equity-accounted investments	0	-42	0	-42
Income tax liability or income	-8,524 85%	-1,440 15%	-310	-10,274
<b>Profit/(loss) for the period</b>	<b>15,585</b> 84%	<b>2,972</b> 16%	<b>439</b>	<b>18,996</b>

\* 'Other' corresponds to the Solutions for e-Health Division, Solutions for health and medical-social institutions Division and the FinTech Division. None of these divisions accounted for more than 10% of the Group's sales, assets, or consolidated profit/(loss).

\*\* Restatement in light of the option chosen of not capitalising R&D expenditures of the Group's pharmacy business in the French GAAP consolidated financial statements.

The figures by business line are derived from internal reporting drawn up in accordance with French GAAP for consolidated financial statements.



## 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. Depreciation is applied if the book value is higher than the recoverable amount.

In € thousands	31/12/2016			Of which Change in Group structure	31/12/2015
	Net amount	1 year	+ 1 year		Net amount
Trade receivables <sup>(1)</sup>	20,247	20,247		1,092	15,991
Other receivables	5,964	5,964		139	4,069
<b>TOTAL</b>	<b>26,211</b>	<b>26,211</b>		<b>1,231</b>	<b>20,060</b>

<sup>(1)</sup>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 2016 amounted to €408 thousand compared to €361 thousand one year earlier.

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

Net amount	Not yet due	< 60 days	60 < X < 180 days	> 180 days
20,247	9,936	9,584	673	53

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	31/12/2015	First-time consolidation	Increase	Reversal used	Reversal not used	31/12/2016
Provision for impairment of trade accounts receivable	361	22	114	38	51	408



## 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 inventories are 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 the estimated selling price under normal business conditions, less expected costs to complete and finalise the sale.

In € thousands	31/12/2016			Of which Change in Group structure	31/12/2015
	Gross amount	Impairment	Net amount		Net amount
Components	121	3	118	28	105
Equipment	2,256	234	2,022	1	1,857
Supplies	208	17	191		190
Parts and after-sales service	332	101	231		197
In progress	7	0	7		35
<b>TOTAL</b>	<b>2,924</b>	<b>355</b>	<b>2,570</b>	<b>29</b>	<b>2,384</b>

## 7.6 Trade accounts payable and other liabilities

In € thousands	31/12/2016				Of which Change in Group structure	31/12/2015
	Gross amount	Less than 1 year	1 to 5 years	More than 5 years		Gross amount
Trade payables	8,196	8,196			177	6,696
Other payables	24,318	23,560	758		1,057	21,098
<b>TOTAL</b>	<b>32,514</b>	<b>31,756</b>	<b>758</b>		<b>1,234</b>	<b>27,794</b>

## 7.7 Net amortisation expense and operating provisions

In € thousands	31/12/2016	31/12/2015
Allowances for depreciation and amortisation	3,468	2,957
Provisions for fixed assets	0	0
Provisions for current assets	55	-161
Provisions for contingencies and charges	286	-13
<b>TOTAL</b>	<b>3,809</b>	<b>2,783</b>

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	31/12/2016	31/12/2015
Contractual obligation / property lease financing	0	0
Contractual obligation / equipment operating lease <sup>(1)</sup>	1,543	1,772
Contractual obligation / property operating lease <sup>(1)</sup>	9,734	8,233
Irrecoverable purchasing obligation	0	0
Other contractual obligations	0	0
Commitments given in relation to business development	0	0
Tax commitments	0	0
<b>TOTAL</b>	<b>11,278</b>	<b>10,005</b>

<sup>(1)</sup> Amounts presented including VAT.

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 2016, PHARMAGEST Group is not aware 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 574 full-time equivalent (FTE) non-management employees and 317 management employees. Staff costs consist primarily of gross salaries, social charges and wage-based contributions amounting to €42,751 thousand and profit-sharing expenses amounting to €1,844 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.

The discount rate is determined based on the average of the last-known 10 six-month periods for the bond-market rate (Taux Moyen Obligataire - TMO).

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 11.1 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 2016 is €125 thousand.



### 8.3.1 FY 2014 stock option plan

Stock option information	Pro forma information
Board meeting date	05/12/2014
Total number of shares that may be subscribed or purchased Of which the number that may be subscribed or purchased by: - Corporate officers, Directors and Finance and Personnel Management Committee members. - Top ten employee grantees (other than corporate officers)	239,455 0 25,000
First day on which options may be exercised Expiration date Subscription price	05/12/2018 04/12/2022 20.11 €
Number of shares subscribed as at 31/12/2016	0
Number of shares lost as at 31/12/2016	-22,385
Remaining stock options	217,070

#### 8.3.1.1 Beneficiaries

Plan beneficiaries include the employees of PHARMAGEST INTERACTIVE, CP INTER@CTIVE, 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;
- Had two years' service as at 5 December 2014;
- Are 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	6 years
Volatility <sup>(1)</sup>	20.00%
Risk-free rate	0.45%
Expected dividends	2.61%
Turnover	5.00%
Fair value of the option <sup>(2)</sup>	€12.83

<sup>(1)</sup> Estimated from historic volatility based on the PHARMAGEST INTERACTIVE share price

<sup>(2)</sup> Valuation in 2014, before the 5-for-1 stock split.

## 8.4 Management compensation

Corporate governance bodies received gross compensation in the amount of €517 thousand in 2016. 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 €36 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 €177 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

Since 2014, the CICE wage tax credit equals 6% 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 (€1,118 thousand at 31 December 2016).

The CICE tax credit income for fiscal 2015 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 contribution, in line with IAS 12, is recognised as a tax expense.

#### 9.1.4 Tax expense

The tax expense breaks down as:

In € thousands	31/12/2016
Current tax	10,378
Contribution on dividends	280
Deferred tax	289
<b>Total tax expense</b>	<b>10,947</b>



## 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 has applied the rate of 28% for the calculation of deferred taxes instead of 33%, and the impacts are considered insignificant.

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	31/12/2016
Net profit/(loss) from consolidated companies	21,641
Income tax expense	10,947
<b>Pre-tax earnings from consolidated companies</b>	<b>32,410</b>
<b>Theoretical tax expense at the statutory corporate income tax rate (33.33%)</b>	<b>10,803</b>
Permanent differences	57
Rate differences	-85
Tax deficits not capitalised	18
Company consolidated under the equity method	34
Additional contribution	209
CICE	-373
Contribution on dividends	280
<b>Effective tax rate</b>	<b>10,944</b>
Effective tax rate	33.77%

### 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 2015	-118	126	-244
<b>As at 31 December 2015</b>	<b>364</b>	<b>476</b>	<b>-112</b>
Changes affecting 2016	23	156	-133
<b>As at 31 December 2016</b>	<b>388</b>	<b>632</b>	<b>-245</b>

Deferred taxes are recognised by company in equity.





The main deferred tax assets and liabilities are as follows:

In € thousands	31/12/2015	Change	Changes in scope	31/12/2016
<b>Impact of loss carryforwards <sup>(1)</sup></b>	<b>208</b>	<b>26</b>		<b>234</b>
<b>Tax effect of timing differences related to:</b>				
Provisions for pensions	677	81	9	767
Company liabilities	670	-154		516
Tax liabilities	2	0		2
Stock margin adjustment	27	-10		17
Other temporary differences	38	-31	2	9
Revaluation adjustment	0	0		0
Sales adjustment	109	-32		77
R&D activation	-1,842	-25		-1,867
Other adjustments	0	0		0
<b>Total temporary differences</b>	<b>-320</b>	<b>-171</b>	<b>11</b>	<b>-479</b>
<b>Gross deferred tax assets (liabilities)</b>	<b>-112</b>	<b>-145</b>	<b>11</b>	<b>-245</b>
Provision				
<b>Net deferred tax assets (liabilities)</b>	<b>-112</b>	<b>-145</b>	<b>11</b>	<b>-245</b>

<sup>(1)</sup> The tax deficits capitalised relate mainly to tax losses for DIATELIC, SABCO and CPI. The decision to capitalise these losses is based on the likelihood of using them in the short to medium term. As a measure of prudence, PHARMAGEST Group decided to not capitalise the losses of INTECUM amounting to €2,885 thousand representing €808 thousand in potential deferred tax assets and also the recently acquired subsidiaries SAILENDRA and NOVIA SEARCH with a loss of 864 thousand generating an additional deferred tax asset of €242 thousand, or total deferred tax assets of €1,050 thousand.

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 though 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 €953 thousand.



## NOTE 10 - Equity and earnings per share

### 10.1 Share capital and reserves

On 5 August 2015, PHARMAGEST INTERACTIVE carried out a 5-for-1 stock split that reduced the share price from €1 to €0.20. At 31 December 2009, the Company's share capital was comprised of 15,174,125 shares. 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 €78,354 thousand, of which €13,207 thousand in issue premium, €(14) thousand in translation adjustment, €346 thousand in legal reserve and €64,815 thousand in other reserves.

### 10.2 Treasury shares held by PHARMAGEST INTERACTIVE

#### 10.2.1 Treasury shares

This line item includes 202,021 PHARMAGEST INTERACTIVE shares, wholly owned by the company. The share price of PHARMAGEST INTERACTIVE was €34.95 at 31 December 2016.

##### 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 2016, the following transactions were carried out under the liquidity contract:

- Purchases: 103,095 shares at an average price of €27.18;
- Sales: 103,189 shares at an average price of €27.14;

Evaluations are calculated using the weighted average price.

At 31 December 2016, 2,675 shares were listed in the liquidity account and the cash balance was €118 thousand.

##### 10.2.1.2 Share buyback programme (outside the liquidity contract)

And 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 2016, PHARMAGEST INTERACTIVE acquired 3,836 additional shares at a price of €20.27 per share.



## 10.3 Dividends

The dividend paid in 2016 on 2015 earnings amounted to €8,983 thousand or €0.60 per share.

A dividend of €0.65 per share will be proposed to the next Annual General Meeting.

The distribution of dividends to non-Group shareholders amounting to €180 thousand was recognised in ADI'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	31/12/2016	31/12/2015
<b>Net profit/(loss) for the year (in €)</b>	<b>20,566,897</b>	<b>18,792,270</b>
<b>Number of shares</b>	<b>15,174,125</b>	<b>15,174,125</b>
Number of treasury shares held	202,021	198,279
Weighted average number of ordinary shares to calculate basic earnings per share	14,972,104	14,975,846
<b>Basic earnings per share (in €)</b>	<b>1.37</b>	<b>1.25</b>
Stock options outstanding	0	0
Weighted average number of ordinary shares to calculate diluted earnings per share	15,174,125	15,174,125
<b>Diluted earnings per share (in €)</b>	<b>1.36</b>	<b>1.24</b>



## NOTE 11 - Provisions and contingent liabilities

### 11.1 Provisions

A provision is recognised when PHARMAGEST Group is likely to have an obligation arising from past events which will result in an outflow of PHARMAGEST Group resources with no expectation of a counter-payment at least equivalent and which can be reliably estimated. Where settlement of this obligation is likely to be deferred by more than one year, the provision amount is discounted, the effects of which are recognised in financial earnings.

#### Provisions for contingencies and charges:

In € thousands	Value at 31/12/2015	Increase	Reversal (provision used)*	Reversal (provision redundant)	Other movements	Change in Group structure	Value at 31/12/2016
Provisions for litigation <sup>(1)</sup>	144		110	18		6	22
Provisions for contingencies <sup>(2)</sup>	399	605	297				706
Provision for charges							
Provisions for retirement severance benefits <sup>(3)</sup>	2,031	792	56				2,767
Provisions for contingencies for equity-accounted securities	0						0
<b>TOTAL</b>	<b>2,573</b>	<b>1,397</b>	<b>463</b>	<b>18</b>		<b>6</b>	<b>3,495</b>

\* Reversals (provision used) are presented less allowances in the same way as reversals for provisions that have become redundant.

<sup>(1)</sup> Provisions for litigation: €22 thousand of which :  
- Provisions for ongoing client disputes: €17 thousand

<sup>(2)</sup> Provisions for contingencies: €706 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.

<sup>(3)</sup> Provision for retirement severance benefits: €2,767 thousand  
Under the amendments to IAS 19, actuarial differences must be recognised immediately in equity and the return on financial assets must be calculated using the discount rate used to value the commitment and not using the expected rate of return.  
As PHARMAGEST Group does not use the method for partial recognition of actuarial differences in the income statement using the corridor approach, the impact was charged to earnings in previous years.

The impact of calculating the return on financial assets according to the discount rate used to value the commitment rather than the expected rate of return was identified as non-significant and was therefore not restated for 2016 as in prior periods.



In € thousands	31/12/2016	31/12/2015
<b>Commitment at start of period</b>	<b>3,079</b>	<b>2,509</b>
Service cost	120	81
Financial cost	75	76
Cost of past services and change of method	0	0
Actuarial gains (+)/Actuarial losses (-) generated during the financial year	554	413
<b>Real commitment at end of period</b>	<b>3,828</b>	<b>3,079</b>
<b>Fair value of assets at start of period</b>	<b>1,048</b>	<b>902</b>
Expected return on assets	22	17
Contributions		197
Benefits paid	-7	-68
Actuarial gains (+)/Actuarial losses (-)	-2	0
<b>Fair value of assets at end of period</b>	<b>1,062</b>	<b>1,048</b>
<b>Provision at start of period</b>	<b>2,031</b>	<b>1,607</b>
<b>Provision at end of period</b>	<b>2,767</b>	<b>2,031</b>

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 redundancy on the part of the employee (application of employer's social charges);
- Retirement age: 67;
- Turnover: depending on age bracket;
- Discount rate: 2.06%;
- (\*) The discount rate is determined based on the average of the last-known 10 six-month periods for the average bond market rate (*Taux Moyen Obligataire* - TMO);
- Salary escalation rate: 1%;
- Recognition of annuity contingency.

PHARMAGEST Group conducted an evaluation of the sensitivity of the provision for retirement severance benefit 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 cost in the cost of services and expected returns from assets are shown under financial items.

## 11.2 Contingent liabilities

PHARMAGEST Group is not aware of any dispute or facts of an exceptional nature likely to have any significant impact on the activity, earnings, financial situation or assets of PHARMAGEST Group 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	31/12/2016	31/12/2015
Trade payables	0	-8
Operating expenses for the period	0	158
Trade receivables	7	0
Operating revenue for the period	7	0

### 12.2 Nature of relations with other WELCOOP GROUP companies

PHARMAGEST Group is fully consolidated by the WELCOOP GROUP (54 500 VANDOEUVRE).

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

- Management fees;
- 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	31/12/2016	31/12/2015
Trade payables	99	134
Operating expenses for the period	1,033	980
Trade receivables	215	239
Operating revenue for the period	812	820
MARQUE VERTE SANTE financial advance	13,200	4,008



## NOTE 13 - Other information

### 13.1 Information on Auditors' fees (French Decree 2008-1487 of 30 December 2008)

Amount in € thousands (2016)	Statutory mandate	Work carried out as part of diligence procedures directly related to the mandate
PHARMAGEST INTERACTIVE	78	
ADI	8	
CPI	-	
CPSI	-	
DIATELIC	3	
DICSIT INFORMATIQUE	3	
DOMEDIC EUROPE	1	
EHLS	9	
HEALTHLEASE	5	
HDM LIMITED	2	
INTECUM	2	
KAPELSE	6	
MALTA INFORMATIQUE	6	
NANCEO	4	
NOVIA SEARCH	1	
NOVIATEK	-	
SABCO	2	
SABCO SERVICES	4	
SCI HUOBREGA	-	
Groupe DOMEDIC INC.	15	
<b>TOTAL</b>	<b>149</b>	

## NOTE 14 - Subsequent events

- 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 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).



## 20.3.2 PHARMAGEST INTERACTIVE separate financial statements

### 20.3.2.1 Balance Sheet

Balance sheet assets - In € thousands	Notes	31/12/2016			31/12/2015
		Brut	Amortisation, depreciation and provisions	Net	Net
<b>Fixed assets</b>					
Intangible assets	1.4/5	19,333	2,017	17,316	17,230
Property, plant and equipment	1.4/5	9,591	6,055	3,536	2,794
Financial assets	2.3/4	15,884	799	15,084	15,336
<b>Total</b>		<b>44,808</b>	<b>8,871</b>	<b>35,937</b>	<b>35,361</b>
<b>Current assets</b>					
Stocks and work-in-progress	3	746	126	620	252
Trade receivables	4 and 5	15,019	220	14,799	12,502
Other receivables	4 and 5	18,977		18,977	8,008
Marketable securities	6.1	46,253		46,253	47,125
Cash	6.1	1,630		1,630	1,171
<b>Total</b>		<b>82,625</b>	<b>346</b>	<b>82,279</b>	<b>69,058</b>
Prepayments	4 and 5	480		480	356
Conversion losses		0		0	3
<b>TOTAL ASSETS</b>		<b>127,913</b>	<b>9,217</b>	<b>118,696</b>	<b>104,778</b>

Balance sheet liabilities - In € thousands	Notes	31/12/2016	31/12/2015
<b>Shareholders' equity</b>			
Share capital	7	3,035	3,035
Reserves and retained earnings		63,793	56,624
Investment grants		13	0
Profit for the year		13,781	16,152
<b>Total</b>		<b>80,622</b>	<b>75,811</b>
<b>Provisions for contingencies and charges</b>	<b>8</b>	<b>3,050</b>	<b>2,586</b>
<b>Debts</b>			
Loans and financial liabilities	9.1	14,703	7,064
Trade and other payables	9.1	6,817	6,918
Other payables	9.1	13,100	12,127
<b>Total</b>		<b>34,619</b>	<b>26,109</b>
Deferred revenue	9.3	405	272
<b>TOTAL LIABILITIES</b>		<b>118,696</b>	<b>104,778</b>





## 20.3.2.2 Statement of profit or loss

In € thousands	Notes	2016	2015
<b>Operating income</b>			
Net revenue	10	88,064	87,486
Expense reclassifications	11	2,138	2,320
Operating grants	11	399	91
Other operating income	11	1,282	1,403
Reversals of provisions and depreciations	11	779	796
<b>Total</b>		<b>92,662</b>	<b>92,095</b>
<b>Operating expenses</b>			
Purchases consumed		18,293	19,646
Purchases and external expenses		15,020	14,093
Taxes other than on income		2,044	2,048
Personnel costs	12.1	34,189	32,647
Allowances for depreciation and amortisation		839	680
Allocation to provisions		1,228	965
Other operating expenses		543	121
<b>Total</b>		<b>72,155</b>	<b>70,200</b>
<b>Operating profit</b>		<b>20,507</b>	<b>21,895</b>
Current financial income		1,698	3,440
Current financial expenses		63	90
<b>Net financial income/(expense)</b>		<b>1,635</b>	<b>3,351</b>
<b>Recurring income</b>		<b>22,142</b>	<b>25,246</b>
Extraordinary income		6	39
Exceptional expenses		7	29
<b>Net exceptional items</b>	<b>13</b>	<b>-1</b>	<b>10</b>
Income tax	14.2	6,662	7,238
Employee profit-sharing		1,697	1,866
<b>Profit/(loss) for the period</b>		<b>13,781</b>	<b>16,152</b>



### 20.3.2.3 Notes to the separate financial statements

Total balance sheet before appropriation: €118,695,662 Net profit: €13,781,091

The notes provided below form an integral part of the annual financial statements adopted by the Board Directors on 31 March 2017.

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.

#### Annual highlights:

- 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. Following its investment in TELUS Health, PHARMAGEST Group retains a 26.02% stake.
- The simplified merger procedure (*Transmission Universelle de Patrimoine*) entailing DCI's dissolution and the global transfer of its assets and liabilities to PHARMAGEST Group generated merger premium of €208 thousand.
- PHARMAGEST INTERACTIVE and its subsidiaries KAPELSE each acquired a 40% stake in NOVIATEK's capital. NOVIATEK wholly-owns NOVIA SEARCH, a company specialised in engineering and technical studies;
- PHARMAGEST INTERACTIVE acquired 70% of the capital of SAILENDRA, a simplified French joint stock company (*société par actions simplifiée*) with share capital of €403,500. SAILENDRA provides consulting services and designs and develops behavioural analysis-based systems and software solutions using artificial intelligence.

## 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 separate 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 €3,715 thousand in 2016.



## 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	15 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 flow) 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	Start of period	Increase	Decrease	End of period
<b>Intangible assets</b>	<b>19,040</b>	<b>293</b>	<b>0</b>	<b>19,333</b>
<b>Property, plant and equipment</b>	<b>8,378</b>	<b>1,382</b>	<b>168</b>	<b>9,591</b>
Land	423	0	0	423
Leasehold improvements	3,456	98	31	3,523
Equipment and tooling	37	1	0	38
General facilities	1,050	29	66	1,012
Transportation equipment	336	0	43	293
Office material and equipment	3,069	1,212	27	4,254
Assets under construction	0	41	0	41
Other property, plant and equipment	6	0	0	6
<b>Total intangible assets and property, plant and equipment</b>	<b>27,418</b>	<b>1,675</b>	<b>168</b>	<b>28,924</b>

Goodwill (excluding leasehold rights) amounted to €13,996 thousand and included:

Purchased assets	€5,464 thousand
Remeasured assets	€0
Contributed assets	€1,704 thousand
CIP capital loss on transferred assets (mali de confusion)	€6,683 thousand
DRS EXPANSION capital loss on transferred of assets (mali de confusion)	€145 thousand



## 1.5 Amortisation, depreciation and provisions for intangible assets and property, plant and equipment

Depreciation and provisions In € thousands	Start of period	Increase	Decrease	End of period
Amortisation of intangible assets	1,790	207	0	1,996
Provisions for intangible assets	21	0	0	21
<b>Total amortisation and provisions for intangible assets</b>	<b>1,810</b>	<b>207</b>	<b>0</b>	<b>2,017</b>
<i>Depreciation of property, plant and equipment:</i>				
- Leasehold improvements	2,021	158	24	2,156
- Equipment and tooling	33	2	0	34
- General facilities	957	22	66	913
- Transportation equipment	192	55	43	203
- Office material and equipment	2,381	395	27	2,750
<b>Total depreciation and provisions for property, plant and equipment</b>	<b>5,583</b>	<b>633</b>	<b>161</b>	<b>6,055</b>
<b>Amortisation, depreciation and provisions for intangible assets and property, plant and equipment</b>	<b>7,394</b>	<b>839</b>	<b>161</b>	<b>8,072</b>

## Note 2 - Financial assets

### 2.1 Measurement of financial assets

Gross value relates to the acquisition cost excluding associated expenses.

### 2.2 Amortisation of financial assets

Equity investments are valued based on the same impairment tests as those used for business and similar assets.

See Note 1.3 to the separate financial statements.



## 2.3 Movements in the period are as follows

Gross values - In € thousands	Start of period	Increase	Decrease	At end of period
Equity investments (details below)	15,847	569	816 <sup>(1)</sup>	15,600
Debtore loan	0	0	0	0
Security deposits and guarantees	288	14	19	283
<b>Total financial fixed assets</b>	<b>16,136</b>	<b>583</b>	<b>835</b>	<b>15,884</b>

<sup>(1)</sup> DCI securities in connection with the dissolution and global transfer of the assets and liabilities (Transmission Universelle de Patrimoine) to PHARMAGEST INTERACTIVE.

Breakdown of equity investments:

Companies	Gross amount of securities In € thousands	Percentage held
ADI	352	50.00%
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.	1,306	29.60%
HDM	30	100.00%
HEALTHLEASE	1,407	100.00%
INTECUM	1,115	100.00%
KAPELSE	700	70.00%
MALTA INFORMATIQUE	186	100.00%
NANCEO	1,000	100.00%
NOVIA TEK	100	40.00%
QUALITY FLUX	160	15.15%
SABCO	3,490	100.00%
SAILENDRA	283	70.00%
<b>TOTAL</b>	<b>15,600</b>	

For more information on PHARMAGEST Group's equity investments in subsidiaries, please see the table in Note 15.5.

## 2.4 Amortisation/provisions for securities and other financial assets

Amortisation and provisions In € thousands	Start of period	Increase	Decrease	End of period
Amortisation of financial assets	0	0	0	0
Provisions for financial fixed assets	799	0	0	799
<b>Total amortissements et provisions sur immobilisations financières</b>	<b>799</b>	<b>0</b>	<b>0</b>	<b>799</b>

The impairment tests did not reveal any additional impairment.

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	31/12/2016			31/12/2015
	Gross amount	Impairment	Net amount	Net amount
Serialised inventory	651	34	617	244
Non-serialised inventory	95	92	3	8
<b>TOTAL</b>	<b>746</b>	<b>126</b>	<b>620</b>	<b>252</b>

### 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	Start of period	Increase	Decrease	At end of period
Inventory provisions	139	13	26	126

## Note 4 - Operating receivables

### 4.1 Measurement of trade receivables

Trade receivables are stated at face value.

In € thousands	31/12/2016			31/12/2015
	Gross amount	1 year	> 1 year	Gross amount
Trade receivables	15,019	14,780	239	12,728
Other receivables and accruals	19,457	19,457 <sup>(1)</sup>	0	8,364

<sup>(1)</sup> Of which a current account advance of €13,243 thousand to MARQUE VERTE SANTE compared to €4,008 thousand 2015. 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	0% provision
Receivables between 180 and 360 days	50% provision
Receivables > 360 days	100% provision

In € thousands	Start of period	Increase	Decrease	At end of period
Provisions for receivables	225	28	33	220

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	2016	2015
Financial assets	0	0
Trade and other payables	160	55
Trade receivables	1,383	1,222
Other receivables	1,505	1,456
Cash	0	0

## Note 6 - Cash and short-term investments

### 6.1 Cash and marketable securities

Gross values - In € thousands	31/12/2016	31/12/2015
Treasury shares - liquidity contract <sup>(1)</sup>	170	60
Treasury shares - stock option plan <sup>(1)</sup>	3,889	3,889
SICAV open-ended investment funds /Time deposit accounts	0	2,000
Capital redemption contract	42,194	41,177
<b>Sub-total short-term investments</b>	<b>46 253</b>	<b>47,126</b>
Cash	1,630	1,171
<b>TOTAL</b>	<b>47,883</b>	<b>48,297</b>

<sup>(1)</sup> Valuations are calculated using the weighted average price.



## 6.2 Treasury shares

This account includes:

- 2,675 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 26/06/2015.

## 6.3 Liquidity contract

Movements in 2016 relating to the liquidity contract, held solely by PHARMAGEST INTERACTIVE, were as follows:

- Purchases: 103,095 shares at an average price of €27.18;
- Sales: 103,189 shares at an average price of €27.14;

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 SPPICAV unit linked real estate investment vehicle.

### Note 7 - Share capital

	Number	Face value in €
Securities at the start of the period	15,174,125	0.20
Securities issued	0	/
Securities redeemed or cancelled	0	/
Securities at the end of the period	15,174,125	0.20

One share is entitled to one vote.





## Note 8 : Provisions for contingencies and expenses

In € thousands	Value at 31/12/2015	Increase	Reversal (provision used)	Reversal (provision redundant)	Change of method	Change in Group structure / Other	Value at 31/12/2016
Provisions for disputes	128	0	110	18			0
Provision for contingencies	714	555	592				678
Provisions for retirement severance benefits	1,741	631					2,372
Provisions for foreign exchange losses	3		3				0
<b>TOTAL</b>	<b>2,586</b>	<b>1,186</b>	<b>705</b>	<b>18</b>	<b>0</b>	<b>0</b>	<b>3,050</b>
Operating profit	2,583	1,186	702	18			3,050
Net financial income/(expense)	3		3				0
Net exceptional items	0						

### 8.1 Provisions for contingencies

Provisions for contingencies mainly comprise:

- Provisions for specific equipment maintenance contracts for the Pharmacy business in the amount of €392 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 €286 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 24.3 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 €2,372 thousand. This is calculated by applying the retrospective projected unit credit method to the end-of-career salary and taking into account the following assumptions:

- Voluntary departure by the employee (application of employer's social charges);
- Retirement age: 67;
- Discount rate: 2.06%;  
*(\*) The discount rate is determined based on the average of the last-known 10 six-month periods for the average bond market rate (Taux Moyen Obligataire - TMO).*
- Turnover: according to the age of employees;
- Salary escalation rate: 1%;
- Recognition of annuity contingency.

In 2003, PHARMAGEST INTERACTIVE decided to partially outsource contingencies for retirement benefits. The amount of the provision represents the remaining contingency (gross commitments less hedged assets, which amounted to €984 thousand at 31/12/2016).

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	31/12/2016				31/12/2015
	Gross amount	Of which less than 1 year	Of which more than 1 year	Of which more than 5 years	Gross amount
Credit institutions <sup>(1)</sup>	4,513	4,513	0	0	248
Miscellaneous financial liabilities			0	0	0
Advances and prepayments	462	462	0	0	185
Trade payables	6,817	6,817	0	0	6,918
Tax and social security liabilities	12,595	12,595	0	0	11,940
Amounts due to Group companies and shareholders <sup>(2)</sup>	10,190	10,190	0	0	6,816
Other payables	43	43	0	0	2
Deferred revenue	405	405	0	0	272
<b>TOTAL</b>	<b>35,024</b>	<b>35,024</b>	<b>0</b>	<b>0</b>	<b>26,381</b>

<sup>(1)</sup> Bank credit balances.

<sup>(2)</sup> 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 on balance sheet items

Accrued expenses - In € thousands	2016	2015
Bank borrowings	1	1
Miscellaneous loans and financial liabilities	0	0
Trade payables	1,666	1,632
Tax and social security liabilities	10,201	9,371
Other payables	317	32

### 9.3 Deferred revenue

This section contains only ordinary prepaid income relating to the normal operations of the company. They relate to hardware and software maintenance and updating databases invoiced to clients at 31 December 2016 but not yet fully paid. These increase from €272 thousand in 2015 to €405 thousand in 2016.



## Note 10 - Revenue

Breakdown of revenue - In € thousands	2016	2015
Revenue - maintenance and services	29,903	29,040
Revenue - other services, including e-advertising	1,581	1,722
Revenue - configurations	47,066	47,289
Revenue - training services and new products	9,513	9,435
<b>TOTAL</b>	<b>88,064</b>	<b>87,486</b>
Revenue in FRANCE	88,064	87,486
Exports and deliveries within the EU	0	0

## Note 11 - Other operating income

In € thousands	2016	2015
Subsidy	399	91
Reversals of depreciations and provisions	779	796
Expense reclassifications <sup>(1)</sup>	2,138	2,320
Other income	1,282	1,403
<b>TOTAL</b>	<b>4,598</b>	<b>4,609</b>

<sup>(1)</sup> Expense reclassifications relate to:

- Rebilling staff costs to PHARMAGEST Group and WELCOOP GROUP companies in the amount of €498 thousand.
- Rebilling services to other PHARMAGEST Group and WELCOOP GROUP companies in the amount of €1,244 thousand.
- Reimbursement of staff costs (including vehicle expenses) in the amount of €275 thousand;
- Repayment of structural expenditures in the amount of €121 thousand.

## Note 12 - Personnel costs

### 12.1 Breakdown of staff costs

En K€	31/12/2016	31/12/2015
Wages and salaries	23,276	21,991
Social charges	10,039	9,869
Other personnel expenses	1,755	1,628
The CICE (Crédit d'Impôt pour la Compétitivité et l'Emploi) wage tax credit <sup>(1)</sup>	-882	-841
<b>TOTAL</b>	<b>34,189</b>	<b>32,647</b>

<sup>(1)</sup> 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 is entitled 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 €517 thousand in 2016. 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 €36 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 €177 thousand for members of governing bodies.

## 12.3 Workforce (full-time equivalent - FTE)

31/12/2016	Salaried personnel	Seconded personnel*
Managers	241	0
Supervisors / Senior technicians	48	0
Employees	378	0
<b>TOTAL</b>	<b>667</b>	<b>0</b>

\* Personnel are seconded to PHARMAGEST INTERACTIVE.



## Note 13 - Extraordinary earnings

In € thousands	31/12/2016	31/12/2015
<b>Extraordinary income</b>	<b>6</b>	<b>39</b>
On management transactions	0	0
Net value of disposals	6	39
Charges to provisions	0	0
Other extraordinary income	0	0
<b>Exceptional expenses</b>	<b>7</b>	<b>29</b>
On management transactions	0	0
Net value of disposals	7	29
Charges to provisions	0	0
Other extraordinary expenses	0	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 arrangement 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
Recurring income	22,142	7,096	15,046
Net exceptional items	-1	0	-1
Employee profit-sharing	-1,697	-566	-1,131
Tax credit	0	0	0
Social contribution	0	184	-184
Contribution on dividends	0	269	-269
Settlement of corporate income tax N-1	0	-3	3
Tax consolidation	0	-318	318
<b>Profit/(loss)</b>	<b>20,443</b>	<b>6,662</b>	<b>13,781</b>



### 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 (€269 thousand at 31 December 2016).

### 14.4 Impact of special tax valuations (In € thousands)

Profit/loss for the year	13,781
Tax on earnings	6,662
Income before tax	20,443
Change in regulated provisions	0
Earnings before tax, excluding adverse tax assessments	20,443

### 14.5 Increases and reductions in future tax liabilities

Type - In € thousands	31/12/2015		Changes		31/12/2016	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
<b>Provisions not deductible in the accounting period:</b>	<b>0</b>	<b>2,088</b>	<b>0</b>	<b>-256</b>	<b>0</b>	<b>1,832</b>
<i>Employee profit-sharing</i>	0	1,866	0	-169	0	1,697
<i>Social solidarity contribution</i>	0	110	0	1	0	111
<i>Non-deductible provisions</i>	0	113	0	-89	0	24
<b>Provision for retirement benefits</b>	<b>0</b>	<b>1,741</b>	<b>0</b>	<b>631</b>	<b>0</b>	<b>2,372</b>
<b>TOTAL</b>	<b>0</b>	<b>3,829</b>	<b>0</b>	<b>376</b>	<b>0</b>	<b>4,204</b>

In € thousands	Amount	Taxes
<b>Increases:</b>		
Regulated provisions	0	0
Grants to be reincorporated in earnings	0	0
<b>Decreases:</b>		
Provisions that are not deductible in the year of recognition	1,832	611
Provision for retirement benefits	2,372	791
Total operating deficits carried forward	0	0
Total deferred depreciations	0	0
Total long-term capital losses	0	0



## Note 15 - Other disclosures

### 15.1 Identity of the parent company consolidating the accounts of PHARMAGEST INTERACTIVE

**WELCOOP GROUP** - 7 allée de Vincennes - 54 500 VANDOEUVRE-LES-NANCY.

### 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	31/12/2016	31/12/2015
Cross-guarantees on contracts	0	0
Assigned receivables not yet due	0	0
Pledges, mortgages and security interests on property (*)	0	248
Sureties, endorsements and guarantees given	0	0
Other commitments given	0	0
<b>TOTAL</b>	<b>0</b>	<b>248</b>

(\*) 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	One to five years	More than five years
Long-term liabilities	0	0	0	0
Leasing transactions	0	0	0	0
Operating leases	1,311	814	497	0
Property leases	7,389	1,638	3,978	1,773
Other long-term obligations	0	0	0	0
<b>TOTAL</b>	<b>8,700</b>	<b>2,452</b>	<b>4,475</b>	<b>1,773</b>





Other commercial commitments	Total	Total commitments per period		
		Less than one year	One to five years	More than five years
Credit lines	None			
Letters of credit	None			
Guarantees	None			
Redemption obligations	None			
Other commercial commitments	None			
<b>TOTAL</b>	None			

As at the reporting date of 31 December 2016, PHARMAGEST INTERACTIVE is unaware of any significant off-balance sheet commitments other than those set out above.

## 15.4 Subsequent events

- PHARMAGEST INTERACTIVE acquired a 51.82% equity interest in CAREMEDS Ltd., an English company registered in the Companies House of CARDIFF (No. 07 990 372). CAREMEDS Ltd. controls MEDICATION SYSTEMS Ltd., an English company registered in the Companies House of CARDIFF (No. 07 971 144).
- PHARMAGEST INTERACTIVE acquired a 51% equity interest in MULTIMEDS Ltd., an Irish company registered in the Companies Registration Office of DUBLIN (No. 533 817).



## 15.5 Subsidiaries and Associates

LIST OF SUBSIDIARIES AND EQUITY INTERESTS									
Companies Amount in € thousands	Share capital	Equity (other than capital)	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)									
<b>ADI</b> 4 rue René Chazel Le Diamant 91 400 SACLAY	48	350	50.00%	352			4,958	560	179
<b>CPI</b> 25 bd Champ aux Métiers 21 800 QUETIGNY	8	546	100.00%	137	387		1,261	-107	
<b>CPSI</b> 552 rue de la Chapelle ZI de Jarry 97122 BAIE MAHAULT	100	-25	100.00%	100	5		505	-17	
<b>DIATELIC</b> 5 allée de Saint Cloud 54 600 VILLERS LES NANCY	37	75	95.29%	467	1,053		197	-440	
<b>DOMEDIC EUROPE</b> 5 allée de Saint Cloud 54600 VILLERS LES NANCY	120	-50	65%	78			0	-10	
<b>EHLS</b> 5 allée de Saint Cloud 54600 VILLERS LES NANCY	144	5,115	100.00%	4,690			19,294	594	
<b>HDM</b> <sup>(1)</sup> President John Kennedy Street PORT LOUIS ( <i>IMauritius</i> )	30	81	100.00%	30			534	98	96
<b>HEALTHLEASE</b> 1 bis rue de Havre 75 008 PARIS	1,000	1,344	100.00%	1,407			41,521	1,579	
<b>INTECUM</b> 5 allée de Saint Cloud 54 600 VILLERS LES NANCY	464	-1,869	100.00%	1,115	1,928		514	-358	
<b>KAPELSE</b> 5 allée de Saint Cloud 54 600 VILLERS LES NANCY	1,000	894	70.00%	700			9,014	2,115	



## LIST OF SUBSIDIARIES AND EQUITY INTERESTS

Companies Amount in € thousands	Share capital	Equity (other than capital)	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									
<b>MALTA INFORMATIQUE</b> 9 rue de Montgolfier 33700 Mérignac	200	3,789	100.00%	186			8,233	2,229	
<b>NANCEO</b> 1 bis rue de Havre 75 008 PARIS	1,000	-106	100.00%	1,000			10,467	199	
<b>SABCO</b> Rue d'Arlon 2 L-8399 WINDHOF (Luxembourg)	39	1,142	100.00%	3,490			2,659	-270	
<b>SAILENDRA</b> 2 rue Jacques Villermaux 54000 Nancy	404	-114	70.00%	283			71	-166	
B. Equity interests (10% to 50% owned)									
<b>GROUPE DOMEDIC INC.</b> 2500 rue Jean Perrin - local 190 QUEBEC (QC) G2C 1X1 (Canada)	3,454	-2,246	29.60%	1,306			84	-328	
<b>NOVIATEK</b> Rue de la Paix 13 L-3871 Schiffange (Luxembourg)	250	-18	40.00%	100			43	-7	
2° General information on subsidiaries or equity interests									
<b>A. Subsidiaries not listed in paragraph 1:</b> a) French subsidiaries (total) b) Foreign subsidiaries (total)									
<b>B. Equity interests not listed in paragraph 1:</b> a) In French companies (total) b) In foreign companies (total)									
<b>QUALITY FLUX</b> <sup>(2)</sup> Rue de la terre à briques 7522 Tournai (Belgium)	181	-242	15.15%	160			-8	28	0
<b>TOTAL</b>	<b>8,478</b>	<b>8,666</b>		<b>15,600</b>	<b>3,373</b>	<b>0</b>	<b>99,347</b>	<b>5,699</b>	<b>275</b>

<sup>(1)</sup> Operating income<sup>(2)</sup> Accounts as at 31/12/2013



## 20.4 Auditing of financial information

### 20.4.1 Statutory auditors' report on the consolidated financial statements (Year ended 31 December 2016)

*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 in the opinion on the consolidated 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 Shareholders,

In accordance with the terms of our appointment by the General Meeting, we hereby submit our report for the year ended 31 December 2016 regarding:

- The audit of the accompanying consolidated financial statements of PHARMAGEST INTERACTIVE;
- The justification of our assessments;
- The specific verifications required by law.

The consolidated financial statements have been approved by the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

#### 1. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. These standards require that we plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatements. An audit involves examining, on a test basis or by other selection methods, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also involves assessing the accounting principles used, any significant estimates made and the overall presentation of the accounts. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the Group's assets and liabilities and financial position and the results of operations and entities comprising the consolidated group, in accordance with IFRS standards as adopted by the European Union.

Without qualifying our conclusion, we would like to draw your attention as an emphasis of matter to the note "Accounting principles - Texts applied" in the notes to the financial statements on the application of new IFRS standards.

#### 2. Justification of our assessments

Pursuant to the provisions of article L.823-9 of the French Commercial Code defining our obligation to explain our assessments, we bring to your attention the following emphasis of matter paragraph:

##### Significant estimates

##### • Goodwill

Goodwill stated in the balance sheet in the amount of €30.5 million at 31 December 2016 is tested for impairment as set out in the note 5 "Accounting principles - Methods used for performing impairment tests".

We have examined the conditions under which these tests were performed and the assumptions used to draw up the cash flow projections and sensitivity tests and we have verified that the notes to the financial statements provide appropriate disclosures.

##### • Provisions for contingencies and charges

Your company records provisions for contingencies and expenses using the methods set out in the note 11 "Provisions and contingent liabilities". We have reviewed the methods used by the company as set out in the notes to the financial statements, based on the information currently available and have performed random tests to check that these methods were properly applied.

**• Pension obligations**

The note 8 "Employee salaries and benefits" and note 11 "Provisions and contingent liabilities" to the financial statements specify the valuation methods applied to pension and related obligations.

Our work consisted of examining the data used, assessing the assumptions retained, reviewing the calculations performed and checking that the notes to the financial statements provide appropriate disclosures.

As part of our assessment, we ensured that these estimates were reasonable.

The assessments thus made form part of our audit procedure for the consolidated financial statements overall, and have contributed to our forming an opinion, as expressed in the first part of this report.

**3. Specific verifications**

As required by law we have also verified, in accordance with professional standards applicable in France, the information relating to the Group given in the management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

*Drawn up in Vandœuvre-lès-Nancy and Courbevoie, 27 April 2017*

The Statutory Auditors

*[French original signed by:]*

**BATT AUDIT**  
Statutory Auditors  
**Stéphane RONDEAU**

**MAZARS**  
Statutory Auditors  
**Laurence FOURNIER**

**20.4.2 Statutory Auditors' report on the annual financial statements  
(Year ended 31 December 2016)**

*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 in the opinion on the consolidated 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 Shareholders,**

In accordance with the terms of our appointment by the General Meeting, we hereby submit our report for the year ended 31 December 2016 regarding:

- Our audit of the accompanying annual financial statements of PHARMAGEST INTERACTIVE,
- The justification of our assessments;
- The specific verifications and information required by French law.

These annual financial statements have been approved by the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

**1. Opinion on the annual financial statements**

We conducted our audit in accordance with professional standards applicable in France. These standards require that we plan and perform the audit to obtain reasonable assurance that the annual financial statements are free of material misstatements. An audit involves examining, on a test basis or by other selection methods, evidence supporting the amounts and disclosures in the annual



financial statements. An audit also involves assessing the accounting principles used, any significant estimates made and the overall presentation of the accounts. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We certify that the annual financial statements give a true and fair view of the results of operations for the past year and of the financial position and assets and liabilities of the Company at the end of the year in accordance with generally accounting accepted principles in France.

## 2. Substantiation of our opinion

Pursuant to the provisions of article L.823-9 of the French Commercial Code defining our obligation to explain our assessments, we bring to your attention the following emphasis of matter paragraphs:

### Significant estimates:

- **Non-depreciable assets:**

Once a year, the company performs an impairment test on non-depreciable assets as set out in Note 1.3 "Evaluation of non-depreciable assets" in the notes to the annual financial statements. We have examined how these impairment tests are performed as well as the cash flow forecasts and assumptions used and we have verified that notes to the consolidated financial statements include the appropriate disclosures.

- **Equity investments:**

Information on equity investments and evaluation methods are provided in Note 2 "Financial assets".

Our work consisted of assessing the data and the assumptions on which these estimates are based, in particular the cash flow projections drawn up by operational departments.

- **Provisions for contingencies and expenses**

We have reviewed the methods used by the company as set out in Note 8 to the financial statements, based on information available to date, and performed tests, by means of samples, to verify the application of this approach.

- **Pension obligations**

Note 8.2 "Provision for retirement severance benefits" describes the methods for measuring pension and related obligations.

Our work consisted of examining the data used, assessing the assumptions retained, reviewing the calculations performed and checking that the notes provide appropriate disclosures.

As part of our assessment, we ensured that these estimates were reasonable.

The assessments thus made are part of our audit of the annual financial statements, taken as a whole, and therefore contributed to the opinion we have formed, which is expressed in the first part of this report.

## 3. Specific procedures and disclosures

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fairness and consistency with the financial statements of the information given in the management report of the Board of Directors and in the documents sent to shareholders with respect to the financial position and the annual financial statements.

As regards the information provided pursuant to the provisions of Article L. 225-102-1 of the French Commercial Code relating to the compensation and benefits paid to corporate officers as well as the commitments made in their favour, we have verified their consistency with the financial statements or with the information used to prepare these financial statements and, where appropriate, with the information obtained by your Company from companies controlling your company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

As required by law, we verified that the management report contains the appropriate disclosures concerning the acquisition of shares and controlling interests and the identity of the company's shareholders.



Drawn up in Vandœuvre-lès-Nancy and Courbevoie, 27 April 2017

The Statutory Auditors

[French original signed by:]

**BATT AUDIT**  
Statutory Auditors  
**Stéphane RONDEAU**

**MAZARS**  
Statutory Auditors  
**Laurence FOURNIER**

### 20.4.3 Statutory auditors' special report on regulated agreements and commitments

*This is a free translation into English of the Statutory Auditors' report on regulated agreements and commitments issued in French and is provided solely for the convenience of English speaking readers. This report on regulated agreements and regulated commitments should be read in conjunction with, and is 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 the report does not apply to those related party agreements described in IAS 24 or other equivalent accounting standards.*

#### To the Shareholders,

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 Company's interest in entering into 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 by the general meeting**

Pursuant to Article L. 225-40 of the French Commercial Code, we have been advised of the following agreements previously authorised by your Board of Directors.

#### • **With MARQUE VERTE SANTE**

##### Financial advance

##### Related parties:

- Mr. Thierry CHAPUSOT, Chair of the Board of Directors of PHARMAGEST INTERACTIVE and Chair of the Executive Committee of MARQUE VERTE SANTE;
- Mr. Dominique PAUTRAT, Managing Director of PHARMAGEST INTERACTIVE and member of the Executive Committee of MARQUE VERTE SANTE;
- Ms. Anne L'HOTE, Director of PHARMAGEST INTERACTIVE and member of the Executive Committee of MARQUE VERTE SANTE;
- Mr. Daniel ANTOINE, Director of PHARMAGEST INTERACTIVE and permanent representative of WELCOOP GROUP on the Supervisory Board of MARQUE VERTE SANTE;
- Mr. Hugues MOREAUX, Board representative of WELCOOP GROUP on the PHARMAGEST INTERACTIVE Board of Directors and Chair 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 SANTÉ.

#### **Terms:**

MARQUE VERTE SANTÉ 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.

This agreement was renewed by the Board of Directors on 9 December 2016 as from 1 January 2017.

On 31 December 2016 PHARMAGEST INTERACTIVE's recognised a cash advance in the amount of €13,242,975. Interest income from this cash advance in the amount of €125,699 was recognised by Pharmagest Interactive under financial income .

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

This agreement provides a guaranteed level of remuneration provided by MARQUE VERTE SANTÉ that is 1.5% higher than the level available on the market for short-term capital-guaranteed investments.

#### **• With INTECUM**

#### **Tax consolidation agreement**

#### **Relevant persons:**

Mr. Denis SUPPLISSON, Deputy Managing Director and Director of Pharmagest Interactive and Chair of INTECUM.

#### **Nature and purpose:**

On 1 April 2016, the Board of Directors authorised PHARMAGEST INTERACTIVE to include DIATELIC 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.

At 31 December 2016 the current account balance of the tax consolidation for INTECUM in PHARMAGEST INTERACTIVE's financial statements was nil.

#### ***Reasons and merit for the company:***

Pursuant to the authorisation granted by the Board of Directors on 5 December 2014, Pharmagest authorised the Board of Directors to form a tax integration group making it possible to share taxes between the parent company and subsidiaries. INTECUM joined this tax consolidation group on 1 January 2016 after Pharmagest Interactive increased its stake at the end of 2015 to 100% of INTECUM's capital.

#### **Agreements and commitments already approved in prior periods that remained in force during the period ended**

Pursuant to article 225-30 of the French Commercial Code, we have been informed that the following agreements and commitments, previously approved by shareholders' meetings of prior years, remained in force during the year.

#### **• With DIATELIC and CP INTER@CTIVE**

#### **Tax consolidation agreement**



**Related parties:**

Mr. Dominique PAUTRAT, Managing Director and Director of PHARMAGEST INTERACTIVE, representing PHARMAGEST INTERACTIVE, Chair of DIATELIC and Managing Partner of CP Inter@ctive.

**Nature and purpose:**

On 5 December 2014, the Board of Directors authorised PHARMAGEST INTERACTIVE to include DIATELIC and CP Inter@ctive in the French tax sharing agreement governed by Articles 223-A to 223-U of the French General Tax Code. For CP Inter@ctive, this agreement entered into force on 1 January 2016, and was accordingly not applied in 2015.

**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.

At 31 December 2016 the current account balance of the tax consolidation for the companies DIATELIC and CP Inter@ctive in PHARMAGEST INTERACTIVE's financial statements was nil.

**• With Mr. PAUTRAT, Mr. PONNELLE and Mr. SUPPLISSON****Long-term bonus agreement****Relevant persons:**

Mr. Dominique PAUTRAT, Mr. Thierry PONNELLE and Mr. Denis SUPPLISSON, respectively Managing Director and Deputy Managing Directors, all members of the Board of Directors of your Company.

**Nature and purpose:**

The Board of Directors, meeting on 12 December 2013, decided to award bonuses to the Managing Director and the Deputy Managing Directors, i.e. Mr. PAUTRAT, Mr. PONNELLE and Mr. SUPPLISSON, under their employment contracts and subject to achieving the targets set over a four-year period, from 2013 to 2016.

The targets to be achieved relate to the Group business plan and are subject to the concerned parties' continued employment with PHARMAGEST INTERACTIVE when the bonuses are paid on 31 March 2017.

**Financial terms and conditions:****The bonuses are defined as follows:**

**For Mr. Dominique PAUTRAT:** A long-term incentive bonus amounting to no more than €200,000 gross, and an acquisition incentive bonus in respect of PHARMAGEST Group' business, for the period 2013-2016 and concerning investments in 2013-2014, for a gross amount not to exceed €150,000;

**For Mr. SUPPLISSON and Mr. PONNELLE:** A long-term incentive bonus amounting to no more than gross amounts of €140,000 for Mr. SUPPLISSON and €80,000 for Mr. PONNELLE, and an acquisition incentive bonus in respect of PHARMAGEST Group, for the period 2013-2016, and concerning investments in 2013-2014, to be allocated between all the members of the Finance and Personnel Management Committee with the exception of Mr. PAUTRAT, for a gross amount not to exceed €150,000.

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. At 31 December 2016, gross amounts set aside for this purpose and destined for payment in 2017 represented €82,000 for Mr. PAUTRAT (including €14,500 for 2016), €44,000 for Mr. PONNELLE (including €11,000 for 2016) and €97,000 for Mr. SUPPLISSON (including €24,250 for 2016).

*Vandœuvre-lès-Nancy and Courbevoie, 27 April 2017*

The Statutory Auditors

*[French original signed by:]*

**BATT AUDIT**  
Statutory Auditors  
**Stéphane RONDEAU**

**MAZARS**  
Statutory Auditors  
**Laurence FOURNIER**



## 20.5 Age of latest financial information

The last financial year for which financial information was audited was 2016, ending on 31 December 2016.

## 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 distribution policy

### 20.7.1 Dividend distribution policy

The Ordinary General Meeting of PHARMAGEST INTERACTIVE on 27 June 2017 will be asked to approve a dividend distribution of €0.65 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)
31/12/2013	2.50 €	2.50 €	2.50 €
31/12/2014	2.90 €	2.90 €	2.90 €
31/12/2015	0.60 €	0.60 €	0.60 €

The Extraordinary General Meeting on 26/06/2015 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 2013 (€2.50) would have been €0.50 per share and the dividend granted in fiscal 2014 (€2.90) would have been €0.58 per share.

### 20.7.3 Statutory period

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

The above dividends entitle individuals to 40% tax relief on the total amount. It is specified that pursuant to applicable law, dividends paid to natural persons who are tax residents in France will be deducted by the company or subject to the following withholding taxes:

- A compulsory social security contribution (*prélèvement social obligatoire*): at the current rate of 15.50%;
- A compulsory withholding tax (*prélèvement à la source obligatoire non libératoire*) of 21% (*article 117 quater of the new 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.

## 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.

At 31 December 2016, total provisions for contingencies and expenses stood at: <i>Of which:</i>	€3,495 thousand
a) Provision for retirement benefits	€2,767 thousand
b) Provisions for litigation, including in particular: • <i>of which provisions for ongoing customer disputes</i>	€22 thousand €17 thousand
c) Provision for contingencies *	€706 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 Share capital

As at 31 December 2016, 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.

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.

There have been no changes to the share capital since market listing.

There are no current commitments to increase the capital as at 31 December 2016.

Under the Articles of Association, changes to the capital are not subject to more restrictive conditions than those imposed by law.

The balance of treasury shares as at 31 December 2016 is presented herein in Section 20.3.1.5, note 10.2 to the consolidated financial statements.

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.

#### Trading range and activity since April 2016

Month	Low (in €)	High (in €)	Trading volume (shares)	Trading volume (in €)
April 2016	23.23	26.00	90,009	2,201,948
May 2016	23.46	25.50	48,163	1,178,372
June 2016	22.50	25.07	64,602	1,576,497
July 2016	24.42	27.40	89,362	2,325,290
August 2016	24.80	29.73	78,588	2,198,687
September 2016	25.07	31.50	110,763	3,210,974
October 2016	30.35	33.42	176,085	5,622,149
November 2016	28.66	37.50	124,904	4,227,107
December 2016	33.83	35.50	64,365	2,224,739
January 2017	34.00	36.48	38,677	1,356,952
February 2017	32.01	36.00	63,638	2,196,416
March 2017	32.60	36.80	56,680	1,973,821

(Source : Gilbert DUPONT)



## 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. 225-123-3 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 type, provision and communication of documents are determined by applicable legal and regulatory provisions.

#### 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 executive 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.

Minutes are prepared and copies or extracts of the proceedings are issued and certified in accordance with the 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. If convened on the second notice, 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 based on a majority of two-thirds of the votes cast by the shareholders present or represented, including those who submitted a postal vote.

### 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 23 June 2016, 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 23 June 2016.

As at 31 March 2017, the April 1 2016 programme resulted in:

- Purchases: 105,141 shares at an average price of €29.96;
- Sales: 104,972 shares at an average price of €29.88.

At the next Ordinary General Meeting on 27 June 2017, 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 27 June 2017.

### 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.

Moreover, for sales of IT solutions to pharmacies, PHARMAGEST INTERACTIVE offers RENTPHARM® in partnership with leasing companies. Similarly, through LGPI Global Services®, pharmacists have access to lease financing.

## 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

### 24.1 Annual Management Report

#### 24.1.1 Management report

##### PHARMAGEST INTERACTIVE

A French public limited company (*société anonyme*) with share capital of EUR 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 27 JUNE 2017

#### Dear Shareholders,

We are pleased to present:

- The Management Report on the situation of PHARMAGEST INTERACTIVE during the past financial year, prepared by the Board of Directors in accordance with Article L. 232-1 of the French commercial code, including the management board of PHARMAGEST Group in accordance with provisions of article L. 233-26 of the French commercial code presenting the position of the undertakings included in the consolidation taken as a whole;
- The Corporate Social Responsibility (CSR) report, prepared in accordance with Article L.225-102-1 of the French Commercial Code, attached to the Management Report and forming an integral part of this report;
- The Chair's Special Report, provided in accordance with Article L. 225-37 of the French Commercial Code;
- The report on the compensation policy for executive directors in accordance with the provisions of article L 225-37-2 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.

Pursuant to applicable law and regulations, this General Meeting is convened today to ask you to approve the individual and consolidated annual financial statements and the appropriation of earnings for the financial year ended on 31 December 2016, approved by the Board of Directors at its meeting of 31 March 2017.

The reports of the statutory auditors and the board of directors and the financial statements of the period, and more generally, all documents and disclosures provided for by article L. 225-115 and R. 225-83 of the French Commercial Code have been made available to you within the prescribed deadlines.

The required notifications have been carried out in the normal way.

#### Reporting method

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 <sup>(1)</sup>	Saclay (91)	50	50
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 LIMITED	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
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 HUOBREGA	Quéven (56)	100	100

<sup>(1)</sup> 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, Chair's appointment subject to the express agreement of PHARMAGEST Group), ADI which is 50%-owned, is fully consolidated.

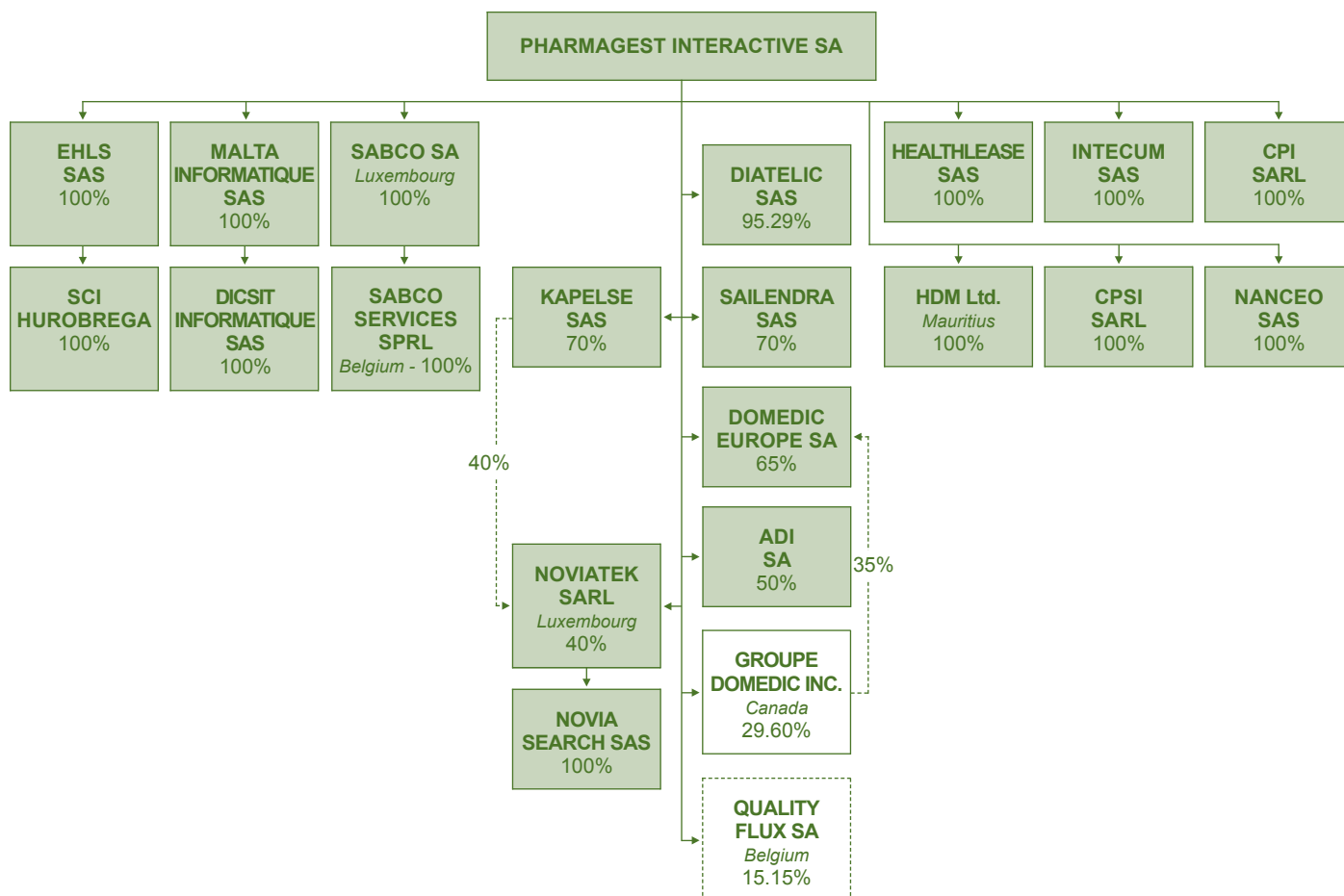
### Companies consolidated under the equity method

Companies	Address	% control	% interest
GROUPE DOMEDIC INC.	Québec (Canada)	29.60	29.60



### PHARMAGEST Group Organisation Chart

As at the end of the financial year, PHARMAGEST Group's organisation chart is as follows:



\* Green background: Fully consolidated companies  
 White background: Companies consolidated under the equity method  
 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 2016

- TELUS Health acquired an equity stake in GROUPE DOMEDIC INC. thus reducing PHARMAGEST INTERACTIVE's stake to 29.60%;
- Acquisition by MALTA INFORMATIQUE of DICSIT INFORMATIQUE, a simplified French joint stock company (*société par actions simplifiée*) with share capital of €50,000, a developer of application software;
- Absorption of DCI by PHARMAGEST INTERACTIVE through a simplified merger procedure entailing the company's dissolution and the global transfer of its assets and liabilities (*transmission universelle de patrimoine*);
- Acquisition of a majority stake by PHARMAGEST INTERACTIVE and its subsidiary KAPELSE of 40% each in the share capital of NOVIATEK, a French public limited company (*société à responsabilité limitée*) with registered capital of €250,100 whereby it is noted that NOVIATEK wholly-owns NOVIA SEARCH, a simplified French joint stock company (*société par actions simplifiée*) with share capital of €33,000, a company specialised in engineering and technical studies;
- PHARMAGEST INTERACTIVE acquired 70% of the capital of SAILENDRA, a simplified French joint stock company (*société par actions simplifiée*) with share capital of €403,500. SAILENDRA provides consulting services and designs and develops behavioural analysis-based systems and software solutions using artificial intelligence.



In view of the non-material impact of these changes in scope, no pro forma accounts have been prepared for the consolidated financial statements.

### PHARMAGEST Group's activities

PHARMAGEST Group's main activity is the design of specialised management software for dispensing pharmacies and the distribution of turnkey computer solutions.

#### • Solutions for Pharmacy Division - Europe:

- 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.

#### • Solutions for e-Health Division:

- In the e-Patients Business Line:
  - . Medical tele-monitoring system to prevent deterioration in the state of health of chronic and dependent patients treated at home;
  - . A smart pill dispenser to monitor compliance with treatment for the chronically ill or the elderly;
  - . 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:
  - . A professional e-commerce product for on-line B2B orders; pharmaceutical companies maintain close contact with their pharmacist customers using the LGPI Global Services® software portal;
  - . On the pharmacy's server, targeted communications and marketing initiatives, with no obligation for a permanent connection, are naturally integrated with management system to ensure the effectiveness and relevance of these campaigns by providing the right information to the right person, at the right time.

#### • Solutions for Sanitary and Medico-Social Establishments Division

- Distribution of IT equipment, turnkey installation and training;
- Distribution of new-generation software to the customers of MALTA INFORMATIQUE and its new subsidiary DICSIT INFORMATIQUE;
- After sales services: hotline support and maintenance.

#### • FinTech Division:

- Provision of a financing platform to facilitate management of lessors.

### Branch offices

PHARMAGEST Group operates through a network of 39 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 22 secondary sites.



### Key figures for the consolidated group - IFRS

Activities and results of PHARMAGEST Group, its subsidiaries and companies it controls.

Amounts - In € thousands	2016	2015	Variation
Sales of configurations	71,352	61,776	15.5%
Maintenance and sale of databases	37,692	35,840	5.1%
Other services, including e-advertising	1,706	1,843	-7.5%
Training and new product services	17,631	14,017	25.8%
<b>Total revenue</b>	<b>128,381</b>	<b>113,477</b>	<b>13.1%</b>
Current operating profit	31,386	28,281	11%
Operating profit	31,386	28,281	11%
Profit/(loss) for the period	21,464	18,996	13%
Net profit attributable to equity holders of the parent	20,567	18,792	9.4%
Basic earnings per share attributable to shareholders of the Group after the stock split*	<b>1.37 €</b>	<b>1.25 €</b>	<b>9.5%</b>

**Under IFRS**, consolidated revenue for fiscal 2016 rose 13.1% year-on-year. Gross sales came to €96,897 thousand in 2016, up from €89,396 thousand in 2015.

Material software maintenance and the renewal of the installed base of equipment under contract account for approximately 64% of PHARMAGEST Group revenue. These activities represent significant indicators for annual revenue.

Operating expenses (staff costs + general expenses + taxes) amounted to €61,864 thousand. The marginal increase in relation to 2015 is largely due to the increase in staff costs (+€2,552 thousand) and general expenses (+€756 thousand).

Operating profit was up in consequence 11% to €31,386 thousand from the previous year.

Net financial income amounted to €1,137 thousand based on €1,284 thousand in financial income and €146 thousand in financial expenses.

Consolidated net profit amounted to €21,464 thousand with €20,567 thousand attributable to equity holders of the parent and €897 thousand attributable to non-controlling interests. The increase in the Group share of net profit was 9.4%.

PHARMAGEST Group registered growth in net cash flow of €13,620 thousand after a decrease in available-for-sale securities of €1,107 thousand and cash flows from operating activities of €23,869 thousand (IFRS).

The Group enjoys a very sound financial structure. At year-end, equity attributable to equity holders of the parent amounted to €101,955 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 €44,761 thousand. Cash net of current financial liabilities totalled €48,203 thousand.

### PHARMAGEST INTERACTIVE (separate financial statements):

Amounts - In € thousands	2016	2015	Variation
Sales of configurations	47,066	47,289	- 0.5%
Maintenance and sale of databases	29,904	29,040	+ 3%
Other services, including e-advertising	1,581	1,722	- 8.2%
Training and new product services	9,513	9,435	+ 0.8%
<b>Total revenue</b>	<b>88,064</b>	<b>87,486</b>	<b>0.7%</b>
Operating profit	20,507	21,895	- 6.3%
Profit/(loss) for the period	13,781	16,152	- 14.7%



### Main subsidiaries (separate financial statements)

In € million	HEALTH-LEASE	EHLS	NANCEO	KAPELSE	MALTA INFORMATIQUE	ADI	SABCO	DICSIT INFORMATIQUE*
Revenue	41.52	19.29	10.47	9.01	8.23	4.96	2.66	2.05
Operating profit	2.36	0.96	0.25	3.15	3.33	0.85	- 0.27	0.51
Operating income before tax	2.37	1.01	0.25	3.15	3.34	0.85	- 0.27	0.51
Profit for the period	1.58	0.59	0.20	2.12	2.23	0.56	- 0.27	0.34

\* Results as from 01/04/2016 (first-time consolidation by PHARMAGEST Group)

### 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 2016, PHARMAGEST INTERACTIVE incurred €111,281 in expenses non-deductible from income tax under Article 39-4 of said Code and resulting in a tax of €37,094.

### Research and development

The Research & Development Department has 146 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 2016 in accordance with this standard is provided below:

- For projects generating future income (revenue from the sale of products or services):
  - €1,454 thousand capitalised in the separate financial statements of NANCEO, KAPELSE and DIATELIC;
  - €2,092 thousand restated according to IAS 38 for PHARMAGEST INTERACTIVE, MALTA INFORMATIQUE and DICSIT INFORMATIQUE including €564 thousand for outsourced expenditures.
- For projects that will generate probable future economic benefits (production of in-house software). €168 thousand.

### Highlights of the financial year

#### **GROUPE DOMEDIC INC. signed a strategic partnership agreement with TELUS Health**

By joining forces GROUPE DOMEDIC INC and TELUS Health were able to create a new technology platform offering an integrated medication compliance solution. On that basis, pharmacists and care homes in Canada will now have optimum control over the medication dispensing chain, in full compliance with traceability obligations.

Following its investment in TELUS Health, PHARMAGEST Group retains a 29.60% stake in GROUPE DOMEDIC INC. In the third investment phase this will be reduced to 26.02%.

#### **External growth for MALTA INFORMATIQUE in the promising Hospital at Home market**

In March 2016, MALTA INFORMATIQUE announced the acquisition of DICSIT INFORMATIQUE, a specialist in information systems for HADs (Hospitals at Home), SSIADs (Home-based nursing services) and CLIC networks (Local Information and Coordination Centres for older people). This acquisition offers commercial, industrial and operational synergies and strengthens MALTA INFORMATIQUE's portfolio of services in key sectors. This new expertise positions PHARMAGEST Group's Solutions for health and medical-social institutions Division to address all needs of healthcare professionals specialised in home care support in FRANCE.

#### **PHARMAGEST Group makes a new investment in the sector of innovative home care systems by acquiring a majority stake in NOVIATEK**

PHARMAGEST Group, with its subsidiary KAPELSE acquired 80% of NOVIATEK, thus becoming a subsidiary in turn of PHARMAGEST Group. NOVIATEK is a start-up specialising in the design of intelligent home installations and innovative systems to assist people with specific needs (Alzheimer's, older people living alone, dependent people, people living with disabilities, etc.). NOVIATEK is preparing the launch of a new product, Noviacare™: a smart box operating in an autonomous manner contributing to homecare solutions for persons with specific needs.





### **PHARMAGEST Group's "36 more months at home" project has now advanced to an operational phase with the support of CARSAT Nord-Est.**

In April 2016, after a pilot phase, PHARMAGEST Group moved forward by equipping 50 additional housing units with this sensor-based offering in the existing base of residential facilities. This deployment was made possible by a €490,500 subsidy granted by CARSAT Nord-Est, a regional social security retirement agency. The future prospects of this project are numerous and include the adaptation of the existing installed base of residential facilities, the extension of the offer to all of FRANCE or the construction of fully equipped residential facilities.

### **The "36 more months at home" offering that has entered the industrial scale up phase, was rewarded by the FIMBACTE 2016 Festival jury.**

In November 2016, the construction of a senior housing facility equipped with the "36 more months at home" offering is in the process of being completed in the new Résidences Vertes real estate development project in Pulnoy (Meurthe-et-Moselle). This real estate project, developed in partnership with a number of public and private stakeholders (Office Public de l'Habitat - OPH, the public health and safety authorities of Meurthe-et-Moselle -OHS, Linkcity, Nexcity) including PHARMAGEST Group was distinguished by FIMBACTE with three awards: two for the "Projects" and "Audio-visual" category respectively and one for the "Online Image" category.

### **Artificial Intelligence: PHARMAGEST Group becomes a majority shareholder of the start-up SAILENDRA**

In December 2016, PHARMAGEST Group became a majority shareholder of SAILENDRA, with a 70% stake. This acquisition completes the Group's Artificial Intelligence expertise, after the 2012 acquisition of DIATELIC, a subsidiary specialising in artificial intelligence and expert systems to predict the evolution of patients' health.

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 it is exemplified by the scalable algorithms capable of being easily updated.

#### **Subsequent events**

- 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 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. The SABCO® ULTIMATE software will equip 300 MULTIPHARMA pharmacies and parapharmacies in BELGIUM starting in July 2017. SABCO will equip 850 pharmacies in BELGIUM or 18% of the market.

#### **Outlook and strategic guidelines set by the Board of Directors**

A highlight of the year was the implementation of PHARMAGEST Group's patient-centric strategy.

Medication compliance is for PHARMAGEST Group an issue of major importance in the years ahead. 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 from connected objects to conduct analysis and anticipate changes in the patient health through artificial intelligence.

PHARMAGEST Group has continued to invest in developing products and services in new areas of e-Health such as developing home care solutions for elderly persons faced with the risk of a loss of autonomy. The equity stakes in DICSIT INFORMATIQUE, NOVIATEK and NOVIA SEARCH are fully aligned with this objective and highlight the relevance of PHARMAGEST Group's strategy of the last five years.

A range of projects have brought the Solutions for e-Health Division to industrial maturity and position it as a major growth driver for the Group. These include the "36 more months at home" project (financed by the Lorraine Region and led by WELCOOP GROUP, the Group's parent), the rollout of the compliance monitoring software (LSO) and the nationwide distribution of the DO-Pill SecuR™ smart pill dispenser in pharmacies.

International development will be a major focus for PHARMAGEST Group in 2017.



The execution of its international strategy will involve strengthening SABCO's presence in BELGIUM by the signature of a strategic partnership with MULTIPHARMA and the diversification of activities of the Solutions for Pharmacy Division - Europe in new European markets (such as for example England and Ireland with new subsidiaries CAREMEDS and MULTIMEDS). PHARMAGEST Group also intends to rollout the financing solutions of its NANCEO's subsidiary into international markets.

Year after year PHARMAGEST Group has been strengthening its cutting edge technology expertise in healthcare and related specialised business lines: pharmacy IT, solutions for e-Health, healthcare professionals, pharmaceutical laboratories and patients...

By maintaining a forward-looking and innovating in new areas, PHARMAGEST Group remains a key contributor to market transformations. On this basis, through its investments and the development of unique global know-how, it is ideally positioned to address the new healthcare challenges.

### Ownership of share capital as at 31 December 2016

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	PERCENT HOLDING
MARQUE VERTE SANTE	More than 50% and less than 66.66%
WELCOOP GROUP	More than 5% and less than 10%
SC "ERMITAGE SAINT JOSEPH" (Mr. Thierry CHAPUSOT)	More than 5% 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.

Finally, in accordance with article 223-26 of the AMF General Regulation, transactions covered by article L 621-18-2 of the French monetary and financial code of PHARMAGEST INTERACTIVE's shares in 2016 are presented below: Mr. Thierry PONNELLE, Deputy Managing Director, sold on:

- 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.

These transactions were reported to the AMF on the 5 and 11 October 2016 as required by applicable regulations.

### PHARMAGEST INTERACTIVE share buyback authorisation

1) The Annual General Meeting of 23 June 2016, 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 23 June 2016 until 22 December 2017.

**At 31 December 2016, PHARMAGEST INTERACTIVE held the following treasury shares, directly or indirectly:**

- 6,511 under a liquidity contract;
- 195,510 under a share buyback programme;

or a total of 202,021 shares representing 1.33% of the current share capital.



At 31 December 2016, under this programme, used via the liquidity contract, 103,095 shares were purchased for an average share price of €27.18, and 103,089 were sold for an average price of €27.14.

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 23 June 2016 for the period from 1 April 2016 to 31 March 2017.

**As at 31 March 2017, the April 1 2016 programme resulted in:**

- Purchases: 105,141 shares at an average price of €29.96;
- Sales: 104,972 shares at an average price of €29.88;

As at 31 March 2017, the company directly or indirectly holds 202,239 shares.

**2)** The shareholders are asked to renew this authorisation and 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;
- To purchase shares for future use, to be tendered in exchange or payment for acquisitions;
- To grant shares to the employees or corporate officers of PHARMAGEST INTERACTIVE or the 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 23 June 2016, to enter into effect on 27 June 2017. 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:**

- 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 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 26 December 2018.

The maximum price per share may not exceed €50.



### 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.

### 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 2016.

### Five-year financial summary

The table showing the results of PHARMAGEST INTERACTIVE during each of the last five financial years is appended to this report, in accordance with Article R. 225-102 of the French Commercial Code.

### Other disclosures

#### // INFORMATION ON THE ACCOUNTS PAYABLE AGED TRIAL BALANCE

In accordance with the provisions of article L. 441-6-1 and D. 441-4 of the French Commercial Code, we report to you on the breakdown of amounts due to suppliers at the end of the last two financial years:

#### 2016

Trade payables / due dates - In € thousands	< 30 d	> 30 d and < 60 d	> 60 d	Total (incl. tax)
Amounts falling due*	4,230	488	0	4,718
Amounts overdue**	154	279	0	433
<b>Total trade creditors (incl. tax)</b>	<b>4,384</b>	<b>767</b>	<b>0</b>	<b>5,151</b>
Invoices not received	0	0	0	1,666
<b>Total trade creditors on the balance sheet (incl. tax)</b>				<b>6,817</b>

#### 2015

Trade payables / due dates - In € thousands	< 30 d	> 30 d and < 60 d	> 60 d	Total (incl. tax)
Amounts falling due*	3,759	645	0	4,404
Amounts overdue**	882	0	0	882
<b>Total trade creditors (incl. tax)</b>	<b>4,641</b>	<b>645</b>	<b>0</b>	<b>5,286</b>
Invoices not received	0	0	0	1,632
<b>Total trade creditors on the balance sheet (incl. tax)</b>				<b>6,918</b>

\* Payment date after year-end.

\*\* Payment date before year-end.



### II/ IN ACCORDANCE WITH ARTICLES L. 225-100, L. 225-102-1, R.225-104 AND L. 820-3 OF THE FRENCH COMMERCIAL CODE, WE HEREBY REPORT YOU ON THE FOLLOWING :

#### A/ INFORMATION PERTAINING TO EMPLOYEES

Employee-related information for PHARMAGEST Group is provided in the Corporate Social Responsibility Report appended to this report, and includes information on:

- Personnel;
- Organisation of working time;
- Compensation;
- Labour relations and collective agreements;
- Occupational health and safety conditions;
- Training;
- Employment and integration of disabled workers;
- Social works;
- External sub-contracting.

#### B/ INFORMATION ON THE ENVIRONMENT

The environmental information concerning PHARMAGEST Group is provided in the Corporate Social Responsibility Report appended to this report, and includes information on:

- Polluting and risk-generating activities;
- Sustainable development.

#### C/ USE OF FINANCIAL INSTRUMENTS

The details are given in the following paragraph: E/ Risk assessment

#### D/ FEES PAID TO THE STATUTORY AUDITORS

Audit - in €	MAZARS				BATT AUDIT			
	Amount (before tax)		%		Amount (before tax)		%	
	2016	2015	2016	2015	2016	2015	2016	2015
Statutory auditors - PHARMAGEST INTERACTIVE - Consolidated subsidiaries	38,250 8,500	37,550 14,450	82% 18%	73% 27%	38,250 26,700	37,550 19,700	59% 41%	66% 34%
Other audit-related services	-	-	-	0%	-	-	0%	0%
<b>Subtotal</b>	<b>46,750</b>	<b>52,000</b>	<b>100%</b>	<b>100%</b>	<b>64,950</b>	<b>57,250</b>	<b>100%</b>	<b>100%</b>
Other services provided to subsidiaries	-	-	0%	0%	-	-	0%	0%
Legal, tax, social	-	-	0%	0%	-	-	0%	0%
Information technologies	-	-	0%	0%	-	-	0%	0%
Internal audit	-	-	0%	0%	-	-	0%	0%
Other (indicate if > 10% of audit fees)	-	-	0%	0%	-	-	0%	0%
<b>Subtotal</b>			<b>0%</b>	<b>0%</b>			<b>0%</b>	<b>0%</b>
<b>TOTAL</b>	<b>46,750</b>	<b>52,000</b>	<b>100%</b>	<b>100%</b>	<b>64,950</b>	<b>57,250</b>	<b>100%</b>	<b>100%</b>



## E/ RISK ASSESSMENT

PHARMAGEST Group reviewed the risks that could have a material adverse impact on its business, financial position, results, or on its ability to achieve its objectives and considers that there are no material risks other than those presented below and discussed on the Chair's report.

### ***Operating risks inherent to the business:***

- Competition;
- The economic environment - indirect risks related to governmental decisions;
- Information systems and network security;
- Social risks;
- Risk of fraud and error;
- Insurance risks.

### ***Regulatory and legal risks;***

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

### ***Industrial and environmental risks***

### ***Financial risks:***

- Liquidity risk;
- Interest rate risk;
- Foreign exchange risk;
- Risks on equities and other financial instruments;
- Credit or counterparty risk;
- Risks associated with the effects of climate change.

## F/ INFORMATION ON DIRECTORSHIPS AND COMPENSATION OF CORPORATE OFFICERS

We report to you as follows:

- **The list of directorships and positions held by the company's managers in the 2016 financial year**  
Article L. 225-102-1 of the French Commercial Code  
(see table attached)
- **Compensation paid to managers and corporate officers by PHARMAGEST INTERACTIVE and the companies that control it**  
Article L. 225-102-1 of the French Commercial Code



Directors	Positions	Gross compensation in 2016	Gross compensation in 2015
Mr. Thierry CHAPUSOT	Chair of the Board of Directors	- Compensation in respect of role as corporate officer: €24,000	- Compensation in respect of role as corporate officer: €24,000
Mr. Dominique PAUTRAT	Managing Director and Director (holds an employment contract)	* ** - Compensation as corporate officer: €24,000 - Compensation under the employment contract: Fixed: €146,004 Variable: €34,000 - Benefit in kind (car): €4,958	* ** - Compensation as corporate officer: €24,000 - Compensation under the employment contract: Fixed: €146,004 Variable: €34,000 - Benefit in kind (car): €4,608
Mr. Thierry PONNELLE	Deputy Managing Director and Director (holds an employment contract)	* ** - Compensation as corporate officer: €12,000 - Compensation under the employment contract: Salary: €93,252 Bonus: €21,400 - Benefit in kind (car): €0	* ** - Compensation in respect of role as corporate officer: €12,000 - Compensation under the employment contract: Salary: €93,252 Variable: €17,184 - Benefit in kind (car): €0
Mr. Denis SUPPLISSON	Deputy Managing Director and Director (holds an employment contract)	* ** - Compensation in respect of role as corporate officer: €12,000 - Compensation under the employment contract: Salary: €114,000 Bonus: €26,500 - Benefit in kind (car): €4,464	* ** - Compensation in respect of role as corporate officer: €12,000 - Compensation under the employment contract: Salary: €114,000 Bonus: €27,000 - Benefit in kind (car): €4,464
Mr. Hugues MOREAUX	Board representative of WELCOOP GROUP	None	None
Mr. Daniel ANTOINE	Director	Directors' attendance fees: €900 Audit Committee member: €4,000	Directors' attendance fees: €900 Audit Committee member: €4,000
Mr. Michel DUSSERRE	Independent Director until 26/06/2015	None	Directors' attendance fees: €450 Audit Committee member: €12,000
Ms. Marie-Louise LIGER	Independent Director As of 26/06/2015	Directors' attendance fees: €900 Audit Committee member: €14,000	Directors' attendance fees: €450 Audit Committee member: €6,000
Mr. François JACQUEL	Director	Directors' attendance fees: €1,500 Audit Committee member: €4,000	Directors' attendance fees: €1,500 Audit Committee member: €4,000
Ms. Anne LHOTE	Director	None	None
Ms. Sophie MAYEUX	Independent Director	Directors' attendance fees: €750	Directors' attendance fees: €600

\* 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% of total gross compensation. PHARMAGEST INTERACTIVE pays all costs and contributions under the scheme to Swiss Life.

\*\* 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 will be made on 31 March 2017 and will depend on meeting the targets for the four years. It is specified that payment is subject to continuity of employment of the above-named individuals in their current positions. Provisions are recorded each year in the financial statements pro rata based on the progress achieved in meeting the year' targets.

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.



• **Compensation paid to managers and corporate officers of MARQUE VERTE SANTE, the parent company of PHARMAGEST INTERACTIVE**

Directors	Positions in MARQUE VERTE SANTE	Gross compensation in 2016	Gross compensation in 2015
Mr. Thierry CHAPUSOT	Chair of the Executive Committee	None	None
Mr. Dominique PAUTRAT	Member of the Managing Board	None	None
Ms. Anne LHOTE	Member of the Managing Board	None	None
Mr. Hugues MOREAUX	Chair of the Supervisory Board	None	None
Mr. Daniel ANTOINE	Board representative of WELCOOP GROUP, Member of the Supervisory Board	None	None

• **Compensation paid to managers and corporate officers of WELCOOP GROUP, the parent company of MARQUE VERTE SANTE**

Directors	Positions in WELCOOP GROUP	Gross compensation in 2016	Gross compensation in 2015
Mr. Thierry CHAPUSOT	Chair of the Executive Committee (holds an employment contract)	* ** - Corporate office: €54,000 - and employment contract: Fixed compensation: €243,000 Variable performance-based: €55,000 - Benefits in kind (car): €7,824	* ** - Corporate office: €54,000 - and employment contract: Fixed compensation: €243,000 Variable performance-based: €0 - Benefit in kind (car): 7,824 €
Mr. Dominique PAUTRAT	Member of the Managing Board	- Corporate office: €24,000	- Corporate office: €24,000
Ms. Anne LHOTE	Member of the Executive Committee (holds an employment contract)	* ** - Corporate office: € 24,000 - and employment contract: Fixed compensation: €163,750.05 Variable performance-based: 32,100 € - Benefit in kind (car): €2,292.34	* ** - As a corporate officer: € 24,000 - under the employment contract: Fixed compensation: €145,000 Variable performance-based: €9,000 - Benefits in kind (car): €2,124
Mr. Hugues MOREAUX	Chair of the Supervisory Board	As a corporate officer: €113,784	As a corporate officer: €113,784
Mr. Daniel ANTOINE	Vice-Chair of the Supervisory Board	Directors' attendance fees: €775	Directors' attendance fees: €924
Mr. François JACQUEL	Member of the Supervisory Board	Directors' attendance fees: €1,295	Directors' attendance fees: €1,542

\* Mr. Thierry CHAPUSOT (since 2010) and Ms. Anne LHOTE are the beneficiaries of a defined contribution plan (the "Article 83 plan" in reference to article 83 of the French General Tax Code), where WELCOOP GROUP pays all costs and the total contributions to Swiss Life, based on an amount equal to 8% of their total compensation.

\*\* 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 WELCOOP GROUP's four-year business plan. Payment of these incentive bonuses will be made on 31 March 2017 and will depend on meeting the targets for the four years. It is specified that payment is subject to continuity of employment of the above-named individuals in their current positions. 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 for the year.





### 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 €13,781,091.23 as follows:

Profit of the period	13,781,091.23 €
Retained earnings	43,766,076.21 €
<b>Amount available to shareholders</b>	<b>57,547,167.44 €</b>
<b>Dividends (€0.65 per share)</b>	<b>9,863,181.25 €</b>
The balance is appropriated to retained earnings	47,683,986.19 €

Shareholders' equity will amount to €70,759,101.78.

The above dividends entitle individuals to a 40% tax relief on the total amount. In accordance with applicable law, dividends paid to natural persons who are tax residents in FRANCE will be deducted by the company or subject to the following withholding taxes:

- A compulsory social security contribution (*prélèvement social obligatoire*): at the current rate of 15.50%;
- A compulsory withholding tax (*prélèvement à la source obligatoire non libératoire*) of 21% (article 117 quater of the new French General Tax Code). Income is taken at gross value to calculate this amount. 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 242c. 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.

The dividend will have a payment date of 3 July 2017 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)
31/12/2013	€ 2.50	€ 2.50	€ 2.50
31/12/2014	€ 2.90	€ 2.90	€ 2.90
31/12/2015	€ 0.60 *	€ 0.60	€ 0.60

\* 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.

### Directorships and corporate offices of the members of the Board of Directors and the Statutory Auditors

#### Status of Directors' appointments

As the directorship of Ms. Anne LHOTE 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 2022.

In addition, in light of your Chair's engagement to comply within the legally prescribed period, with imposing limits on the number of women serving on the Board of Directors, we propose the appointment of:

- **New Independent Director**

Ms. Céline Céline GRIS  
Of French nationality,  
Born on 14/07/1977 in TOURS (FRANCE)  
Residing at 140 bis rue de REIMS - 57950 MONTIGNY LES METZ



• **New Independent Director**

Ms. Emilie LECOMTE

Of French nationality,

Born DALLA-COSTA on 15/11/1978 in NANCY (54)

Residing at 57 rue du Général Patton - 57330 HETTANGE GRANDE

For a six-year term or until the ordinary annual general meeting that will be called for the purpose of approving the financial statements for the period ending 31 December 2022.

If you approve the renewal of Ms. Anne LHOTE's appointment and decide to appoint Ms. GRIS et Ms. LECOMTE, the Board of Directors of 12 members will include seven men and five women (or 41.6%).

**Information on the Statutory Auditors' appointments**

We inform you that the offices of the principal statutory auditors of the firm MAZARS and the deputy statutory auditor of Mr. Christian EINHORN expire at the end of this General Meeting.

For that reason, your Board, pursuant to the recommendations of the Audit Committee following a selection procedure involving a call for tenders, proposes that you:

- Appoint in the capacity of principal statutory auditor DELOITTE & ASSOCIES, 185 C avenue Charles de Gaulle 92200 NEUILLY SUR SEINE, represented by Ms. PHILIPONA-HINTZY, for a six-year term or until the end of the ordinary Annual General Meeting that will be called for the purpose of approving the financial statements for the period ending 31 December 2022.
- Do not replace Mr. Christian EINHORN, the Deputy Statutory Auditor, in Accordance with provisions of Article L 823-1, as amended, of the French Commercial Code.

The Audit Committee declares that this decision was not imposed by any third party and that no contractual provision restricted its choice resulting in the issuance of its recommendations to the Board.

**Related party agreements**

One new regulated agreement was authorised and entered into in the period by decision of the Board of Directors on 1 April 2016. In addition, a new agreement was authorised by the Board on 9 November 2016 entering into effect on 1 January 2017. These transactions will be reported in detail in the Statutory Auditors' special report.

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.

In addition, in accordance with article L.225-102-1, paragraph 13 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.

**Comments from the Works Council**

The Works Council representatives had no comments to make.

**Directors' attendance fees**

You are also asked to approve Directors' fees of €33,000 for fiscal 2017.

---



We will now present the second half 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 special report of the Chair on Board practices and internal procedures in application of Article L. 225-37 of the French Commercial Code.
- The Board of Director's report, provided in accordance with Article L. 225-37-2 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.

Having considered the Statutory Auditors' reports on the consolidated financial statements, the annual financial statements, the special report on the Chair's report and the special report on related-party agreements prepared by BATT AUDIT and MAZARS, we are available to 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

FIVE-YEAR FINANCIAL SUMMARY (€)	31/12/2016	31/12/2015	31/12/2014	31/12/2013	31/12/2012
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	3,034,825	3,034,825	3,034,825
Number of preference shares	0	0	0	0	0
Maximum number of future shares to create	0	0	0	0	0
- By convertible bonds	0	0	0	0	0
- By exercising subscription rights	0	0	0	0	0
<b>Revenue excluding taxes</b>	<b>88,063,884</b>	<b>87,485,500</b>	<b>96,227,680</b>	<b>98,138,886</b>	<b>94,818,067</b>
Income before tax, employee participation and allowances	23,423,851	26,098,235	27,679,445	25,360,848	21,169,713
Income tax expense	6,662,263	7,238,280	7,244,003	7,368,965	6,417,341
Employee profit-sharing	1,697,092	1,865,738	1,847,404	2,018,662	1,840,381
Earnings after tax, employee profit-sharing and provisions	13,781,091	16,152,017	18,041,507	15,075,829	12,949,922
Earnings distributed decided by the General Meeting <sup>(1)</sup>	9,863,181.25	9,104,475	8,800,993	7,587,063	6,373,133
Earnings per share after tax and before provisions	0.99	1.12	6.13	5.26	4.25
Earnings per share after tax and provisions	0.91	1.06	5.94	4.97	4.27
Dividend per share <sup>(1)</sup>	<b>0.65</b>	0.60	2.90	2.50	2.10
Average workforce for the financial year	657	627	619	612	601
Total payroll	23,276,389	21,990,893	21,649,914	20,646,710	20,567,362
Social security contributions and benefits	10,912,422	10,656,424	10,942,075	10,383,230	11,525,166

<sup>(1)</sup> Proposal to the AGM of 27 June 2017 for the financial year ended on 31 December 2016.

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 27 JUNE 2017  
LIST OF DIRECTORSHIPS AND POSITIONS HELD BY THE COMPANY'S CORPORATE OFFICERS  
IN OTHER COMPANIES IN 2016

(Article L 225-101-2, paragraph 3 of the French Commercial Code)



Companies	Thierry CHAPUSOT	Dominique PAUTRAT	Thierry PONNELLE	Denis SUPPLISSON
* 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)
GROUPE WELCOOP (SA)	Chair of the Executive Committee (holds an employment contract)	Executive Committee member		
* MARQUE VERTE SANTE (SA)	Chair of the Executive Committee	Executive Committee 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 INTER@CTIVE	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
* DC INFORMATIQUE (SARL)		Manager until 28/06/2016 following the simplified merger procedure (TUP)		
* CP INTER@CTIVE (SARL)		Manager		
* SABCO (SA) (LUXEMBOURG)		Chair & Director		Managing Director
* HDM (MAURITIUS)		Manager		
* SABCO SERVICES (BELGIUM)		Manager		
* INVESTIPHARM FRANCE (SA)				
* GROUPE DOMEDIC INC. (CANADIAN COMPANY)	Director	Director		
* INTECUM (SAS)				Chair
* UK PHARMA (GREAT BRITAIN)	Board representative of MARQUE VERTE SANTE as of 01/06/2016	Manager as of 01/12/2016		
* ESPAFARMED (SPAIN)				
* ITAFARM (ITALY)				
* SOFAREX (BELGIUM)				
* INVESTIPHARM BELGIUM (BELGIUM)				



Daniel ANTOINE	Hugues MOREAUX	Francois JACQUEL	Anne LHOTE	Sophie MAYEUX	Marie-Louise LIGER
Director	Board representative of WELCOOP GROUP	Director	Director	Director	Director
Vice-Chair of the Supervisory Board	Chair of the Supervisory Board	Supervisory Board member	Executive Committee member (holds an employment contract)		
Board representative of WELCOOP GROUP, Supervisory Board member	Chair of the Supervisory Board		Executive Committee member		
Director	Board representative of WELCOOP GROUP		Chair of the Board of Directors		
			Manager until 30/11/2016		
			Director		
			Director		
			Managing Director		
			Managing Director		



Companies	Thierry CHAPUSOT	Dominique PAUTRAT	Thierry PONNELLE	Denis SUPPLISSON
* PHARMALAB INTERNATIONAL LTD (HONG KONG)				
* ALPHA FINANCE REPARTITION (BELGIUM)				
*AUXI EXPORT (BELGIUM)				
* LABORATOIRE MARQUE VERTE (formally SEMES) (SA)	Board representative of WELCOOP GROUP	Chair of the Board of Directors		
* D'MEDICA (SA)	Chair of the Board of Directors			
* OBJECTIF PHARMA (SA)	Chair of the Executive Committee			
* DEVELOPPEMENT PROMOTION CRISTERS (SAS)	Chair			
* KAPELSE (SAS)		Representing the Chair of PHARMAGEST INTERACTIVE		
SC DE L'ERMITAGE SAINT JOSEPH	Director			
* SCI HUOBREGA		Director		
SCI JADD				
SNC MOREAUX DUCASSOU				
* SCI CERP IMMO 2	Board representative of GROUPE 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			
* SARL CARAIBES PHARMA SERVICES INFORMATIQUE				Manager
SELARL FRANCOIS JACQUEL				
SCI CRAPAUDINE				



Daniel ANTOINE	Hugues MOREAUX	Francois JACQUEL	Anne LHOTE	Sophie MAYEUX	Marie-Louise LIGER
			Director		
			Managing Director		
			Manager		
	Director				
	Board representative of WELCOOP GROUP		Director		
Supervisory Board member	Vice-Chair of the Supervisory Board		Executive Committee member		
Director					
	Joint Manager				
	Manager				
		Manager			
		Joint Manager			

\* WELCOOP GROUP's member companies



## 24.1.2 Corporate Social Responsibility Report

PHARMAGEST INTERACTIVE  
A FRENCH PUBLIC LIMITED COMPANY (*SOCIÉTÉ ANONYME*) WITH SHARE CAPITAL OF EUR 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 27 JUNE 2017

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. PHARMAGEST's Economic and Social Unit (ESU) comprising PHARMAGEST INTERACTIVE, CPI, EHLS, DIATELIC and CPSI is reviewed on a regular basis. This unit accounts for 81% of the total workforce.

The information in this CSR Report was prepared on the basis of contributions from inside the Group, for data on 2016 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 social 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 909 people at 31 December 2016 (892 FTE (full-time equivalent)), up 8.73% from the 836 employees at year-end 2015 (817 FTE).

The Group's workforce has increased providing stability of employment as it has continued to grow.

There are four employee categories: employees, technicians, supervisors/senior technicians and managers.





STATUS	Men				Women				Total			
	2014	2015	2016	Change 2015 - 2016	2014	2015	2016	Change 2015 - 2016	2014	2015	2016	Change 2015 - 2016
<b>Fixed-term / vocational training &amp; apprenticeship contracts</b>	<b>14</b>	<b>13</b>	<b>19</b>	<b>46%</b>	<b>12</b>	<b>3</b>	<b>11</b>	<b>267%</b>	<b>26</b>	<b>16</b>	<b>30</b>	<b>88%</b>
EMPLOYEES	1	4	7	75%	6	3	9	200%	7	7	16	129%
TECHNICIANS	12	9	11	22%	5	0	2	/	17	9	13	44%
SUPERVISORS / SENIOR TECH MANAGERS	1	0	0	/	1	0	0	/	2	0	0	/
	0	0	1	/	0	0	0	/	0	0	1	/
<b>Permanent contract</b>	<b>567</b>	<b>578</b>	<b>613</b>	<b>6%</b>	<b>226</b>	<b>242</b>	<b>266</b>	<b>10%</b>	<b>793</b>	<b>820</b>	<b>879</b>	<b>7%</b>
EMPLOYEES	73	63	72	14%	86	95	107	13%	159	158	179	13%
TECHNICIANS	242	250	255	2%	69	71	75	6%	311	321	330	3%
SUPERVISORS / SENIOR TECH MANAGERS	48	44	37	-16%	18	18	15	-17%	66	62	52	-16%
	204	221	249	13%	53	58	69	19%	257	279	318	14%
<b>TOTAL</b>	<b>581</b>	<b>591</b>	<b>632</b>	<b>7%</b>	<b>238</b>	<b>245</b>	<b>277</b>	<b>13%</b>	<b>819</b>	<b>836</b>	<b>909</b>	<b>9%</b>

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 (23, including 7 professional training or apprenticeship contracts, compared with 879 on permanent contracts).

96.70% of the Group's workforce are permanent employees, with practically no difference in this percentage between men (96.99%) and women (96.03%).

At 31 December 2016, PHARMAGEST Group employed 47 part-time staff (44 at year-end 2015).

The gender breakdown is 277 women (or 30.47% of the total), which remained stable year-on-year and is within the average for the industry (IT, research and development).

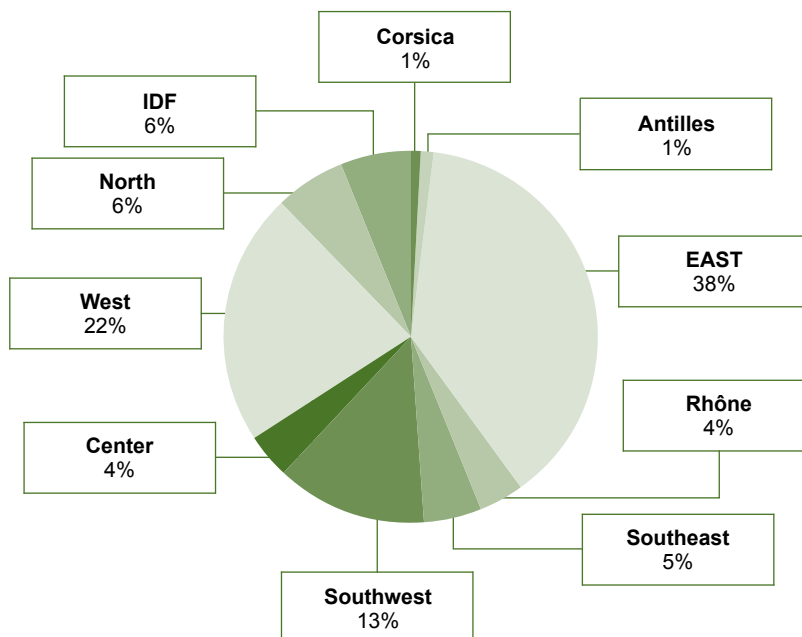
#### 1.1.1.2 Breakdown of the workforce by region

The breakdown in 2016 of the workforce by region was as follows:

- FRANCE: 94%;
- MAURITIUS: 3%;
- BELGIUM: 2%;
- 1% worked in LUXEMBOURG.



The French workforce broke down as follows by region in 2016:

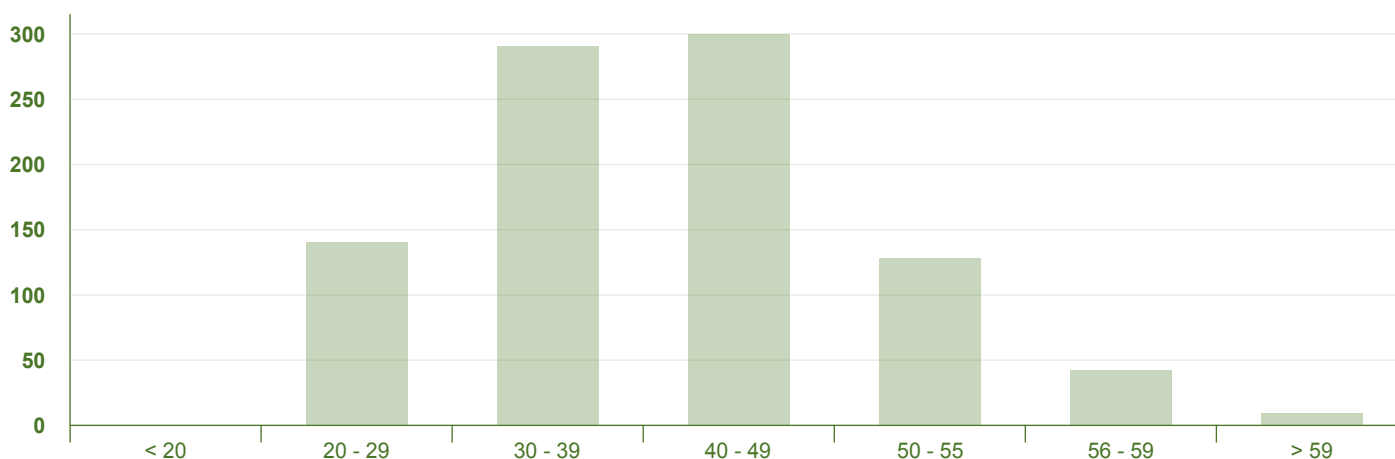


The high concentration in two regions reflects:

- 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 2016:



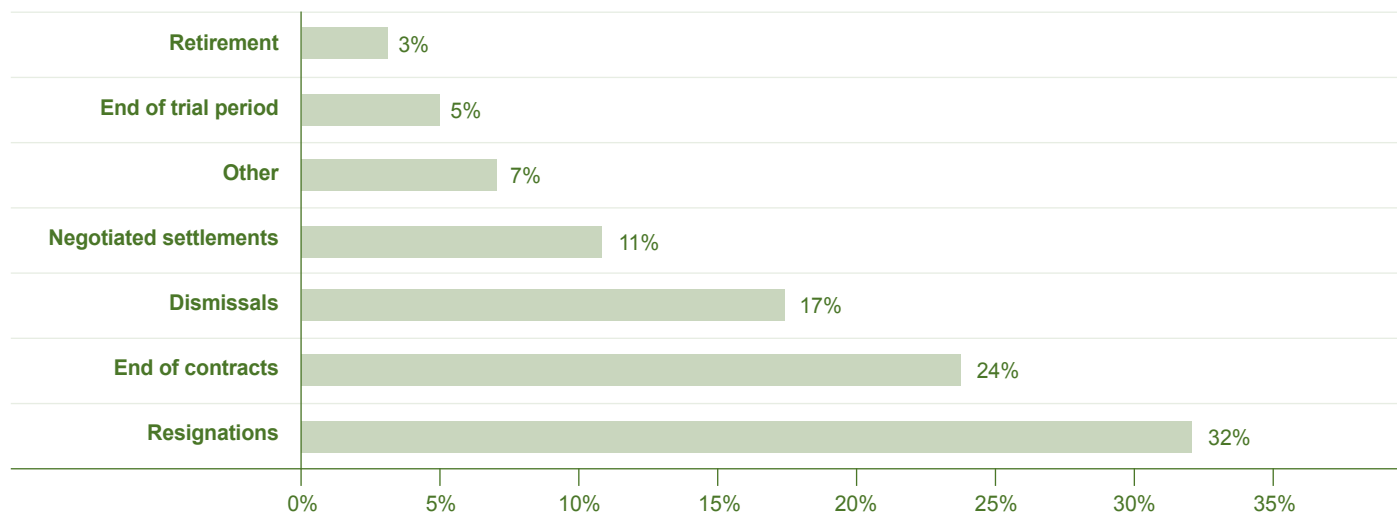
In 2016, the average age of employees of the Group was 40 and the average length of service was 10 years, one year more than in 2015.



### 1.1.2 Recruitment and dismissals

In 2016, 160 new employees joined the Group (vs. 100 in 2015) including 30 from the integration of NOVIA TEK, NOVIA SEARCH and DICSIT INFORMATIQUE, and 87 employees left (vs. 83 in 2015).

The breakdown of departures by type 2016 is as follows:



No industrial tribunal disputes were initiated in 2016.

### 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 2016, based on a system of wage increases and merit bonuses calculated according to gross wage brackets and designed to boost the earnings of the lowest paid workers.

**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 €31,074,229 for gross salaries and €13,782,388 in employer's social charges in 2016 (source: DADS).



**Salaries\* in the past three years for the PHARMAGEST ESU, broken down by management/non-management and gender:**

		2013-2014	2014-2015	2015-2016
Managers	Men	- 2.97%	- 0.91%	- 2.08%
	Women	4.47%	- 3.65%	- 1.33%
Non-managers	Men	2.10%	- 1.25%	0.81%
	Women	0.91%	- 0.70%	- 0.96%
<b>Average for the total workforce</b>		<b>0.03%</b>	<b>0.33%</b>	<b>1.05%</b>

\* In the interests of fair presentation, only full-time staff at 31 December 2016, employed from 1 January 2016 to 31 December 2016, are included. The data excludes employees whose actual annual salary, less daily allowances, is lower than the annual minimum wage (the SMIC in FRANCE).

The lower average compensation by category is 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); The promotion of supervisors and senior technicians to management roles (an increase of 13% for men and of 19% for women) involves salaries within a wider bracket relative to more experienced managers.

Mechanically, among the non-management employees, those who advanced to the management level were replaced by lower-paid junior profiles. This trend was more prominent for female non-management employees who proportionally benefited more from the internal promotion policy than non-management male employees.

## 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;
- 38.2-hour week; HDM (MAURITIUS);
- 39-hour week; CPSI, MALTA INFORMATIQUE and SABCO SERVICES (BELGIUM);
- 40-hour week; SABCO (LUXEMBOURG), NOVIA TEK (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 2016 was 4.34%. It is calculated by dividing the number of hours of absence by the number of contractual hours.

The main reasons for absences were illness (75.34%), parental leave (8.88%), occupational accidents (5.38%), family events (5.91%), and miscellaneous (4.49%).

## 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 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 88%;
- Monthly meetings of personnel representatives are organised in the regions (40 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 2016. Personnel representatives at DICSIT INFORMATIQUE, a subsidiary of MALTA INFORMATIQUE met once in 2016.

For ADI personnel representatives met twice in 2016.

For HDM, personnel representatives met five times in 2016.

The workforce in the other Group companies (HEALTHLEASE, INTECUM, KAPELSE, NANCEO, SABCO, SABCO SERVICES, NOVIA TEK and NOVIA SEARCH) 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 €207 thousand in 2016, down 5% from €218 thousand in 2015.



### 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 four new agreements in 2016, giving a total of 36) is a testimony to the Group's commitment to social dialogue.

#### 1.3.2.2 *Summary of 2016 collective bargaining agreements for the PHARMAGEST ESU*

- Minute recording the absence of agreement on workplace gender equality (20/03/2016);
- Amendment to the profit-sharing agreement for the ESU's staff for 2014-2016 (23/03/2016);
- Minutes recording the absence of agreement on the statutory mandatory annual negotiations (25/05/2016) ;
- Amendment to the agreement on supplemental health insurance benefits in the ESU (22/12/2016).

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, it continued to deploy in 2016 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 ESU's Health, Safety and Working Conditions Committee meets every quarter. There were seven meetings in 2016 with an attendance rate of 84%.

#### **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, the tools for prevention (the good driving charter, the road safety awareness-raising initiative on driving risk and road safety, etc.) and management were revamped in 2016.

### 1.4.2 *Summary of agreements signed with personnel representatives*

No health and safety agreements were signed in 2016.

### 1.4.3 *Occupational accidents*

PHARMAGEST Group reported one occupational illness and 11 occupational accidents in 2016 generating a total of 550 lost time days:

- In the PHARMAGEST ESU, one occupational illness and eight occupational accidents resulting in a total of 512 lost time days, (or an average of 64 days);
- One occupational accidents in DIALETIC resulted in 32 lost time days;
- Two occupational accidents in DICSIT INFORMATIQUE resulted in 5 lost time days.

The accident frequency rate was 6.84 and the severity rate was 0.34.

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 2016 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);
- Sales techniques and support for sales personnel to develop the consulting aspects of their role;
- Supporting consultants in the deployment and consolidation of the "PHARMAGEST Consulting" offering and training of new Consultants;
- Technical and IT skills: assisting teams to upgrade their skills in line with organisational and technological developments;
- Health & safety: support for deployment of risk prevention plans in the company.

**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;
- 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 of €313,926 in 2016. PHARMAGEST Group allocated €227,909 to professional training, excluding management fees and representing 0.73% of total payroll in 2016, with €128,549 for external training and €99,360 for internal training.

PHARMAGEST Group employees received a total of 5,786 training hours (excluding MALTA INFORMATIQUE & DICSIT INFORMATIQUE) including 653 hours allocated to apprenticeship and vocational training contracts or an average of 20 hours of training per employee excluding the latter.

## 1.6 Equal treatment

### 1.6.1 Measures to promote gender equality

PHARMAGEST Group is committed to the principle of equal pay from the moment an employee joins.

The study of the relationship between average annual pay for women and men of the same status within the PHARMAGEST ESU, highlights by its stability, a narrowing of the gap between male and female managers, whereas this ratio declined marginally for non-management employees.

**Average salary\* for men and women by category (manager/non-manager)**

	2014	2015	2016
Female managers	86%	84%	84%
Female non-managers	94%	95%	93%

\* Scope: PHARMAGEST ESU (full time, employed from 1 January to 31 December 2016)



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 from 2015 to 2016.

For information, 35.09% of the Group's employees were management-level in 2016 (versus 33.37% in 2015). 7.59% of these were women and 27.50% were men, and both increased from 2015. The remainder of the workforce consists of 22.88% women and 42.02% 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.

After the collective bargaining negotiations on gender equality failed to reach an agreement, PHARMAGEST Group implemented a unilateral action plan within the PHARMAGEST ESU.

**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 of 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 2016 financial year, PHARMAGEST Group employed 31 disabled workers (24 in 2015) 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;
- Regular participation in trade fairs and forums for the employment and integration of disabled employees;
- Sub-contracting management of network and telephone incidents to a company approved for employment of the disabled;
- Sub-contracting preparation and publication of catalogues and communications media and office supplies to a company approved for employment of the disabled.

### 1.6.3 *Anti-discrimination policy*

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 **Information on the environment**

### 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*

In 2016, PHARMAGEST Group 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	2014	2015	2016	Change 2015/2016
Recycled	17.58	33.68	29.66	-11.92%

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 a not-for-profit devoted to facilitating assistance by companies of all sizes to food bank collection and redistribution MESA Mirabelle (*Mouvement des Entreprises pour une Solidarité Alimentaire*). 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

PHARMAGEST Group does not use water resources. Water consumption is limited to normal everyday consumption (bathrooms).

PHARMAGEST Group 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

PHARMAGEST Group does not use raw materials directly in its activities.

##### 2.3.2.3 Energy consumption

PHARMAGEST Group's electricity consumption increased 2.62% between 2015 and 2016 from 2,177,738 KWh (data corrected after adjustments and changes in consolidation scope) to 2,236,276 KWh (excluding ADI). The sites with the highest consumption were PHARMAGEST INTERACTIVE's registered office at VILLERS-LES-NANCY (836,357 KWH) ) and the QUEVEN site (225,891 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 (+9 %).

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 442 vehicles, up from 429 vehicles in 2015 or 3.0%. They travelled 15,666,250 km in 2016, +10.7% compared to 14,152,513 km in 2015.

PHARMAGEST INTERACTIVE and MALTA INFORMATIQUE / DICSIT INFORMATIQUE account for 76.5% and 6.3%, 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.

It encourages the introduction of audio and video conferencing systems to reduce business travel, and e-learning for training.

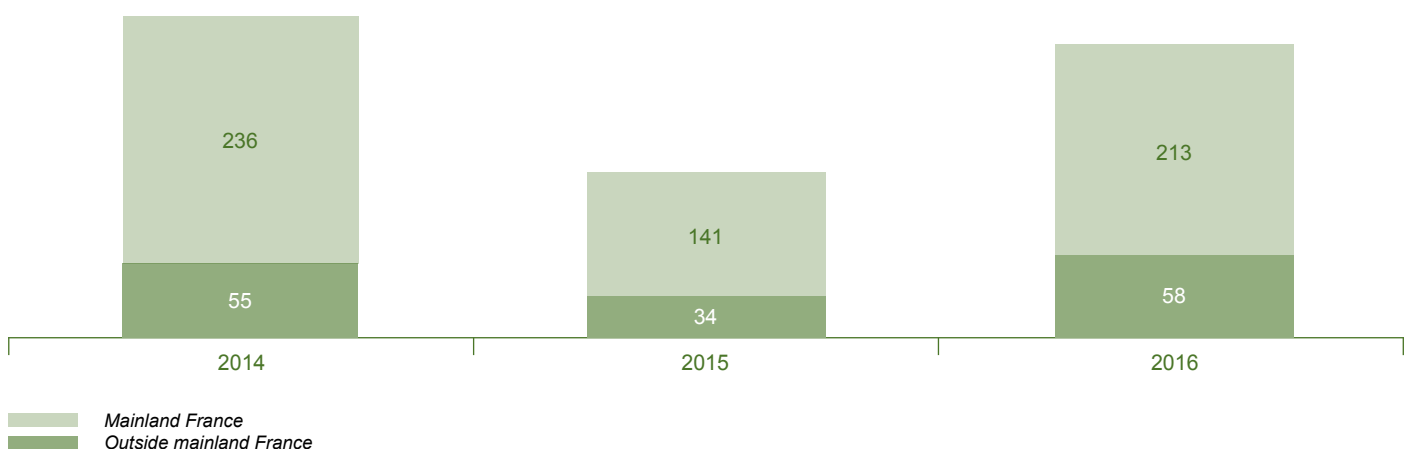
For the PHARMAGEST ESU, the trend for single trips by train over the past three years was as follows:

	2014	2015	2016	Change 2014/2015	Change 2015/2016
Number of trips	2,534	2,746	2,462	8%	-10%

The ESU accounts for practically all the Group's train travel.

Air travel in 2016 increased 55% in 2016, reflecting the creation of an International Business Development Department.

#### 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 275 tonnes CO<sub>2</sub> 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 174 tonnes CO<sub>2</sub> eq.; The indirect emissions are generated through the purchase of electricity;
- Other indirect GHG emissions (Scope 3) amounted to 2,684 tonnes CO<sub>2</sub> 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: CHARLEVILLE-MAIZIERES (Ardennes), REIMS (Marne), TROYES (Aube), DIJON (Côte d'Or), BOURGES (Cher), LIMOGES (Haute Vienne), CLERMONT-FERRAND (Puy-de-Dôme), PAU (Pyrénées Atlantiques) and BASTIA (Haute Corse).

**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-Patients 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 ongoing dialogue with its employees.

In 2016, 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 SERVICES 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 and associations

PHARMAGEST Group participates in these organisations primarily at three levels:

- The Solutions for Pharmacy Division - Europe is 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" (*Mouvement des Entreprises pour une Solidarité Alimentaire*) endowment, a business-led food solidarity initiative to facilitate aid to the food bank and contribute funds to the Alexis-Lorraine entrepreneurial endowment in support of innovation and business initiatives;
- PHARMAGEST Group made donations to not-for-profits, "KAWANIS", "APPEX" and purchase 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 2016 amounted to €1,486,841 excluding tax. Intra-Group subcontracting expenses amounted to €2,273,190.

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.

Nonetheless, PHARMAGEST Group remains extremely vigilant and pays close attention to the practices of employees and companies within the Group to ensure it leads by example. Trust is one of PHARMAGEST Group's core values.

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 47<sup>th</sup> to 50<sup>th</sup> place in Transparency International's 2016 corruption perception index: <http://www.transparency.org/country#MUS>. PHARMAGEST Group keeps a close eye on 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 Solutions for Pharmacy Division - Europe 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 Solutions for health and medical-social institutions Division develops software to improve care of dependent or frail persons;
- The Solutions for e-Health 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-Patients 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 two reporting boundaries:

- **PHARMAGEST ESU:** the Economic and Social Unit comprising PHARMAGEST INTERACTIVE, CP INTERACTIVE (CPI) and EUROPEAN HEALTH LOGISTIC SOURCING (EHLS). CPSI and DIATELIC joined the ESU as of 1 January 2015 by amendment to the collective agreement on the establishment of the ESU, dated 29 December 2014;
- **PHARMAGEST Group,** comprising the PHARMAGEST ESU, INTECUM, KAPELSE, SABCO, SABCO SERVICES, HDM, MALTA INFORMATIQUE, APPLICATIONS ET DEVELOPPEMENTS INFORMATIQUES (ADI), HEALTHLEASE and NANCEO, and the companies integrated in 2016: NOVIA TEK, NOVIA SEARCH and DICSIT INFORMATIQUE. PHARMAGEST Group acquired an equity interest in SAILENDRA, at the end of December and as such is not included in the 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 2016;
- **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);
- **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, information on emissions is provided either by the travel operators, 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;
  - 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) Region: 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. 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 Independent third-party assurance report on the sustainability information in the Management Report

Year ended 31 December 2016

*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.*

### To the shareholders,

As independent third-party provider of assurance services of PHARMAGEST INTERACTIVE, certified by COFRAC (under number 3-1048)<sup>1</sup>, we hereby present our report on the consolidated employment, environmental and social information for the financial year ended on 31 December 2016, (hereafter the CSR information) included in the management report pursuant to Article L.225-102-1 of the French Commercial Code.

### *Company's responsibility*

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 auditing standards and applicable legal and regulatory texts.

### *Responsibility of the Independent Third-Party*

On the basis of our work, it is our responsibility 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).

Our work was conducted by a team of four persons for a week-long period in February and March 2017. In the performance of this engagement, we were assisted by our specialised CSR experts.

We performed our work in accordance with the professional auditing standards applicable in France and with the legal order published on 13 May 2013 determining the conditions in which the independent third party performs its engagement in accordance with professional standards applicable in France and concerning the substantiated opinion of fairness in accordance with the ISAE 3000 international standard<sup>2</sup>.

### 1. Certificate of completeness

#### *Nature and scope of work*

We obtained an understanding of the Company's CSR issues, based on interviews with the management of relevant departments, a presentation of the Company's sustainable development strategy according to the social and environmental consequences related to its activities and its societal commitments, as well as, where appropriate, resulting actions or programmes.



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, reporting boundary definition of indicators" of the of the CSR Report included in 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 work***

We conducted three 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.

The CSR information we considered most significant<sup>3</sup>:

- At the level of the consolidating entity, we reviewed the source documents and conducted interviews to corroborate and assess the fairness of the qualitative information (organisation, policies actions). We assessed the indicators using analytical sampling techniques to check the calculations and reconcile them with the data in the management report;
- At the level of a representative sample of entities we selected<sup>4</sup> according to their activity, contribution to the consolidated indicators, 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 an average of 81 % of headcount and between 26 % and 100 % of quantitative 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 allow 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

On the basis of our work, nothing has come to our attention that causes us to believe that the Information compiled, in all material aspects, is not fairly stated in accordance with the reporting framework.

Neuilly-sur-Seine, 31 March 2017

Independent Third Party,  
*[French original signed by:]*

**DELOITTE & ASSOCIÉS**

**Anne Philipona-Hintzy  
Associated**

<sup>(1)</sup> The scope of which may be consulted on [www.cofrac.fr](http://www.cofrac.fr)

<sup>(2)</sup> ISAE 3000 - Assurance engagements other than audits or reviews of historical financial information.

<sup>(3)</sup> **Employment indicators:** Total workforce by type of employment contract, status and gender; number of departing employees number of layoffs; absenteeism rate; number of occupational illnesses; number of lost time occupational accidents and work-commute accidents; related number of lost time days; frequency rate of occupational accidents and work commute accidents; severity rates of occupational accidents and work-commute accidents; number of training hours; number of disabled employees.

**Environmental indicators:** Quantity of WEEE; annual electricity consumption of the Group; Distance travelled in (total km); Number of vehicle (total); Direct and indirect greenhouse gas emissions (scope 1, 2 and 3).

**Social indicators:** External and intra-Group subcontracting.

**Qualitative disclosures:** Summary of 2016 collective bargaining agreements for the PHARMAGEST ESU; Training policies implemented; Measures to promote gender equality; Evolution of wages; Territorial, economic and social impact of our business on employment, regional development and local communities; Conditions of dialogue with stakeholders; Taking into account the social and environmental responsibility of sub-contractors and suppliers; Measures taken benefiting the health and safety of consumers.

<sup>(4)</sup> PHARMAGEST ESU



## 24.3 Chair' report on corporate governance and internal control and risk management procedures

In accordance with article 225-37 of the French Commercial Code, the Chair of the Board of Directors reports to you, as part of the annual management report on:

- The composition of the Board of Directors and application of the principle of balanced representation of men and women on the Board;
- Conditions of preparation and organisation of the Board of Directors' work;
- Limitations on the powers of the Managing Director (Directeur Général) that may exist;
- As well as the internal control and risk management procedures in place in PHARMAGEST Group.

The report also presents:

- Principles and rules for determining compensation and benefits of any kind granted to the corporate officers;
- Items that could have an impact in the event of a public tender offer (information required by Article L. 225-100-3) and the procedures for participating in General Meetings.

Prepared following discussions and interviews with the Finance Department and the Audit Committee, the report was approved by the Board of Directors meeting on 31 March 2017.

### I. CORPORATE GOVERNANCE

#### 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 for its size and shareholder structure.

It includes recommendations on the areas of vigilance to be addressed by the Board to ensure good corporate governance. In accordance with recommendation R19, PHARMAGEST Group's Board of Directors duly noted these points to be watched.

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](http://www.middlenext.com)).

#### Corporate governance

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 Chair 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.



## I.1 COMPOSITION OF THE BOARD

### Composition of the board and committees

As at 31 December 2016, the Board of Directors comprised 10 members French nationality, two of whom are independent.

Member's full name or Company Name and their roles	Independent Director	Year of first appointment	Office expiry date <sup>(1)</sup>	Audit Committee	Expertise and background <sup>(3)</sup>
<b>Mr. Thierry CHAPUSOT</b> <i>Chair of the Board of Directors</i>	No	2002 (Dir.) 2010 (Chair of the Board)	31/12/2019	/	Chair of the Executive Board of WELCOOP GROUP
<b>Mr. Dominique PAUTRAT</b> <i>Managing Director and Director</i>	No	2010 (CEO) 2009 (Dir.)	31/12/2019 (DG) 31/12/2020 (Adm.)	/	National and international development
<b>Mr. Thierry PONNELLE</b> <i>Deputy Managing Director and Director</i>	No	2002 (Deputy CEO) 2002 (Dir.)	31/12/2019 (DGD) 31/12/2019 (Adm.)	/	Development of the Marketing and Business Development Strategy
<b>Mr. Denis SUPPLISSON</b> <i>Deputy Managing Director and Director</i>	No	2010 (Deputy CEO) 2013 (Dir.)	31/12/2019 (DGD) 31/12/2020 (Adm.)	/	National and international development of the Solutions for Pharmacy Division - Europe
<b>Mr. Daniel ANTOINE</b> <i>Director</i>	No	2002	31/12/2019	Member	Knowledge of the business of pharmacists
<b>Ms. Marie-Louise LIGER</b> <i>Independent Director</i>	Yes	2015	31/12/2020	Chair	Accounting
<b>Mr. François JACQUEL</b> <i>Director</i>	No	2011	31/12/2019	Member	Knowledge of the business of pharmacists
<b>Ms. Anne LHOTE</b> <i>Director</i>	No	2011	31/12/2016 <sup>(2)</sup>	/	Experience in finance and accounting expertise
<b>Ms. Sophie MAYEUX</b> <i>Independent Director</i>	Yes	2012	31/12/2017	/	Communications
<b>WELCOOP GROUP</b> , represented by Mr. Hugues MOREAUX <i>Director</i>	No	2002	31/12/2019	/	Knowledge of the business of pharmacists

<sup>(1)</sup> The term of office ends at the close of the Annual General Meeting convened to approve the financial statements for the financial year shown.

<sup>(2)</sup> The renewal of Ms. LHOTE term of office as director will be proposed at the next annual general meeting of 27 June 2017.

<sup>(3)</sup> Information on the professional background and roles of directors is given in section 14.1.2 of this Registration Document.

### Changes in the Board's composition

The composition of the Board at 31/12/2016 is unchanged in relation to 31/12/2015.

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.





Information on positions held is given in section 14.1.3 of this Registration Document.

Information on the competencies and roles of Board Members is given in section 14.1.2.

#### **Application of the principles of balanced representation of men and women**

The French Law number 2011-103 of 27 January 2011 on gender equality was applied by appointing female members to the Board of Directors.

At 31/12/2016 the percentage of women serving on the Board of Directors was 30%.

To reach the statutory quota of 40% or more by the end of the first Ordinary General Meeting after 1 January 2017, the Board of Directors will propose to the Annual Ordinary General Meeting to be held in June 2017 the appointment of two women directors.

#### **Independent Board Members**

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 during the last 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 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 chair's report is written and approved.

The Board has two independent directors (see above the Table on the composition of the board and committees).

#### **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 the 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 2015 and 2016. In consequence, the obligation to appoint Directors representing the employees under this article is not applicable to the Company.

#### **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.

#### **Terms of office**

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.



## Ethical rules

In accordance with recommendation R1 of the MiddleNext Code, each Director, both existing and newly appointed, received information on Group governance and their responsibilities.

In 2017, the Board of Directors will adjust 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 Chair 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.

## 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 the new 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 Group, 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 2016, 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.



### 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](http://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.

### Relations with shareholders

Other than, WELCOOP GROUP 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.

### 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 new MiddleNext code designed to ensure the company's sustainability. Beginning in 2017, the Board of Directors will annually place this item on the Board's agenda and, if it considers, appropriate, will take all additional actions such as creating a special committee or strengthening the recovery or business continuity plans.

## I.2 CONDITIONS RELATED TO THE PREPARATION AND ORGANISATION OF THE WORK OF THE BOARD OF DIRECTORS

### Rules of procedure

The Board of Directors adopted rules of procedure on 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.

In order to comply with changes to recommendation R7 of the MiddleNext code, the Board will make changes to the rules of procedure and include in particular 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;
- Succession planning information for the manager and key persons.

The Board's rules of procedure are available to the public and are published on the PHARMAGEST INTERACTIVE website ([www.pharmagest.com](http://www.pharmagest.com)) under Investor Relations / Corporate Governance.

### 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.

Accordingly, specific training will be provided in 2017 to the directors who so wish.



## 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 Board's role is to determine the Company's strategic guidelines and to oversee their application. 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 L225-35, 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 fiscal 2015, 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
01/04/2016	Board of Directors	10	100%
23/06/2016	Working meeting	9	90%
	Board of Directors	10	100%
09/09/2016	Board of Directors	10	100%
09/12/2016	Working meeting	10	100%
	Board of Directors	10	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 2015;
- 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;
- Annual review and authorisation of regulated agreements;
- Definition of strategic priorities for information and consultation with the Works Council;



- Discussion of the policy on gender equality and equal pay;
- Authorisation of the scope of the cash pooling agreement;
- Extension of the scope of the French tax consolidation group;
- Review of the results of the Board of Directors' self-assessment.

### **Assessment of the Board's 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.

In order to address areas requiring improvement identified through the last survey, the Chair of the Board proposed specific training for those directors so wish. This proposal met with a favourable response, and training programs are planned in 2017.

### **Establishment of committees**

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.

### **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 2016, 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, Board Member.

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 four times in 2016 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 accounting 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 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;
- 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 2016 financial year, the Audit Committee:**

- Reviewed 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;
- Studied the impact on the Audit Committee of the reform of statutory auditing.

Information was provided orally during these meetings and the Board of Directors was also informed about the work of the Audit Committee through its annual report.

**In addition to ongoing missions (financial information, Statutory Auditors' conclusions and independence), the main subjects to be addressed during the 2017 financial year are summarised below:**

- Recommendation with respect to the appointment or reappointment of a Statutory Auditor (principle) and a Deputy Auditor (alternate);
- Review of the annual and interim financial information;
- 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.

### **I.3 COMPENSATION OF CORPORATE OFFICERS**

#### **Compensation of non-executive Board Members**

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 WELCOOP GROUP 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 2016, directors' attendance fees were allocated to:

- Directors not exercising operational functions within WELCOOP GROUP for amounts for 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 2016 were paid on 31 December 2016.

The total amount of attendance fees proposed for 2017 submitted for approval by the Annual General Meeting of 27 June 2017 is €33,000.

#### **Employment contract in conjunction with corporate office**

In accordance with 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.

#### **Compensation of executive corporate officers**

Pursuant to Article L. 225-102-1 of the French Commercial Code, the Management Report details all compensation and benefits paid to the members of the Board of Directors of PHARMAGEST INTERACTIVE.

The company complies with the standard presentation of compensation of corporate officers proposed in the AMF recommendation. 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.

- 1) In general terms, compensation paid to the Managing Director and Deputy Managing Directors consists of fixed compensation in respect of their corporate office, fixed compensation in respect of their employment contract, as well as 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);
- Moreover, by an authorisation of the Board of Directors on 13 December 2013, Messrs. PAUTRAT, SUPPLISSON and PONNELLE will receive bonuses as follows, under their employment contracts, subject to meeting a number of targets over a four-year period (2013-2016), which are related to the Group's business plan and subject to continued employment in their current positions in PHARMAGEST INTERACTIVE, on the date of payment of the bonuses on 31 March 2017:

- \* Mr. Dominique PAUTRAT: a long-term incentive bonus amounting to no more than €200,000 gross, and an acquisitions incentive bonus in respect of PHARMAGEST Group, for the period 2013/2016 and concerning investments in 2013/2014, for an amount not to exceed of €150,000 gross;

- \* Messrs. Denis SUPPLISSON and Thierry PONNELLE: a long-term incentive bonus amounting to no more than a gross amount of €140,000 for Mr. SUPPLISSON and €80,000 for Mr. PONNELLE, and an acquisitions incentive bonus in respect of PHARMAGEST Group, for the period 2013/2016 and concerning investments in 2013/2014, to be allocated between all the members of the Finance and Personnel Management Committee (with the exception of Mr. PAUTRAT), for an amount not to exceed a gross amount of €150,000.

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.

**Compensation as corporate officer:**

- Mr. Dominique PAUTRAT'S compensation for his role as corporate officer was set on the date of his appointment (as Deputy Managing Director) on 8 March 2008 at: €150 per month, increased to €2,000 per month as of 1 January 2010 when he was appointed Managing Director.
- Mr. Thierry PONNELLE'S compensation for his role as corporate officer was set on the date of his appointment (as Deputy Managing Director) on 30 May 2002 at: €762.25 per month, increased to €2,062.50 per month as of 1 January 2007 in respect of his offices in the new subsidiaries (SABCO and SABCO SERVICES), and then at €1,000 per month as of 1 January 2010 (following the termination of his functions in SABCO and SABCO SERVICES).
- Mr. Denis SUPPLISSON was not paid compensation for occupying the office of Deputy Managing Director in the 2010 financial year. As of 1 January 2011, he was paid €200 per month, subsequently increased to €1,000 per month as of 1 January 2013.





- 2) Compensation for Mr. Thierry CHAPUSOT as corporate officer was set on the date of his appointment (as Managing Director) on 30 May 2002 at €1,524.49 per month, increased to €2,000 per month as of 20 June 2008 and maintained for his office of Chair of the Board of Directors as of 1 January 2010.
- 3) Corporate officers receive coverage under a defined-benefit plan ("Article 83 plan") with the cost fully assumed by WELCOOP GROUP for an amount equal to 8% of their total compensation.
- 4) Corporate 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.
- 5) 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.

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 €)**

In €	2016	2015
<b>CHAPUSOT Thierry - Chair of the Board of Directors</b>		
Compensation due in respect of the financial year	24,000	24,000
<b>TOTAL</b>	<b>24,000</b>	<b>24,000</b>
<b>PAUTRAT Dominique - Managing Director/Director</b>		
Compensation due in respect of the financial year	214,962	208,612
Value of multi-year bonuses granted during the financial year	14,500	7,500
<b>TOTAL</b>	<b>229,462</b>	<b>216,112</b>
<b>PONNELLE Thierry - Deputy Managing Director/Director</b>		
Compensation due in respect of the financial year	124,002	126,652
Value of multi-year bonuses granted during the financial year	11,000	3,000
<b>TOTAL</b>	<b>135,002</b>	<b>129,652</b>
<b>SUPPLISSON Denis - Deputy Managing Director/Director</b>		
Compensation due in respect of the financial year	159,164	156,964
Value of multi-year bonuses granted during the financial year	24,250	20,250
<b>TOTAL</b>	<b>183,414</b>	<b>177,214</b>



**Table 2: Summary of compensation paid to each corporate officer (€)**

CHAPUSOT Thierry Chair of the Board of Directors	2016		2015		2014	
	Amounts owed	Amounts paid	Amounts owed	Amounts paid	Amounts owed	Amounts paid
Corporate office	24,000	24,000	24,000	24,000	24,000	24,000
<b>TOTAL</b>	<b>24,000</b>	<b>24,000</b>	<b>24,000</b>	<b>24,000</b>	<b>24,000</b>	<b>24,000</b>

PAUTRAT Dominique Managing Director/Director	2016		2015		2014	
	Amounts owed	Amounts paid	Amounts owed	Amounts paid	Amounts owed	Amounts paid
Fixed compensation	146,004	146,004	146,004	146,004	146,004	146,004
Annual performance-based compensation	40,000	34,000	34,000	34,000	34,000	27,000
Multi-year bonus	14,500	0	7,500	0	30,000	0
Corporate office	24,000	24,000	24,000	24,000	24,000	24,000
Benefit in kind (car)	4,958	4,958	4,608	4,608	4,608	4,608
<b>TOTAL</b>	<b>229,462</b>	<b>208,962</b>	<b>216,112</b>	<b>208,612</b>	<b>238,612</b>	<b>201,612</b>

PONNELLE Thierry Deputy Managing Director/Director	2016		2015		2014	
	Amounts owed	Amounts paid	Amounts owed	Amounts paid	Amounts owed	Amounts paid
Fixed compensation	93,252	93,252	93,252	93,252	92,652	92,652
Annual bonus	18,750	21,400	21,400	17,184	17,184	19,750
Multi-year bonus	11,000	0	3,000	0	22,000	0
Exceptional compensation	0	0	0	0	2,000	2,000
Corporate office	12,000	12,000	12,000	12,000	12,000	12,000
<b>TOTAL</b>	<b>135,002</b>	<b>126,652</b>	<b>129,652</b>	<b>122,436</b>	<b>145,836</b>	<b>126,402</b>

SUPPLISSON Denis Deputy Managing Director/Director	2016		2015		2014	
	Amounts owed	Amounts paid	Amounts owed	Amounts paid	Amounts owed	Amounts paid
Fixed compensation	114,000	114,000	114,000	114,000	105,600	105,600
Annual bonus	25,500	26,500	26,500	27,000	27,000	28,500
Multi-year bonus	24,250	0	20,250	0	42,250	0
Exceptional compensation	3,200	0	0	0	0	0
Corporate office	12,000	12,000	12,000	12,000	12,000	12,000
Benefit in kind (car)	4,464	4,464	4,464	4,464	4,353	4,353
<b>TOTAL</b>	<b>183,414</b>	<b>156,964</b>	<b>177,214</b>	<b>157,464</b>	<b>191,203</b>	<b>150,453</b>

**Table 3: Directors' attendance fees and other compensation received by non-executive directors (in €)**

	2016	2015	2014
<b>MOREAUX Hugues - Board representative of WELCOOP GROUP</b>			
Directors' attendance fees	0	0	0
Other compensation	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>ANTOINE Daniel</b>			
Directors' attendance fees	900	900	900
Other compensation	4,000	4,000	4,000
<b>TOTAL</b>	<b>4,900</b>	<b>4,900</b>	<b>4,900</b>
<b>DUSSERRE Michel - Director until 26/06/2015</b>			
Directors' attendance fees	0	450	450
Other compensation	0	12,000	14,000
<b>TOTAL</b>	<b>0</b>	<b>12,450</b>	<b>14,450</b>
<b>Marie-Louise LIGER - Director as of 26/06/2015</b>			
Directors' attendance fees	900	450	0
Other compensation	14,000	6,000	0
<b>TOTAL</b>	<b>14,900</b>	<b>6,450</b>	<b>0</b>
<b>JACQUEL François</b>			
Directors' attendance fees	1,500	1,500	1,500
Other compensation	4,000	4,000	4,000
<b>TOTAL</b>	<b>5,500</b>	<b>5,500</b>	<b>5,500</b>
<b>LHOTE Anne</b>			
Directors' attendance fees	0	0	0
Other compensation	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>MAYEUX Sophie</b>			
Directors' attendance fees	750	600	750
Other compensation	0	0	0
<b>TOTAL</b>	<b>750</b>	<b>600</b>	<b>750</b>



**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
<b>CHAPUSOT Thierry</b>								
Chair of the Board of Directors  <b>Beginning of term of office:</b> Appointed Managing Director and Board Member on 30/05/2002, then Chair of the Board of Directors on 05/11/2009 with effect from 01/01/2010.  <b>Term of office expires on:</b> 31/12/2019		X	X			X		X
<b>PAURAT Dominique</b>								
Managing Director Director  <b>Beginning of term of office:</b> Appointed Director on 19/06/2009 and Managing Director and Director on 05/11/2009 with effect from 01/01/2010  <b>Term of office expires on:</b> 31/12/2019	X		X			X	X <sup>(1)</sup>	
<b>PONNELLE Thierry</b>								
Deputy Managing Director and Director  <b>Beginning of term of office:</b> Appointed Deputy Managing Director and Director on 30/05/2002  <b>Term of office expires on:</b> 31/12/2019	X		X			X		X
<b>SUPLISSON Denis</b>								
Deputy Managing Director and Director  <b>Beginning of term of office:</b> Appointed Deputy Managing Director (non-Director) on 09/11/2010 and Deputy Managing Director and Director on 1/1/2013  <b>Term of office expires on:</b> 31/12/2019	X		X			X		X

<sup>(1)</sup> 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.



#### **I.4 OTHER ITEMS UNDER ARTICLE L. 225-37 OF THE FRENCH COMMERCIAL CODE**

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.

Factors that may have an impact in the event of a public offering are mentioned in the Management Report presented to the AGM.

## **II. INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES**

This report has been prepared based on:

- AMF's guides and recommendations and in particular the Guide to periodic disclosures by listed companies (Position-recommendation DOC-2016-05) and its study on Chairmen's reports on internal control and risk management procedures ([www.amf-france.org](http://www.amf-france.org));
- Contributions of the Internal Audit Department, the Finance Department and the Audit Committee.

### **II.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	<ul style="list-style-type: none"> <li>• Create and safeguard the company's value, assets and reputation;</li> <li>• Establish secure decision-making and corporate processes to achieve its objectives;</li> <li>• Promote actions that reflect the company's values;</li> <li>• Mobilise personnel around a shared vision of the main risks.</li> </ul>
Internal controls	<ul style="list-style-type: none"> <li>• Ensure compliance with law and regulations;</li> <li>• Ensure the implementation of compliance with executive management guidelines;</li> <li>• Ensure efficient internal processes, particularly those that help to safeguard the Company's assets;</li> <li>• Ensure that the Group's accounting, financial and management information communicated to management bodies is reliable and fairly stated.</li> </ul>

## II.2 Oversight of 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	<ul style="list-style-type: none"> <li>• Internal audit;</li> <li>• Management control;</li> <li>• Line managers according to their area of competence;</li> <li>• The Finance and Personnel Management Committee;</li> <li>• The Management Committees for the businesses and the Steering Committees operating in project mode.</li> </ul>
Supervision of risk management	<ul style="list-style-type: none"> <li>• Administration and Finance Department.</li> </ul>
Risk review	<ul style="list-style-type: none"> <li>• The Audit Committee;</li> <li>• Executive management;</li> <li>• The Board of Directors.</li> </ul>

### 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 2016.

### ***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 2016, the main actions in this regard included:

- 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 of priority action programmes by the Audit Committee;
- Evaluation and management of the risks of newly consolidated or newly formed companies.

The main actions for 2017 are as follows:

- Updating PHARMAGEST Group's risk map;
- 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.

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 the 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.

## **II.3 Description of the main risks and uncertainties and their prevention**

In accordance with article L.225-100 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.	<p>PHARMAGEST Group is the leader in its market and therefore exposed to fierce competition.</p> <p>This risk is monitored by the Management Committees for the different businesses which report directly to general management.</p>
Government decisions	Impacts related to government decisions that directly affect PHARMAGEST Group's customers.	<p>The Group's efficient forward planning and continuing focus on innovation to provide pharmacists with solutions in line with the shifting health landscape has had a positive impact overall.</p> <p>This risk is monitored by the Management Committees for the different businesses which report directly to general management.</p>
Information systems and network security	<ul style="list-style-type: none"> <li>• Data irretrievably lost or altered rendering them unusable;</li> <li>• Data or processing unavailable for a long period of time, leading to shutdown of a service;</li> <li>• Disclosure of confidential or mistaken information that could benefit competing companies or damage the Group's image.</li> </ul>	<p>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.</p> <p>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.</p> <p>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.</p> <p>These risks are monitored by general management within the Finance and Personnel Management Committee.</p>
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.	<p>As at 31 December 2016, PHARMAGEST Group employs 892 (full-time equivalent - FTE) staff. 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 (<i>intéressement</i>). Other Group companies that are not party to this agreement have their own incentive-based systems.</p> <p>This risk is monitored by the Human Resources Department within the Finance and Personnel Management Committee which reports to general management.</p>
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 WELCOOP GROUP 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.



### **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 (two ITIL-certified employees). ITIL is a set of best practices for the management of information systems aimed, amongst others, at reducing risk.
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. Its subsidiaries, DIATELIC, INTECUM, KAPELSE and the GROUPE DOMEDIC INC., own the patents for systems developed; 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; 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 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**

PHARMAGEST Group is not engaged in industrial activities and as such is not exposed to industrial or environment risks. (see the CSR report in Section 24.1).

### **Financial risks**

PHARMAGEST Group considers that it is not particularly exposed to financial risks. Nonetheless, it includes a study of the main financial risks in Section 20.3.1.5 - Note 6.7 of this Registration Document, namely:

- Liquidity risk;
- Interest rate risk;
- Foreign exchange risk;
- Risks on equities and other financial instruments;
- Credit or counterparty risk;
- Risks associated with the effects of climate change.



## 24.4 Report of the Statutory Auditors prepared pursuant to Article L. 225-235 of the French Commercial Code on the report of the Chair of the Board of Directors

*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.*

### To the Shareholders,

In our capacity as statutory auditors of PHARMAGEST INTERACTIVE and pursuant to the provisions of Article L 225-235 of the French Commercial Code, we hereby report on the report prepared by the Chair of your company in accordance with Article L. 225-37 of said Code for the year ended December 31, 2016.

It is the Chair's responsibility to prepare and submit to the Board of Directors for approval a report on the internal control and risk management procedures implemented in the Company and containing the other disclosures required by Article L. 225-37 of the French Commercial Code particularly in terms of corporate governance measures.

### It is our responsibility:

- To report to you our observations on the information contained in the Chair's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information, and
- to attest that this report contains the other disclosures required by Article L. 225-37 of the French Commercial Code, bearing in mind that it is not our responsibility to verify the accuracy of such disclosures.

We conducted our work in accordance with professional standards applicable in France.

### Information on internal control procedures relating to the preparation and processing of financial and accounting information

Professional standards require that we plan and perform the audit to assess the fairness\*\* of the information provided in the Chair's report in respect of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information.

### These procedures mainly entail:

- Obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chair's report is based and of the existing documentation;
- Obtaining an understanding of the work involved in the preparation this information and of the existing documentation;
- Determining if any material weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we may have detected in the course of our work have been properly disclosed in the Chair's report.

On the basis of our work, we have no matters to report on the information concerning the company's internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the Chair of the Board of Directors in accordance with article L. 225-37 of the French Commercial Code.

### Other disclosures

We hereby attest that the report of the Chair of the Board includes the other disclosures required by Article L. 225-37 of the French Commercial Code.

Vandœuvre-lès-Nancy and Courbevoie, 27 April 2017

Statutory Auditors

*[French original signed by:]*

**BATT AUDIT**  
Statutory Auditors  
**Stéphane RONDEAU**

**MAZARS**  
Statutory Auditors  
**Laurence FOURNIER**



## 24.5 The Board of Directors' report on officer compensation

To the shareholders,

In accordance with provisions of article L 225-37-2 of the French Commercial Code introduced pursuant to the "Sapin II" Law No. 2016-1691 of 9 December 2016, we hereby report to you on the components of compensation of each executive officer of our company on the basis of their office.

Prior to this, it is hereby specified that compensation paid for the office of:

- Mr. Thierry CHAPUSOT, Chair of the Board of Directors;
- Mr. Dominique PAUTRAT, Managing Director;
- Mr. Denis SUPPLISSON, Deputy Managing Director;
- Mr. Thierry PONNELLE, Deputy Managing Director.

Consists exclusively of fixed compensation, it being specified as indicated in the report of the Chair of the Board of Directors that Messrs. PAUTRAT, SUPPLISSON and PONNELLE have employment contracts concluded before they were appointed as officers of the company.

### 1 - Compensation of Mr. Thierry CHAPUSOT

The compensation of Mr. Thierry CHAPUSOT au 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.

This compensation represents 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.

### 2 - Compensation of Mr. Dominique PAUTRAT

The compensation of Mr. Dominique PAUTRAT au 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. This compensation was set at a gross annual amount of €24,000. Since this date, there have been no changes to this amount.

### 3 - Compensation of 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.

### 4 - Compensation of Mr. Thierry PONNELLE

The current compensation of Mr. Thierry PONNELLE for his office as Deputy Managing Director was determined by decision of the Board of Directors held on 18 December 2009 and entering into effect as from 1 January 2010. This represented a gross annual amount of €12,000 that has remained unchanged since.

With regards to the items specified above, we request that you approve the resolutions relating to executive compensation submitted to your vote.

**The Board of Directors**



## 24.6 Draft 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 2016 and on the financial statements for this period, the Corporate Social Responsibility report and the Chair's Special Report in accordance with Article L. 225-37 of the French Commercial Code;
- Reports of the Statutory Auditors on the annual financial statements and the Chair's report,

Hereby approve the annual financial statements as presented showing a profit of €13,781,091.23.

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 €111,281 and resulting in tax of €37,094.

### 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 2016, 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 €13,781,091.23 as follows:

Profit of the period	€13,781,091.23
Retained earnings	€43,766,076.21
<b>Amount available to shareholders</b>	<b>€57,547,167.44</b>
<b>Dividends (€0.65 per share)</b>	€9,863,181.25
The balance: is appropriated to retained earnings	€47,683,986.19

Shareholders' equity will amount to €70,759,101.78.

The dividend per share will amount to €0.65.



The dividend will have a payment date of 3 July 2017 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.

The above dividends entitle individuals to a 40% tax relief on the total amount. In accordance with applicable law, dividends paid to natural persons who are tax residents in France will be deducted by the company or subject to the following withholding taxes:

- A compulsory social security contribution (*prélèvement social obligatoire*) at the current rate of 15.5%;
- A compulsory non-definitive withholding of 21% (Article 117 *quater* (new) of the French General Tax Code). Income is taken at gross value to calculate this amount. 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 242c. This withholding represents an advance on income tax which may be offset against the tax due for the year during which the dividend was paid. If it is higher than the amount due, the difference is refunded.

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)
31/12/2013	€2.50	€2.50	€2.50
31/12/2014	€2.90	€2.90	€2.90
31/12/2015	€0.60*	€0.60	€0.60

\* The Extraordinary General Meeting on 26 June 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 agreement 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 agreement entered into in the period as well as the new agreement authorised by the Board of Directors effective on 1 January 2017 as 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 et 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. 2273/1052 of 8 March 2016, and by the AMF General Regulation, 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 resolves that:

- The maximum price per share may not exceed €50;
- The maximum amount that PHARMAGEST INTERACTIVE is authorised to use under the programme is €75,870,600 or 10% of the share capital.

In the event of a capital increase by the capitalisation of reserves and a grant of restricted shares, as well as in the event of a share split or reverse share split, the foregoing prices shall be adjusted by a factor corresponding to the ratio of shares outstanding before and after such transactions.

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 Ordinary General Meeting grants full powers to the Board of Directors, with the option to sub-delegate in accordance with the law, to place all buy and sell orders, enter into all agreements, carry out all formalities and generally do whatever is necessary to implement this resolution.

This authorisation is granted for a period of eighteen (18) months from the date of this Meeting or until 26 December 2018 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. Anne LHOTE as 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. Anne LHOTE 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 2022.



## RESOLUTION NINE

### ***Appointment of a new Independent Director***

The shareholders, acting in accordance with the quorum and majority requirements applicable to ordinary general meetings, decide to appoint as a new Independent Director as of today:

Ms. Céline GRIS  
Born on 14/07/1977 in TOURS (FRANCE).  
Of French nationality  
Residing at 140 bis rue de REIMS - 57950 MONTIGNY LES METZ

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.

## RESOLUTION TEN

### ***Appointment of a new Director***

The shareholders, acting in accordance with the quorum and majority requirements applicable to ordinary general meetings, decide to appoint as a new Director as of today:

Ms. Emilie LECOMTE  
Born DALLA-COSTA on 15/11/1978 in NANCY (54)  
Of French nationality  
Residing at 57 rue du Général Patton - 57330 HETTANGE GRANDE

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.

## RESOLUTION ELEVEN

### ***Compensation of the Chair of the Board of Directors, Thierry CHAPUSOT***

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 225-37-2 of the French Commercial Code, approve the components of compensation granted to Mr. Thierry CHAPUSOT on the basis of his office as Chair of the Board of Directors, as presented in this report.

## RESOLUTION TWELVE

### ***Compensation of the Managing Director, Dominique PAUTRAT***

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 225-37-2 of the French Commercial Code, approve the components of compensation granted to Mr. Dominique PAUTRA on the basis of his office as Managing Director, as presented in this report.

## RESOLUTION THIRTEEN

### ***Compensation of the Deputy Managing Director, Denis SUPPLISSON***

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 225-37-2 of the French Commercial Code, approve the components of compensation granted to Mr. Denis SUPPLISSON on the basis of his office as Deputy Managing Director, as presented in this report.



**RESOLUTION FOURTEEN*****Compensation of the Deputy Managing Director, Thierry PONNELLE***

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 225-37-2 of the French Commercial Code, approve the components of compensation granted to Mr. Thierry PONNELLE on the basis of his office as Deputy Managing Director, as presented in this report.

**RESOLUTION FIFTEEN*****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 2017.

**RESOLUTION SIXTEEN*****Appointment of a new Statutory Auditor***

The shareholders, acting in accordance with the quorum and majority voting requirements applicable to ordinary general meetings, duly noting that the term of office of the principal Statutory Auditors of the company, MAZARS, is expiring, decide to appoint as a new principal Statutory Auditor:

DELOITTE & ASSOCIES  
185 C avenue Charles de Gaulle - 92200 NEUILLY SUR SEINE  
Represented by Ms. PHILIPONA-HINTZY

For a term of six years or until the annual ordinary general meeting that will be called for the purpose of approving the financial statements for the period ending 31 December 2022.

**RESOLUTION SEVENTEEN*****End of the term of office of the Deputy Statutory Auditor***

The shareholders, acting in accordance with the quorum and majority voting requirements applicable to ordinary general meetings, duly note that the term of office of the Deputy Statutory Auditors of the company, Mr. Christian EINHORN is expiring. It has decided not to replace this office in application of article L 823-1, as amended, of the French Commercial Code.

**RESOLUTION EIGHTEEN*****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.



## 24.7 Upcoming publications

First-quarter 2017 sales	11 May 2017
First-quarter 2017 sales	10 August 2017
2017 interim results	22 September 2017
Third-quarter 2017 sales	17 November 2017
2017 annual revenue	15 February 2018
2017 annual results	No later than 30 April 2018

## 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

Technologies for health

5, allée de Saint Cloud  
54 600 Villers-lès-Nancy

Tel.: +33 (0) 820 90 81 00  
Fax: +33 (0)3 83 15 98 05

[www.pharmagest.com](http://www.pharmagest.com)