



# ANNUAL REPORT 2016



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# EXECUTIVE COMMITTEE



Emmanuel Picot,  
*Chairman and  
Chief Executive Officer*



Cécile Belanger,  
*Vice-President*



Christian Lefort,  
*General Manager  
for International Operations*



Eirik Bakke,  
*Global Sales Director*



Serge Olivier,  
*Research & Development  
Director*



François Merienne,  
*Industrial Director*



Jean-Louis Lahaye,  
*Chief Financial Officer*

# INTERVIEW WITH EMMANUEL PICOT

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

### 2016 WAS A YEAR OF TRANSITION FOR EVOLIS. WHICH CHALLENGES DID THE GROUP FACE?

After sharp growth in 2015 due to a contract worth €4.8 million with the government of Tanzania, we managed to maintain stable sales on the back of strong performances at our ID and IT Office network activities and our Projects activity. Our network activity remained buoyant with 10.5% growth, mainly driven by sharp growth in India and elsewhere in Asia. The Group recorded 7% growth for the year without the Tanzanian project.

### IT HAS BEEN ANNOUNCED THAT 2017 WILL BE A YEAR OF RE-STRUCTURING. CAN YOU EXPLAIN THIS?

We have recently appointed two sales directors, one responsible for expansion in North America and Canada with the creation of a new entity in Boston, and one in charge of Latin America, based at our American head office in Miami. Our aim is to breathe new life into the American market and to build up our business in the LATAM countries. In the same spirit, we are setting up a sales office in Tokyo in order to establish a specialised distribution network and to develop relations with major integrators.

Lastly, we have created the position of General Manager of International Operations. Christian Lefort, who took office on 3 April 2017, is responsible for adapting and implementing our strategy at international level.

The purpose of these organisational efforts is to strengthen our growth drive, to develop our diversification strategy and to underpin our international deployment.



### WHICH SECTORS ARE YOU TARGETING WITH THE LAUNCH OF NEW PRODUCTS IN 2017?

Our diversification strategy is based upon entry level and high end solutions. We are currently launching three all-in-one solutions for price tags under the Edikio brand. These solutions will allow us to break into the global market for small, mid-size and large food retailers, which is an entirely new market for Evolis. Moreover, we are preparing the launch of new modular systems for the banking industry. In the American continent alone, this market accounted for 26% of our Projects sales in 2016.

### HOW DO YOU SEE THE GROUP'S DEVELOPMENT IN THE YEARS AHEAD?

The time has come to write a new page in the history of Evolis without losing sight of our values and identity.

In the years ahead, we will try even harder to stay ahead of new developments in our industry. Our goal is not just to maintain our position as the global leader in the decentralised card printing systems market but also to become the leading provider of systems for identifying goods and people. This aim will be achieved by the development of innovative products embraced by new markets and new distribution channels worldwide. Our sales strategy for all our activities is to continue offering customers the best value for money, reflected in high quality and optimum functionalities at attractive market prices.

Emmanuel Picot

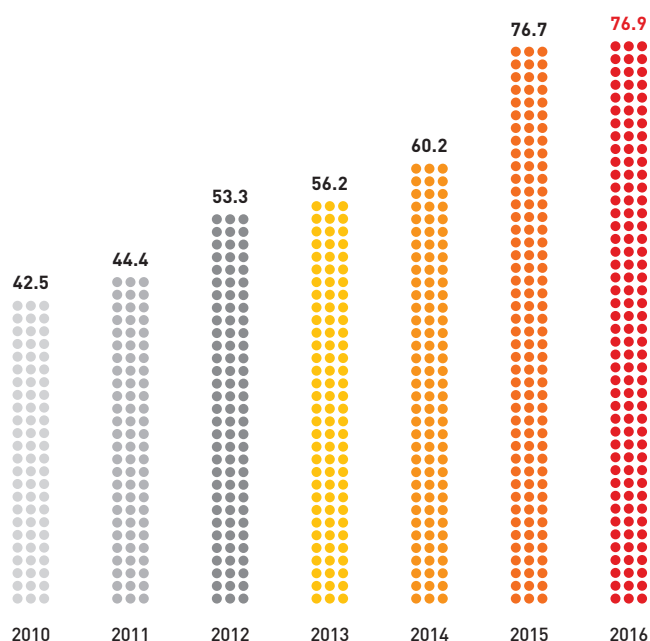
*Chairman and Chief Executive Officer*

# KEY FIGURES

- Consolidated sales: up 0.3% to €76.9 million
- Operating margin: 17.7% of consolidated sales
- Net margin: 12.2%
- Cash flow: €24.9 million

## SALES

Evolis posted sales of €76.9 million in the 2016 financial year, up 0.3% from the year before.



## 2016: A YEAR OF TRANSITION

The Group managed to keep up sales in 2016 despite an unfavourable base effect due to a historic contract worth €4.8 million with the government of Tanzania.

The international market and France accounted for 90% and 10% of 2016 sales, respectively.

The channel business recorded 10.5% growth, mainly due to sharp growth in India (up 50.7%) and Asia (up 14.9%). The Americas zone showed a dip of 1%. The decline in ID sales was almost entirely offset by sales at the IT Office business, up 37% in this zone.

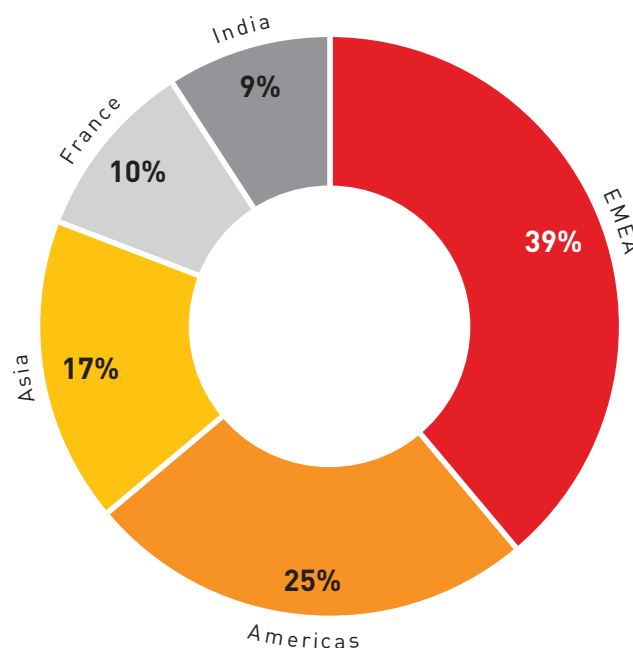
Sales at the Projects business remained stable despite an unfavourable base effect (Tanzanian contract of €4.8 million in 2015) and the postponement of a few major projects in 2016. It remained buoyed by the American banking sector, accounting for 26% of Projects sales, and the development of projects in China in the second half.

Capitalising on earlier investments and an improved channel/projects mix, Evolis achieved excellent gross earnings of 59.6% in 2016 (up from 59.1% in 2015). The operating margin dipped by 1.6 pts to 17.7%, affected by the ongoing structuring and growth efforts.

Net earnings after tax amounted to €9.4 million, down 8.7% from 2015.

The Group's free cash flow came to €12.6 million. The net cash position stood at €24.9 million as at end-December 2016, while equity rose by €3.5 million to €62.6 million.

## THE INTERNATIONAL MARKET ACCOUNTED FOR 90% OF SALES

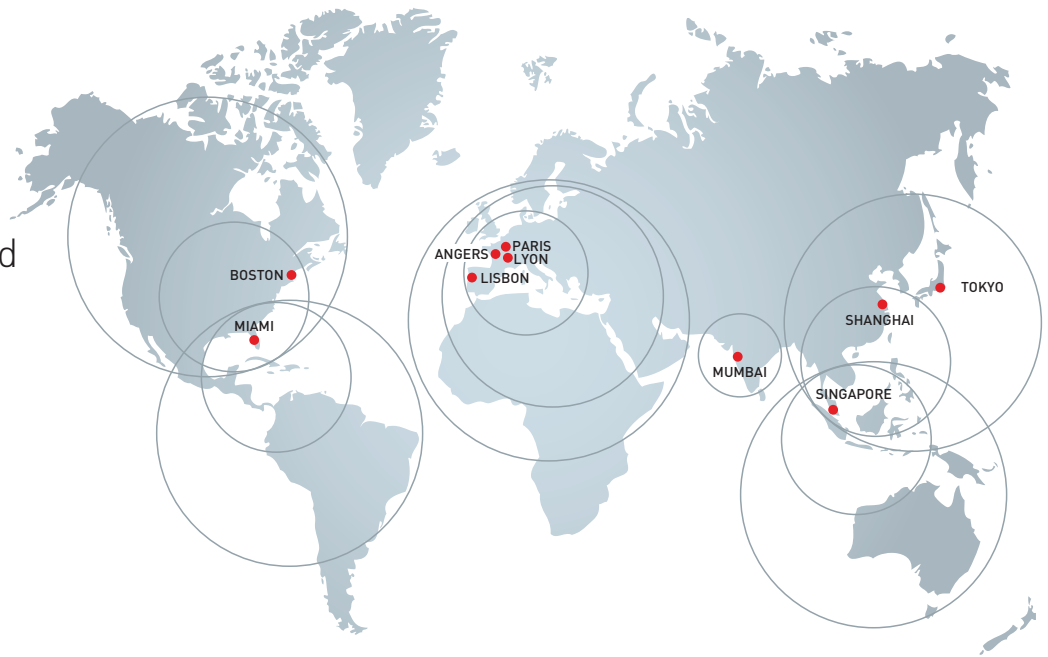




# COMPANY ACTIVITIES

## FACTS AND FIGURES

Evolis is the global leader in decentralized card personalization solutions



- 2000** • Creation of Evolis and commercial launch
- 2002** • Launch of Tattoo, the smallest printer on the market
- 2003** • Launch of Quantum for printing large volumes
- 2005** • Opening of an American subsidiary in Miami
- 2006** • Opening of an Asian subsidiary in Singapore
  - IPO on Alternext, Paris
- 2009** • Opening of a sales office in Shanghai
- 2011** • Acquisition of Sogedex Accessoires, Paris
- 2013** • Opening of an Indian subsidiary, Evolis India, in Mumbai

- 2014** • Acquisition of 70% of the capital of cardPresso
  - Opening of a Chinese subsidiary, Evolis China, in Shanghai
- 2015** • Historic contract with the government of Tanzania;
  - 27.4% sales growth
- 2016** • Acquisition of the French distributor ACTS
  - Launch of modules for self-service terminals
  - Launch of a lamination module
  - Distribution network in 140 countries
  - Installed base of 310,000 printers
  - 425,000 printers sold since 2000
  - 350 employees

## THE COMPANY

### Evolis, much more than card printers!

World leader Evolis designs, manufactures and markets a range of complete plastic card personalization solutions.

Evolis systems include all options needed for the graphic and electric personalization (magnetic stripe, chip card, with contact or contactless – RFID technology) of all types of cards (national identity cards, bank cards, employee badges, student cards, etc.). Evolis also markets a broad range of products et services to identify persons and goods, card personalization software through subsidiary cardPresso, a complete line of card accessories through subsidiary Sogedex Accessoires, as well as signature pads and a wide array of services.





## VALUES

Growth is underpinned by the following core values: immediate response to market developments, local customer relationships, a daring sense of innovation, ongoing efforts to maintain high-quality products and services, and a fully committed and dedicated workforce.

## AMBITION

Becoming the leading global provider of solutions to identify goods and persons.

## STRATEGY

- Offering high-quality personalised card issuance solutions geared to all market needs.
- Attracting new users and breaking into new markets worldwide.
- Developing new distribution channels reflecting the requirements of new markets.
- Offering the best value for money thanks to top quality and functionalities at attractive prices.



## LAUNCH OF NEW PRODUCTS AND STEADY GROWTH OF INTERNATIONAL EXPORT SALES

2016 was marked by the launch of two products.

- A lamination module connected to a card printer to laminate official cards and to provide them optionally with a hologram
- A range of print modules for self-service terminals allowing users to issue their own chip bank card, student card or gift card.

Two geographical zones stood out in 2016: India (up 30.6%) and China (up 89%). The share of these two countries in sales rose significantly from 11.6% in 2015 to 18.0% in 2016.

At the same time, the Group continued to diversify in all geographical zones, developing new growth paths. This strategy is backed by solutions complementing Evolis applications in both the basic and upmarket segments. This range has the depth and breadth needed to enable the Group to enter new markets, such as the distribution sector with its all-in-one solution for price labels, and the IT and Office segment with its badge printer, Badgy.

## PRODUCTS

Evolis card printing systems satisfy all card personalization needs.

Card personalization calls for cutting-edge printing and data coding technologies:

- Monochrome and four-colour photo quality printing
- Graphic personalization: photos, logos, texts, bar codes
- Data encoding: magnetic stripe, chip with or without contact (RFID). All coding options can be combined.

The Evolis range covers all needs, from small volume print jobs to the complete personalization of secure smart cards.



Every year, Evolis earmarks 4% of sales to R&D as part of an ongoing drive to improve the performance, reliability and user-friendliness of its products.

Evolis printing systems:

- Are fast and effective: more than 200 cards/hour in colour, 1,000 cards/hour in black and white
- Guarantee high-resolution printing: photo quality in colour or black and white
- Use the latest coding technologies: ISO and JIS2 magnetic strips, chip cards, cards with RFID antenna.

Offering the best value for money, reflected in high quality and optimum functionalities at attractive market prices, Evolis' solutions have become sector benchmarks.

## CONSUMABLES: RECURRENT SALES

Ribbon quality is key in the card printing process.

Evolis offers a complete range of consumables specifically designed for its printers:

- A profitable and recurrent business with steady growth for the past 13 years, buoyed by installed base
- More than 40% of Evolis' total sales in 2016.

## SOFTWARE, ACCESSORIES AND SERVICES

Complementary products and services

- Card personalization software
- Accessories: badges holders, zips, clips, lanyards, etc.
- Services: extended warranties, training

## SPECIFIC INTEGRATION

Customized solutions

One of the strengths of Evolis is its capacity to satisfy the demands of specific customer requirements. A special Projects team designs and produces tailor-made products. Working closely together with leading technology partners and system integrators on the market, it combines expertise with the industrialisation capacity needed to offer solutions geared to large national and international projects.





# PLASTIC CARD MARKETS



## CORPORATE AND ADMINISTRATIONS

Identification badges use photos and other particular features (name, identifier, bar code, signature) to authenticate wearers. Access control badges are used to secure site access by combining visual identification with wearer data coding.

Such badges are used in companies, schools and universities, trade shows and congresses, government departments, hospitals, airports, etc.



## SPORTS

The member card allows the identification of the members of a sports club via a graphic personalization. It manages the access to the facilities thanks to the encoding of a chip or of a magnetic stripe or by means of a barcode. Such cards are used by associations, sports clubs or sports federations.



## TRANSIT

Transportation badges are primarily used for travellers with a weekly, monthly or annual subscription and for isolated trips. Information on the subscription and the subscriber is stored in a chip or a magnetic stripe. Transportation badges are used for public transportation, car parks and toll roads.



## LEISURE

Hotels, cruise vessels, casinos, night clubs and theme parks use instant plastic card printing systems to issue annual passes, employee badges or prepaid cards.



## FOOD RETAILERS

Retailers are increasingly going in for instant and decentralised issuance of price tags. Price tags on plastic cards allow retailers to comply with product information display regulations and to save time when updating prices.

Plastic price tags are used by local retailers as well as local and major supermarket chains.



## GOVERNMENT

National identity cards, resident cards, voting cards, health insurance cards, driver licenses: all these official documents require stringent security to prevent forgery and minimise deterioration.



## RETAIL

Logos and pictures on gift cards and loyalty cards allow retailers to enhance their image. Such cards can also be used to record purchases using a chip, a magnetic stripe or a barcode. Plastic cards are used by store chains, franchises, retail associations and large retail chains.



## FINANCE

Banks are increasingly adopting methods to instantly issue personalized payment cards. This decentralized solution is especially suitable for issuing replacement cards (in the case of loss, theft or damage) or opening new accounts.

# MANAGEMENT REPORT ON THE COMPANY ACCOUNT

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

To the Shareholders

We have invited you to this Combined Annual Ordinary and Extraordinary General Meeting in order to report on the business of our Company during the financial year ended 31 December 2016 and to submit the Company Financial Statements for said financial year to you for approval.

All documents and papers required under current regulations were kept at your disposal during the stipulated period of time.

In their report, your statutory auditors will provide full information on the compliance of the Company Financial Statements presented to you.

We are at your disposal to provide all additional details and information you may consider advisable or necessary.

Pursuant to Article R. 225-102 of the French Commercial Code, this report is accompanied by a table showing the Company's financial results for the previous five financial years as well as a table summarising all powers currently delegated by the General Meeting to the Board of Directors to increase the share capital immediately or in the future.

The information provided for by the regulations is given below.

### 1 COMPANY SITUATION AND ACTIVITY

#### Activity

During the financial year ended 31 December 2016, sales came to €62,604,772, slightly down from €62,709,755 in 2015.

The financial result came to €1,447,070, up from €824,331 in 2015.

The year ended on a profit of €8,612,798, down from €9,074,475 the year before.

#### Progress and difficulties

Sales remained stable during the 2016 financial year, despite a highly unfavourable base effect from the Tanzanian contract in 2015 (€4.8 million).

Even though the Group continued to invest in initiatives to structure business growth, operating profit came to a satisfactory 19% of sales.

#### Foreseeable developments and outlook

After a «transition» year in terms of growth, the Group expects sales to continue rising in 2017 while planning to continue its structuring and investment drive.

#### Major events between the closing date of the past financial year and the date on which this report was prepared

The Group has adjusted its governance system by appointing a General Manager for the Group's entire operations with effect from the second quarter of 2017.

#### R&D activities

During FY2016, the Company invested €1,432,000 in research and development targeted at new printing systems or modules.

#### Supplier and customer payment times

Pursuant to Article L.441-6-1, paragraph 1, of the French Commercial Code, we herewith inform you that the following average payment times were noted during the past two financial years:

Trade payables broke down as follows:

In K€	2015	2016
< 30 days	2,241	1,560
< 60 days	1,783	2,271
> 60 days	-	10
<b>Total</b>	<b>4,024</b>	<b>3,841</b>

Trade receivables broke down as follows:

In K€	2015	2016
< 30 days	7,864	11,658
< 60 days	275	240
> 60 days	118	119
<b>Total</b>	<b>8,257</b>	<b>12,017</b>

#### Objective and exhaustive analysis of changes in sales, results and the financial situation of the group of consolidated companies

This information is given in the management report on the consolidated financial statements.

#### Description of main risks and uncertainties faced by the companies included in the consolidation structure

This information is given in the management report on the consolidated financial statements.

#### Information on the Company's use of financial instruments

The company has reviewed the risks that could have a material negative impact on its activity, financial situation or results and believes that there are no other material risks than those presented in the report on the consolidated financial statements.

## 2 PRESENTATION OF THE COMPANY FINANCIAL STATEMENTS

### Preparation of the Company Financial Statements and change of valuation methods used to prepare the financial statements

The Company Financial Statements for the financial year ended 31 December 2016 submitted to you for approval were prepared according to the presentation rules and valuation methods required under the applicable regulations.

Details and explanations can be found in the notes to Company Financial Statements.

### Economic and financial results

In the financial year ended 31 December 2016, Evolis posted sales of €62,604,772, about 0.16% down from sales of €62,709,755 in the financial year ended 31 December 2015.

Operating income came to €64,074,576 and operating charges to €52,135,775, giving an operating profit of €11,938,801.

Financial income amounted to €2,207,975 and financial charges to €760,904, resulting in net financial income of €1,447,070.

Annual earnings before tax showed a profit of €13,385,871.

Exceptional income amounted to €214,653 and exceptional charges to €164,508. Net exceptional profit came to €50,144.

Corporate income tax for the year amounted to €3,999,048 and employee profit sharing to €824,170

Based upon these figures, the financial year ended 31 December 2016 showed a net profit of €8,612,798 (versus a profit of €9,074,475 the year before).

### Non-deductible expenses

Pursuant to Article 223 quater of the French General Tax Code, we herewith inform you that the financial statements for the past financial year recognise the sum of €74,089 for non-deductible expenses, which may generate a tax of €23,353.

### Allocation of profit

We propose to allocate annual profit, i.e. the amount of €8,612,798, as follows:

- To dividends, the sum of €6,196,944, i.e. dividend of €1.2 per share. This dividend could be paid out no later than 31 May 2017;
- To «Other reserves», the balance, i.e. the sum of €2,415,854.

Pursuant to Articles 243 bis and 158 of the French General Tax Code, for the purpose of calculating personal income tax, investment income paid out by companies subject to corporate income tax to shareholders that are natural persons and French residents, benefit from a tax allowance equal to 40% of the gross amount received.

Moreover, pursuant to Article 117 quater of the French General Tax Code, dividends paid out to shareholders that are French residents are subject to a final and definite withholding tax of 21%, unless exemption is requested, pursuant to Article 242 quater of the French General Tax Code, from the company before 30 November of the year preceding the year of payment by natural persons belonging to a tax household whose reference fiscal income for the year before last was less than €50,000 (taxpayer who is single, divorced or a widow(er)) or €75,000 (taxpayer subject to joint taxation).

This levy of 21% is charged to income tax for the year during which it was applied. If it exceeds the due amount of tax, the surplus is repaid.

Moreover, shareholders that are natural persons and French residents are subject to a social security withholding tax on dividends, pursuant to Article L. 136-7 of the French Social Security Code.

### Dividends paid out for the previous three years

Pursuant to Article 243 bis of the French General Tax Code, the following dividends were paid out for the previous three years:

Financial year ended	Total amount of dividend paid out in euros	Amount of dividend per share in euros	Amount of paid out income eligible and non-eligible for the tax allowance
31/12/2015	6,713,356.00	1.30	Natural persons: fully eligible
31/12/2014	3,666,525.00	0.71	Natural persons: fully eligible
31/12/2013	1,445,953.60	0.28	Natural persons: fully eligible



### 3 INTERESTS ACQUIRED – SHARE CAPITAL

#### Interests acquired during the past financial year

During the past financial year, our Company incorporated ACTS Distribution, a *société à responsabilité limitée* (private limited company) with capital of €150,000, whose registered office is located at 14, avenue of the Fontaine, ZI Angers Beaucouzé, Beaucouzé (49070), registered in the Trade and Companies Register of Angers under no. 819 127 416. Our Company holds the entire share capital of ACTS Distribution, specialised in marketing IT consumables and all management and information processing solutions.

#### Activity of subsidiaries and controlled companies

##### EVOLIS INC.

- Interest held: entire capital
- Core business: marketing of plastic card printers

Figures for	2015	2016
Sales	€19,799,950	€19,693,869
Pre-tax earnings	€1,725,834	€1,218,863
Net book profit	€1,114,126	€751,445
Amount of equity	€5,039,596	€5,236,251
Average number of employees	16	19

##### EVOLIS ASIA PTE LTD

- Interest held: entire capital
- Core business: marketing of plastic card printers

Figures for	2015	2016
Sales	€11,432,785	€12,841,172
Pre-tax earnings	€34,824	€245,078
Net book profit	€34,032	€231,080
Amount of equity	€352,791	€622,967
Average number of employees	10	11

##### SOGEDEX ACCESSORIES

- Interest held: entire capital and voting rights
- Core business: creation, marketing and distribution of identification accessories and supplies

Figures for	2015	2016
Sales	€3,586,048	€3,660,816
Pre-tax earnings	€534,917	€569,976
Net book profit	€367,426	€384,248
Amount of equity	€552,066	€937,791
Average number of employees	11	11

##### EVOLIS CHINA

- Interest held: entire capital
- Core business: marketing and distribution of printers and consumables

Figures for	2015	2016
Sales	€479,259	€580,076
Pre-tax earnings	€4,038	€7,707
Net book profit	€(8,301)	€6,485
Amount of equity	€71,693	€80,885
Average number of employees	5	6

##### EVOLIS INDIA

- Interest held: 70% of the capital
- Core business: marketing and distribution of printers and consumables

Figures for	2015	2016
Sales	€5,157,172	€6,915,318
Pre-tax earnings	€306,759	€180,134
Net book profit	€203,750	€88,237
Amount of equity	€2,179,108	€2,304,825
Average number of employees	63	65



## CARDPRESSO

- Interest held: 84% of the capital
- Core business: development of card printing software

Figures for	2015	2016
Sales	€1,060,415	€1,199,449
Pre-tax earnings	€101,054	€66,538
Net book profit	€94,560	€62,818
Amount of equity	€301,384	€338,049
Average number of employees	15	11

## CARDPRESSO INC.

- Interest held: 84% of the capital (direct interest in cardPresso)
- Core business: marketing of card printing software

Figures for	2015	2016
Sales	€147,572	€149,919
Pre-tax earnings	€13,459	€13,491
Net book profit	€11,512	€11,539
Amount of equity	€5,658	€17,695
Average number of employees	0	0

## ACTS DISTRIBUTION

- Interest held: entire capital
- Core business: marketing of computer hardware, consumables and all information management and processing solutions

Figures for	2016
Sales	€2,455,148
Pre-tax earnings	€175,499
Net book profit	€118,371
Amount of equity	€268,371
Average number of employees	5

## Information about the share capital

Pursuant to Article L. 233-13 of the French Commercial Code, we herewith inform you that the following persons hold more than three-twentieth of the capital or voting rights of Evolis:

- Mr Emmanuel Picot,
- Mrs Cécile Belanger,
- Mr Didier Godard,
- Mr Serge Olivier.

## Transactions by senior managers in the securities held by them

Pursuant to Articles L. 621-18-2 and R. 621-43-1 of the French Monetary and Financial Code, we herewith inform you that the members of the Board of Directors did not sell or buy any share during the 2016 financial year.

## Employee stock ownership

As at the last day of the financial year, employees held 2.8% of the share capital.

Shares held by employees of Evolis as part of an employee share scheme or as blocked shares accounted for 0% of the share capital.

Pursuant to Article L. 225-129-6, paragraph 2, of the French Commercial Code, a General Meeting is held every three years to decide whether to increase the capital in accordance with Articles L. 3332-18 et seq. of the French Labour Code, if the shares held by the employees of the Company and affiliated companies in the meaning of Article L. 225-180 of the French Commercial Code account for less than 3% of the share capital.

Further to this obligation, we wish to draw your attention to the fact that the Combined General Meeting of 2 May 2016 voted on a resolution to increase the share capital reserved for employees.

## List of offices held by company officers

Pursuant to Article L. 225-102-1 of the French Commercial Code, below follows a list of offices held by the company officers of all companies:

Company officers	Offices
Mr Emmanuel Picot	<ul style="list-style-type: none"> <li>• Chairman and CEO, Evolis SA</li> <li>• Chairman, Evolis Inc.</li> <li>• Director, Evolis Inc</li> <li>• Director, Evolis Asia</li> <li>• Co-manager, Sogedex Accessories</li> <li>• Director, Member of the Board, Evolis India</li> <li>• Director, Bodet</li> <li>• Legal representative, Member of the Board, Evolis China</li> <li>• Co-manager, cardPresso</li> <li>• Chairman, cardPresso Inc</li> <li>• Co-manager, ACTS Distribution</li> </ul>
Mrs Cécile Belanger	<ul style="list-style-type: none"> <li>• Deputy CEO, Evolis SA</li> <li>• Director, Evolis Inc.</li> <li>• Director, Evolis Asia</li> <li>• Co-manager, Sogedex Accessories</li> <li>• Director, Member of the Board, Evolis India</li> <li>• Member of the Board, Evolis China</li> <li>• Co-manager, ACTS Distribution</li> </ul>
Mr Didier Godard	<ul style="list-style-type: none"> <li>• Deputy CEO, Evolis SA</li> </ul>
Mr Yves Liatard	<ul style="list-style-type: none"> <li>• Deputy CEO, Evolis SA</li> </ul>
Mr Serge Olivier	<ul style="list-style-type: none"> <li>• Deputy CEO, Evolis SA</li> <li>• Co-manager, cardPresso</li> <li>• Vice-President, cardPresso Inc</li> </ul>

## 4 REGULATED AGREEMENTS

### Regulated agreements signed during previous financial years

We wish to draw your attention to the fact that the following agreements, considered regulated under Article L. 225-38 of the French Commercial Code before the Order of 31 July 2014, were entered into during previous financial years and remained in force during the past financial year:

#### WITH EVOLIS INC.

- Centralisation of cash position  
Interest recognised under income for the year: None.
- Support for the currency risk in business relations:  
Payment of invoices for deliveries to Evolis Inc. in dollars.  
Amount during the financial year: €14,248,622.

#### WITH SOGEDEX ACCESSORIES

- Centralisation of cash position:  
Interest recognised under income for the year: €11,800.

#### WITH EVOLIS ASIA

- Support for the currency risk in business relations:  
Payment of invoices for deliveries to Evolis Inc. in dollars  
Amount during the financial year: €9,011,466.
- Centralisation of cash position:  
Interest recognised under income for the year: €22,226.

These agreements are no longer considered regulated under Article L 225-39 of the French Commercial Code since the adoption of the Order of 31 July 2014.

### Regulated agreements signed during the past financial year

We herewith inform you that no new regulated agreement was signed during the financial year ended 31 December 2016.

## 5 RENEWAL OF OFFICE OF MR EMMANUEL PICOT

As Mr Emmanuel Picot's term of office as Chairman and Chief Executive Officer will expire on adjournment of the next Ordinary General Meeting; we propose to vote on renewal of this office for a term of six financial years, i.e. until the annual Ordinary General Meeting called in 2023 to vote on the accounts closed in 2022.

## 6 REPLACEMENT OF ALTERNATE STATUTORY AUDITORS

As Messieurs Bernard Grondin and Gilles Leclair have resigned as joint alternate statutory auditors of our Company, we propose to vote on their replacement by, respectively, Groupe Y-Audit and Mr Nicolas Perenchio for the remainder of their term of office.

## 7 REPURCHASE OF THE COMPANY'S OWN STOCK

Pursuant to Article L. 225-211 of the French Commercial Code, we herewith report on the Company's repurchase of its own stock.

For information, the Combined General Meeting of 2 May 2016 authorised the Board of Directors to buy the Company's own shares up to a limit of 10% of the capital.

On 20 July 2009, our Company signed with CM-CIC a liquidity contract in order to promote the liquidity of the Company's securities. The following table summarises the transactions carried out:

Liquidity contract	Purchases	Sales	Total
Number	34,070	33,405	
Average price	36.69	36.43	
Trading costs (€)			15,000
Number at closure			1,271
Value at purchase price (€)			49,831
Par value per share (€)			0.08
Number of shares used			67,475
Capital fraction			NS

As at 31 December 2016, our Company held 1,271 shares as treasury stock to optimise liquidity and to assign treasury stock to employees enrolled in the Company's employee share scheme.

## 8 PLAN TO IMPLEMENT A PROGRAMME TO REPURCHASE THE COMPANY'S OWN STOCK

We propose moreover to authorise the Board of Directors to repurchase the Company's shares pursuant to Article L. 225-209 of the French Commercial Code.

For information, further to the resolution adopted by the General Meeting of 23 April 2009, allowing the Company to implement a programme to repurchase its own shares, the Company signed a liquidity contract with CM-CIC in July 2009.

Consequently, during the past financial year, the Company bought 34,070 of its own shares and sold 33,405 shares to ensure the liquidity of its securities.

To maintain the liquidity of the Company's securities or to carry out transactions in accordance with the regulations in force on the day of purchase and to apply all market practices allowed by the supervisory authority, Autorité des Marchés Financiers, the Chairman explained to the Board that it might be advisable to ask the shareholders again to authorise the Board of Directors to purchase a number of shares representing up to 10% of the Company's capital.

Within this framework, we ask you to authorise the Board of Directors to buy a number of shares representing up to 10% of the Company's capital, i.e., for information only, currently a maximum of 516,412 shares.

These shares could be repurchased at any time in accordance with the regulations in force on the purchase date, using all available means, including block purchases, the exercise of any financial instrument, derivative, etc.

The maximum repurchase price, excluding costs, would be €65 per share, i.e. a maximum aggregate repurchase price, based upon the current number of shares, of €33,566,780.

The treasury stock held by the Company would have no voting rights and no right to dividends and, in the case of a capital increase, the Company could not itself exercise the right of subscription attached to the treasury stock held by it.

The share repurchase programme would have a duration of 18 months with effect from the Ordinary General Meeting and would in particular allow the Company to continue the liquidity contract signed with CM-CIC.

We are therefore requesting you to authorise the Board of Directors to purchase the Company's shares within the limits and under the conditions stipulated above.

The terms and conditions of this repurchase programme are fully explained in the draft resolutions on which you will be requested to vote.

## 9 GRANT OF BONUS SHARES

As part of Evolis' policy to offer incentive bonuses and other incentives to certain key employees or company officers, we invite you to vote on the delegation of power to your Board of Directors to grant bonus shares to the Company's employees or certain employee categories and/or the company officers under the conditions set out in Articles L. 225-197-1 et seq. of the French Commercial Code.

This delegation would be limited to a maximum grant of 105,000 bonus shares, awarded for free after a vesting period of 1 year, subject to compliance with the conditions and criteria, if any, imposed by the Board of Directors and subject to recognition of the beneficiary's ineligibility under Article L.225-197-1 I of the French Commercial Code.

The beneficiaries will have to hold their bonus shares for a minimum period of 1 year from their final grant (subject to recognition of the beneficiary's ineligibility under Article L.225-197-1 I of the French Commercial Code).

We are therefore requesting you to empower the Board of Directors to determine the identity of the beneficiaries of these shares within the categories set by the Board, among the employees or company officers of the Company itself or the companies and groups affiliated with it, the maximum number of bonus shares for each beneficiary, the conditions and, as applicable, the criteria under which these shares are granted, and to carry out all formalities and to draft all instruments needed to complete such grants.

The term of validity of this delegation would be 38 months.

After the vesting period, the shares would be issued at par value by capitalising reserves or premiums within the limit of maximum 10% of the Company's capital.

This would consequently make it necessary to:

- Decide to create a blocked reserve used to pay up the bonus shares, on the understanding that you would no longer have the right to dispose of this reserve at your discretion,
- Delegate to the Company's Board of Directors, with the right of sub-delegation under the conditions provided for by law, your authority to decide upon and to determine the conditions of the capital increase corresponding to the issue decided by the Board and to allocate to the blocked reserve the amount needed to subscribe the capital increase.

If you approve this resolution, it would entail a waiver, by law, of your preemptive subscription right in respect of the bonus shares granted for free to the beneficiaries determined by the Board of Directors.

The free grant of these 105,000 shares would entail a capital increase, after the vesting period, of €8,400, i.e. a potential dilution of 2%, based upon the current share capital.

The terms and conditions of this issue are fully explained in the draft resolutions on which you will be requested to vote. You may moreover acquaint yourself with the special statutory auditor's report on this transaction.

## 10 AMENDMENT OF ARTICLE 21 OF THE ARTICLES OF ASSOCIATION

Lastly, we invite you to amend Article 21 of the Articles of Association of our Company with regard to the statutory auditors.

Act no.2016-1691 of 9 December 2016, known as the Sapin II Act, has limited the scope of application of the 'obligation to appoint an alternate statutory auditor. The appointment of an alternate statutory auditor is currently only required if the full statutory auditor is a natural person or a one-man business.

Hence, the Chairman proposes to replace Article 21 of the Articles of Association with a new article worded as follows:

*«The General Meeting appoints one or more full statutory auditors and as applicable one or more alternate statutory auditors who satisfy the conditions imposed by the applicable laws and regulations.*

*The statutory auditors are appointed for six financial years. Their term of office expires on adjournment of the General Meeting held to vote on the financial statements of the sixth financial year. They may be appointed for further terms. The statutory auditors hold the functions and powers vested in them by law.»*

I hope that you approve this draft and that you will pass the resolution to be submitted to you, which will reflect the various elements of this report.

CHAIRMAN OF THE BOARD OF DIRECTORS

# MANAGEMENT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

FINANCIAL YEAR ENDED 31 DECEMBER 2016

To the Shareholders

We have invited you to this Combined Annual Ordinary and Extraordinary General Meeting in order to report on the business of Evolis during the financial year ended 31 December 2016 and to submit the consolidated financial statements of the Group's companies for said financial year to you for approval, i.e. Evolis, Evolis Inc., Evolis Asia Pte Ltd, Sogedex Accessories, Evolis India, Evolis China, cardPresso, cardPresso Inc and Acts Distribution.

You will find attached the information on the Group's consolidated financial statements.

Your statutory auditors will provide full information on the compliance of the financial statements presented to you.

We are at your disposal to provide all additional details and information you may consider advisable or necessary.

The information provided for by the regulations is given below.

## 1 SITUATION AND ACTIVITY OF THE GROUP DURING THE PAST FINANCIAL YEAR

### Situation of Group formed by the consolidated companies

Companies	Legal structure	Share capital	Head office	Trade and Companies Register
<b>Parent company</b>				
Evolis	SA	€413,129.60	Beaucouzé (49)	Angers 428 564 710
<b>Subsidiaries</b>				
Evolis Inc	Corporation	USD10,000	Fort Lauderdale (Florida USA)	N/A
Evolis Asia Pte Ltd	Private limited company	SGD150,000	Singapore	N/A
Sogedex Accessories	SARL	€50,000	Beaucouzé (49)	Angers 538 297 938
Evolis India	SRL	INR9,512,220	Mumbai (India)	N/A
Evolis China	SRL	RMB610,040	Shanghai (China)	N/A
cardPresso	SRL	€5,000	Madeira (Portugal)	N/A
Acts Distribution	SARL	€150,000	Beaucouzé (49)	Angers 819 127 416
<b>Indirect interest</b>				
cardPresso Inc	Corporation	USD10,000	Fort Lauderdale (Florida USA)	N/A

### Outlook

After a «transition» year in terms of growth, the Group expects sales to continue rising in 2017 while planning to continue its structuring and investment drive.

### Major events between the closing date of the past financial year and the date on which this report was prepared

The Group has adjusted its governance system by appointing a General Manager for the Group's entire operations with effect from the second quarter of 2017.

### R&D activities

R&D expenses totalled €1,558,000 and were recognised under assets.

Expenses that did not meet capitalisation criteria were taken to charges in the amount of €337,000 (versus €76,000 in 2015).

These costs were mainly generated by the development of new products or new applications.

### Objective and exhaustive analysis of changes in sales, results and the financial situation of the group of consolidated companies

The Group reported stable sales in 2016 despite a material negative base effect from the Tanzanian contract in 2015, worth €4.8 million (up 7% without Tanzania). The fourth quarter of the year turned out to be very buoyant with sharp sales growth of about 12.5%.

On a like-for-like basis, the EMEA zone recorded a drop of 15.1% (up 6% excluding Tanzania). Sales were up 30.6% in the Indian zone and 12.2% in the Asia Oceania zone. The Americas zone reported a drop of 0.5%.

Consolidated sales (K€)	2014	2015	2016	2015/2016 Change
Q1	13	17.9	17.85	-0.3%
Q2	14.8	20.8	19.5	-6.3%
Q3	15	19.6	18.8	-4.1%
Q4	17.5	18.4	20.7	12.5%
<b>12 months</b>	<b>60.3</b>	<b>76.7</b>	<b>76.9</b>	<b>0.3%</b>

## Description of main risks and uncertainties faced by the companies included in the consolidation structure

The Company has reviewed the risks that could have a material negative impact on its business, financial situation or results and believes that there are no other significant risks than those presented below.

### COMPETITION-RELATED RISKS

Since its creation, the Group has built up its activities in a competitive sector with several rivals.

The Group's companies pay close attention to market developments and new players and maintain a close watch on the competition.

### RISKS CONNECTED WITH TECHNOLOGICAL ADVANCES

Evolis and its subsidiaries operate in a high-tech sector marked by the appearance of new products and new applications and therefore the appearance of new needs. Evolis' success will depend partly upon its capacity to respond rapidly and under optimum conditions to customer needs.

In order to anticipate such developments, Evolis and its subsidiaries closely monitor technological developments.

### COMMERCIAL RISKS

#### • Customer risk

Almost all sales are made with import wholesalers (indirect sales). Consequently, Evolis is not exposed to the risk of default by final customers in export countries.

When an account is opened for a new customer in an export market, payment is made prior to delivery. Depending upon the quality of partnerships, customers may be granted payment times for all or part of their bills, once Evolis Credit Control department has reviewed and approved their solvency. In this case, Evolis determines a maximum amount of outstandings.

During FY2016, the five and ten largest customers accounted for 18.9% and 29.6% of total sales, respectively (these ratios have remained stable for the last several financial years).

#### • Supplier risk

Most suppliers have worked with Evolis since its creation, which has led to mutual confidence and excellent knowledge of requirements.

Nevertheless, suppliers are regularly reviewed and monitored in order to determine their capacity to keep up with the Group's growth and satisfy its demanding constraints.

Moreover, certain supply channels have been doubled in order to multiply sources in case of necessity while optimising costs..

The market of printing technology is concentrated and controlled exclusively by Japanese manufacturers. This is an unavoidable reality for both Evolis and its competitors.

In the financial year ended 31 December 2016, the five and ten largest suppliers respectively accounted for 38% and 48% of purchases.

Certain spare parts, mostly electronic components, have supply times of up to 16 weeks. To deal with this, Evolis organises annual order cycles. Moreover, a buffer stock is available at strategic suppliers.

The average payment time is 30 days.

## LEGAL RISKS: RISKS CONNECTED WITH INTELLECTUAL PROPERTY RIGHTS

Evolis and its subsidiaries may as necessary have to insert in their contracts, with customers as well as employees, confidentiality and property clauses to minimise the risk of disclosure of know-how developed by Evolis.

Nevertheless, they cannot guarantee that such contractual undertakings and other precautions taken to protect their intellectual property rights are enough to prevent theft of their technologies or intellectual creations or to dissuade third parties from setting up similar infrastructures.

## Information on the Company's use of financial instruments

This section covers the Company's objectives and policy with regard to management of financial risks, including its strategy for hedging each major type of transaction, for which a hedge accounting is used. It also discusses the Company's exposure to risks connected with prices, credit, liquidity and the cash position.

The company has reviewed the risks that could have a material negative impact on its activity, financial situation or results and believes that there are no other material risks than those presented in the report on the consolidated financial statements.

### CURRENCY RISK

Evolis faces the following types of risks:

- The first is connected with the conversion in its financial statements of the accounts of foreign subsidiaries kept in dollars;
- The second is connected with the Company's operations. Sales, particularly by the American subsidiary, are billed in US dollars.

During the period under review, sales billed in USD accounted for USD 43.1 million, i.e. 51% of consolidated sales.

Supplies in Great Britain were negotiated in dollars. These purchases partly covered sales made in dollars.

The Group has bank accounts in USD, JPY, SGD and INR. The balance of these bank accounts is not systematically hedged. Depending upon changes in currency rates, the Company resorts from time to time to hedges.

While this system allows the Company to respond optimally to currency fluctuations it does not entirely rule out a residual currency risk.

- Forward currency purchases and sales

In K€	31/12/16		31/12/15	
	assets	liabilities	assets	liabilities
Forward purchase of JPY (valuation K€)		(54)		0
Nominal value (K JPY)		63,500		50,000
Forward sales of USD (valuation K€)		(373)		0
Nominal value (K USD)		13,820		4,100
<b>Foreign exchange derivatives</b>				



## RATE RISK

As debt is very low (gearing: non-material in 2015 and 2016). The Company is not exposed to a material interest rate risk.

The Group believes that its cash equivalent investments are subject to a material interest rate risk.

## LIQUIDITY RISK

The Group believes that it is not exposed to a liquidity risk, mainly because of low debt and the cash available on 31 December 2016 (€24,938,000).

The Group has specifically reviewed its liquidity risk and believes that it is able to cover future obligations.

Financial liabilities are not tied to any clause liable to change their terms significantly (see note 16 in the Notes to the Consolidated Financial Statements for a n amortisation schedule of financial liabilities).

Financing is arranged with Evolis' partner banks.

## CREDIT RISK

Customer default has been very low since the start-up of the Group's companies, owing to the terms of payment and company procedures, as described under the heading «Customer risk».

- Late payment situation:

In K€	30/12/16	31/12/15
<b>Receivables not due and not written down</b>	<b>12,249</b>	<b>10,147</b>
Receivables due for fewer than 60 days and not written down	2,003	2,548
Receivables due for more than 60 days and not written down	367	593
<b>Receivables due and not written down</b>	<b>2,370</b>	<b>3,141</b>
Gross amount of receivables written down	137	171
Value loss recognised	(134)	(168)
<b>Trade receivables after deduction of value loss</b>	<b>14,622</b>	<b>13,291</b>

## EQUITY RISK

In view of the nature of its investments (debt instruments through money market funds, negotiable certificates of deposit and time deposits), the Company does not face other equity risks.

## Governance

Evolis is governed by two bodies:

- A Board of Directors made up of the 5 founders of the Company, i.e. Mrs Cécile Belanger, Mr Emmanuel Picot, Mr Yves Liatard, Mr Serge Olivier and Mr Didier Godard. It meets on average 4 times a year;
- A Group Executive Committee that meets once a month, made up of:
  - Mr Emmanuel Picot (Chairman),
  - Mrs Cécile Bélanger (Vice-President),
  - Mr Serge Olivier (R&D Director),
  - Mr Jean-Louis Lahaye (CFO),
  - Mr Eirik Bakke (Global Sales Director),
  - Mr François Merienne (Industrial Director).
- Mr Christian Lefort (General Manager) with effect from the Q2-2017

## 2 PRESENTATION OF ANNUAL CONSOLIDATED FINANCIAL STATEMENTS AND RESULT

### Economic and financial results

For the financial year ended 31 December 2016, the Group's consolidated sales came to €76,985,000, up 0.3% from €76,673,000. Operating profit came to €13,555,000, down about 8% from €14,788,000 in 2015.

Corporate income tax amounted to €4,665,000 for the year .

Other financial income and charges showed a profit of €142,000, compared with €268,000 in 2015.

Based on these figures, the Group's profit for financial year ended 31 December 2016 came to €9,355,000, down about 8.7% from €10,338,000 in 2015.

The value added recognised by the Group in 2016 remained stable.

The Group continues to structure its business, particularly in the area of information systems (M3 India, Sales Force) as well as R&D and sales.

Personnel costs were up due to the integration of temporary personnel in the workforce and the Group's ongoing structuring drive.

CHAIRMAN OF THE BOARD OF DIRECTORS

# REPORT OF THE STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS

FINANCIAL YEAR ENDED 31 DECEMBER 2016

To the shareholders

In accordance with the terms of our appointment by your General Meeting, we herewith present our report for the financial year ended 31 December 2016 on:

- our audit of the consolidated financial statements of Evolis, as appended to this report;
- the basis for our opinion;
- the specific verifications and information required by law.

The Board of Directors approved the consolidated financial statements. It is our responsibility to express an opinion on those financial statements based on our audit.

## 1 OPINION ON CONSOLIDATED FINANCIAL STATEMENTS

We carried out our audit in accordance with generally accepted auditing standards in France. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis or based on other selection methods, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and any significant estimates made by management as well as an evaluation of the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on the IFRS as adopted by the European Union, the consolidated financial statements for the past financial year present fairly the assets and liabilities, the financial situation and the results of the Group made up of the consolidated persons and entities.

## 2 BASIS FOR OUR OPINION

Pursuant to Article L. 823-9 of the French Commercial Code with regard to the reasons for our opinion, we herewith inform you of the following:

### R&D COSTS

Note 3.6 in the Notes to the Consolidated Financial Statements sets out the accounting rules and methods for intangible fixed assets. As part of our evaluation of the accounting rules and principles followed by your company, we verified the appropriateness of the accounting methods referred to above and the information provided in the Note.

### INVENTORIES

Note 3.11 in the Notes to the Consolidated Financial Statements sets out the accounting rules and methods for valuing inventories. As part of our evaluation of the accounting rules and principles followed by your company, we verified the appropriateness of the accounting methods referred to above and the information provided in the Note.

### GOODWILL

Goodwill, whose net amount in the balance sheet at 31 December 2016 was €9,911,000, was tested for value loss according to the methods described in Notes 3.5, 3.8 and 5 in the Notes to the Consolidated Financial Statements. We examined the coherence of the underlying assumptions and the adequacy of the information given in the Notes.

These evaluations were part of our overall audit of the consolidated financial statements and therefore helped form our audit opinion, stated in the first part of this report.

## 3 SPECIFIC VERIFICATION

Pursuant to the applicable laws, we also carried out the specific verifications of the information in the Group's Management Report in accordance with the professional standards applicable in France..

We have no comment to make on its accuracy or conformity with the consolidated financial statements.

*La Roche-Sur-Yon and Orvault, 19 April 2017*

*The statutory auditors*

*Groupe Y - Boisseau  
Emmanuel Boquien  
Partner*

*RSM Ouest  
Jean-Michel Grimonprez  
Partner*

# REPORT OF THE STATUTORY AUDITORS ON THE ANNUAL FINANCIAL STATEMENTS

FINANCIAL YEAR ENDED 31 DECEMBER 2016

To the shareholders

In accordance with the terms of our appointment by your General Meeting, we herewith present our report for the financial year ended 31 December 2016 on:

- our audit of the Company Financial Statements of Evolis, as appended to this report;
- the basis for our opinion;
- the specific verifications and information required by law.

The Board of Directors approved the Company Financial Statements. It is our responsibility to express an opinion on those financial statements based on our audit.

## 1 OPINION ON THE COMPANY FINANCIAL STATEMENTS

We carried out our audit in accordance with generally accepted auditing standards in France. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis or based on other selection methods, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and any significant estimates made by management as well as an evaluation of the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on French accounting rules and principles, the Company Financial Statements for the past financial year present fairly the assets and liabilities, the financial situation and the results of the Company at the end of this year.

## 2 BASIS FOR OUR OPINION

Pursuant to Article L. 823-9 of the French Commercial Code with regard to the reasons for our opinion, we herewith inform you of the following:

- The note on «Financial fixed assets» in the section headed «VALUATION METHODS» in the Notes to the Company Financial Statements sets out the methods used to determine the inventory value of investment securities, which may entail a write-down.

We verified the relevance of the methods applied by your company, based upon currently available information, as well as the reasonableness of the underlying assumptions and the resulting valuations.

- The note on «Inventories» in the section headed «VALUATION METHODS» in the Notes to the Company Financial Statements sets out the accounting rules and methods used to value inventories.

As part of our evaluation of the accounting rules and principles applied by your company, we verified the adequacy of the accounting methods referred to above and the information supplied in the Note.

These evaluations were part of our overall audit of the consolidated financial statements and therefore helped form our audit opinion, stated in the first part of this report.

## 3 SPECIFIC VERIFICATIONS AND INFORMATION

In accordance with the professional standards applicable in France, we also carried out the specific verifications required by law.

We have no comment to make on its accuracy or conformity with the Company Financial Statements of the information given in the Management Report of the Board of Directors and the documents on the financial situation and the Company Financial Statements sent to the shareholders.

Pursuant to the law, we also verified that the necessary information on the acquisition of holdings and controlling interests and the identity of the holders of the capital and voting rights was provided in the Management Report.

*La Roche-Sur-Yon and Orvault, 19 April 2017*

*The statutory auditors*

*Groupe Y - Boisseau  
Emmanuel Boquien  
Partner*

*RSM Ouest  
Jean-Michel Grimonprez  
Partner*

# SPECIAL REPORT OF THE STATUTORY AUDITOR ON REGULATED AGREEMENTS

FINANCIAL YEAR ENDED 31 DECEMBER 2016

To the shareholders

In our capacity as the statutory auditors of your company, we herewith present our report on the regulated agreements.

It is our responsibility to inform you, based upon the information given to us, of the characteristics, essential terms and interest for the company of the agreements of which we have been informed or which we have discovered during our audit, without obligation to state an opinion about their usefulness and validity or to search for other agreements. Pursuant to Article R 225-31 of the French Commercial Code, it is your responsibility to judge the interest of these agreements in view of their approval.

Moreover, it is our responsibility, insofar as necessary, to provide you with the information required under Article R 225-31 of the French Commercial Code with regard to the continued performance during the past financial year of agreements previously approved by the General Meeting.

In doing so, we applied the tests and checks we considered necessary for this assignment under the professional standards adopted by Compagnie Nationale des Commissaires aux Comptes.

## 1 AGREEMENTS SUBMITTED FOR APPROVAL TO THE GENERAL MEETING

We have not been informed of any agreement authorised during the past financial that has to be submitted for approval to the General Meeting pursuant to Article L 225-38 of the French Commercial Code.

## 2 AGREEMENTS PREVIOUSLY APPROVED BY THE GENERAL MEETING

We have not been informed of any agreement previously approved by the General Meeting and continued during the past financial year.

*La Roche-Sur-Yon and Orvault, 19 April 2017*

*The statutory auditors*

*Groupe Y - Boisseau*

*Emmanuel Boquien*

*Partner*

*RSM Ouest*

*Jean-Michel Grimonprez*

*Partner*

# CONSOLIDATED BALANCE SHEET

ASSETS In K€	Notes	31/12/16 12 months		31/12/15 12 months	
		Gross	Amortisation & Depreciation	Net	
Intangible non-current assets					
Goodwill	5	9,911		9,911	9,121
Other intangible non-current assets	6	60	46	14	13
Research & Development costs	6	8,780	6,094	2,686	2,405
Software & Patents	6	3,111	2,295	816	1,260
Tangible non-current assets					
Land	7	684		684	684
Buildings	7	7,867	2,709	5,158	5,484
Plant, equipment and tooling	7	7,137	6,350	787	912
Other tangible non-current assets	7	4,764	3,377	1,387	1,318
Prepays	7			0	15
Long term investments	8	257	14	243	258
Deferred taxes	23	1,458	0	1,458	630
NON-CURRENT ASSETS		44,029	20,885	23,144	22,100
Materials inventory		4,375	313	4,062	3,784
Finished goods inventories		2,205	90	2,115	2,181
Merchandise inventories		4,913	387	4,526	4,656
Clients	14	14,756	134	14,622	13,291
Assets available for sale				0	0
Other current assets		2,454		2,454	2,105
Cash flow and equivalents	12	24,938		24,938	25,032
Other financial assets				0	0
CURRENT ASSETS		53,641	924	52,717	51,049
TOTAL ASSETS		97,670	21,809	75,861	73,149

LIABILITIES In K€	Notes	31/12/16 12 months	31/12/15 12 months
Capital	13	413	413
Share premium		6,684	6,711
Legal reserve		41	41
Other reserves		45,093	40,833
<b>Consolidated income</b>		<b>9,338</b>	<b>10,283</b>
Unrealised exchange gains/losses		1,045	875
<b>SHAREHOLDERS' EQUITY</b>		<b>62,614</b>	<b>59,156</b>
Other debts outside group		707	787
Unrealised exchange gains/losses outside group		64	59
Other debts outside group		17	55
<b>MINORITY INTERESTS</b>		<b>788</b>	<b>901</b>
Non-current financial debts	16	56	111
Reserves for staff benefits	15	279	199
Other non-current reserves	15	101	101
Other non-current debts	17	2,338	3,331
Deferred taxes	23	926	256
<b>NON-CURRENT LIABILITIES</b>		<b>3,700</b>	<b>3,998</b>
Suppliers		4,820	4,242
Non-current financial debts	16	59	97
Other financial liabilities		430	6
Social security and tax liabilities		2,715	4,140
Current reserves	15	374	360
Other debts		361	249
<b>CURRENT LIABILITIES</b>		<b>8,759</b>	<b>9,094</b>
<b>LIABILITIES</b>		<b>12,459</b>	<b>13,092</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>75,861</b>	<b>73,149</b>



# CONSOLIDATED INCOME STATEMENT

<b>INCOME STATEMENT</b>		<b>31/12/16</b>	<b>31/12/15</b>
In K€	Notes	12 months	12 months
<b>Sales</b>	19	<b>76,985</b>	<b>76,673</b>
Merchandise and materials consumed		31,100	31,376
Personnel costs	20	16,473	15,485
Other purchases and external expenses		10,932	9,874
Tax and duties		1,320	1,478
Depreciation charges	6 & 7	3,329	3,198
Allowances net of reversals		13	483
Other operating income and expenses		(263)	9
<b>OPERATING INCOME</b>		<b>13,555</b>	<b>14,788</b>
Cash flow and equivalents		333	265
Cost of gross financial debt		10	18
<b>COST OF NET FINANCIAL DEBT</b>		<b>323</b>	<b>247</b>
Other operating income and expenses	22	142	268
Income tax expense	23	4,665	4,965
<b>NET INCOME FROM CONTINUING OPERATIONS</b>		<b>9,355</b>	<b>10,338</b>
<b>NET INCOME FROM DISCONTINUED OPERATIONS</b>		<b>0</b>	<b>0</b>
<b>NET EARNINGS</b>		<b>9,355</b>	<b>10,338</b>
Group share		9,338	10,283
Minority interests		17	55
Average number of shares on closing		5,164,120	5,164,120
Earnings per share (in €)		1.81	2.00
Diluted earnings per share (in €)		1.80	1.99

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>		<b>31/12/16</b>	<b>31/12/15</b>
In K€			
<b>Net income for the period</b>		<b>9,355</b>	<b>10,338</b>
Actuarial gains and losses on post-employment benefit obligations			0
Tax on non-reclassifiable items			0
Debt adjustment on minority put		526	1,513
<b>Items not reclassifiable to profit/loss (net of tax)</b>		<b>526</b>	<b>1,513</b>
Net gains or losses on financial assets available for sale			
Gains and losses on hedging instruments			
Unrealised exchange gains/losses		213	1,322
Others		(33)	15
<b>Items reclassifiable to profit/loss</b>		<b>180</b>	<b>1,337</b>
<b>Other comprehensive income items</b>		<b>706</b>	<b>2,850</b>
<b>CONSOLIDATED INCOME STATEMENT</b>		<b>10,061</b>	<b>13,188</b>
Attributable:			
* to owners of parent company		10,043	13,117
* to non-controlling interests		18	71

# CONSOLIDATED CASH FLOW STATEMENT

<b>CONSOLIDATED CASH FLOWS</b>		<b>2016</b>	<b>2015</b>
<b>In K€</b>	<b>Notes</b>	<b>12 months</b>	<b>12 months</b>
Net income of fully consolidated companies		9,355	10,338
Amortisation and provisions for fixed assets	6 & 7	3,421	3,392
Deferred taxes	23	[152]	262
Net proceeds from sale of fixed assets		[8]	[23]
<b>Self-financing capacity</b>		<b>12,616</b>	<b>13,969</b>
Change in working capital requirement (calculated on the basis of data net of reserves)		[2,440]	2,510
<b>NET CHANGE IN OPERATING CASH FLOW</b>		<b>10,176</b>	<b>16,479</b>
Acquisition of intangible non-current assets	6	[2,453]	(1,457)
Acquisition of tangible non-current assets	7	[1,066]	(1,556)
Acquisition financial non-current assets	8	[29]	[21]
Disposals of tangible and intangible non-current assets	6 & 7	20	53
Disposals of financial non-current assets	8	46	8
Impact of changes in consolidation scope	5, 6, 24	[565]	[9]
<b>NET CHANGE IN INVESTMENT CASH FLOW</b>		<b>[4,047]</b>	<b>[2,982]</b>
Change in equity capital		117	24
Dividends paid	18	[6,713]	[3,667]
Unrealised exchange gains/losses on dividends paid		[33]	
Issuance of borrowings and other financial liabilities		426	55
Repayment of loans and financial debts		[96]	[2,667]
<b>NET CHANGE IN FINANCING CASH FLOW</b>		<b>[6,299]</b>	<b>[6,255]</b>
Impact of changes in exchange rates		76	174
<b>NET CHANGE IN TOTAL CASH FLOW</b>		<b>[94]</b>	<b>7,416</b>
Opening cash flow	11	25,032	17,616
Closing cash flow	11	24,938	25,032

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

In K€

	Capital	Share premium	Consolidated reserves	Exchange loss or gain	Total group share in equity	Minority interests	Total shareholders' equity
<b>Position at 31 December 2015</b>	<b>413</b>	<b>6,711</b>	<b>51,156</b>	<b>877</b>	<b>59,157</b>	<b>900</b>	<b>60,057</b>
Impact of changes to accounting methods					0		0
<b>Restated position</b>	<b>413</b>	<b>6,711</b>	<b>51,156</b>	<b>877</b>	<b>59,157</b>	<b>900</b>	<b>60,057</b>
Income & expenses recognised directly as shareholders' equity							0
Income for the period			9,338		9,338	17	9,355
<b>Total income and expenses for period</b>	<b>0</b>	<b>0</b>	<b>9,338</b>	<b>0</b>	<b>9,338</b>	<b>17</b>	<b>9,355</b>
Distributions of dividends			(6,711)	(2)	(6,713)		(6,713)
Change in scope			(415)		(415)		(415)
Others changes			135		135	(135)	0
Transaction without loss of control			525		525		525
Transactions with change in percent interest			412		412		412
Change in foreign exchange loss or gain			37	171	208	5	213
Currency hedge							0
Change in treasury shares		(27)	(6)		(33)		(33)
<b>Position at 31 December 2016</b>	<b>413</b>	<b>6,684</b>	<b>54,471</b>	<b>1,046</b>	<b>62,614</b>	<b>787</b>	<b>63,401</b>

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

In K€

	Capital	Share premium	Consolidated reserves	Exchange loss or gain	Total group share in equity	Minority interests	Total shareholders' equity
<b>Position at 31 December 2014</b>	<b>413</b>	<b>6,762</b>	<b>42,183</b>	<b>468</b>	<b>49,826</b>	<b>809</b>	<b>50,635</b>
Impact of changes to accounting methods					0		0
<b>Restated position</b>	<b>413</b>	<b>6,762</b>	<b>42,183</b>	<b>468</b>	<b>49,826</b>	<b>809</b>	<b>50,635</b>
Income & expenses recognised directly as shareholders' equity					0		0
Income for the period			10,283		10,283	55	10,338
<b>Total income and expenses for period</b>	<b>0</b>	<b>0</b>	<b>10,283</b>	<b>0</b>	<b>10,283</b>	<b>55</b>	<b>10,338</b>
Distributions of dividends			(3,616)	(50)	(3,666)		(3,666)
Change in scope					0		0
Others changes		(46)	75	(129)	(100)		(100)
Transaction without loss of control			1,513		1,513		1,513
Change in foreign exchange loss or gain			698	588	1,286	36	1,322
Currency hedge					0		0
Change in treasury shares		(5)	20		15		15
Capital increase					0		0
<b>Position at 31 December 2015</b>	<b>413</b>	<b>6,711</b>	<b>51,156</b>	<b>877</b>	<b>59,157</b>	<b>900</b>	<b>60,057</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The notes appended hereto are an integral part of the consolidated financial statements for the period from 1<sup>st</sup> January 2016 to 31 December 2016.

Figures are stated in thousands of Euros except where otherwise indicated.

## Preliminary note

Note 01	-	Information about the company
Note 02	-	Significant events
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Note 05	-	Goodwill
Note 06	-	Intangible non-current assets
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Note 25	-	Commitments
Note 26	-	Post-closing events
Note 27	-	Related parties

## Preliminary note

The consolidated financial statements presented are prepared while applying all IFRS (International Financial Reporting Standards), as published at the closing date by IAS (International Accounting Standards Board) and adopted by the European Union.

The accounting principles adopted are consistent with those used to prepare the Group's consolidated financial statements for the financial year ending on 31 December 2015, except where the new standards, interpretations and amendments below have been adopted as from financial year 2016.

The Group's consolidated financial statements are shown in millions of euros without decimals. Rounding off to the nearest million euros can, in some instances, lead to immaterial discrepancies in totals and subtotals shown in tables.

### **Standards, amendments and interpretations adopted by the European Union and applicable on a compulsory basis as of 1<sup>st</sup> January 2016**

On 31 December 2016, the group applied the new rules below published in the Official Journal of the European Union, which are applicable on a compulsory basis:

- Amendment to IAS 1: Disclosure initiative
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Annual improvements – cycle 2010/2012
- Annual improvements – cycle 2012/2014

These publications had no significant impact on the Group's consolidated financial statements.

### **Standards, amendments and interpretations published by the International Accounting standards Board (IASB) and not yet adopted by the European Union**

The Group has not applied the amendments published in the Official Journal of the European Union, which are not currently applicable on a compulsory basis:

- IFRS 9: financial instruments applicable as of 1<sup>st</sup> January 2018. On 24 July 2014, IASB finalised its project to replace standard IAS 39 regarding financial instruments, by publishing the full version of the standard IFRS 9;
- IFRS 15: Revenue from Contracts with Customers applicable on 1<sup>st</sup> January 2018. On 28 May 2014, IASB published the standard IFRS 15 "Revenue from Contracts with Customers". IFRS 15 will replace standards IAS 11, IAS 18 and the IFRIC and IF interpretations regarding revenue from ordinary business activities and introducing a new accounting model for the recognition of this revenue from contracts with customers. Clarifications on the standard were published by IAS on 12 April 2016 subsequent to the publication of the "IFRS 15 clarification" survey published in July 2015;
- IFRS 16: "Leases" applicable as of 1<sup>st</sup> January 2019. IFRS 16 will replace IAS 17 and the relevant IFRIC and IF interpretations and will remove the distinction previously made between "operating leases" and "financing leases". Lessees must recognise all leases of more than one year in a manner analogous to the methods currently provided for financing leases by IAS 17 and thus recognise an asset representative of the right of use of the asset leased in exchange for a debt representative of the liability to pay for this right;
- Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" (first application date postponed by IASB to an unspecified later date);

- Amendments to IAS 12 “Income taxes: Recognising deferred tax assets for unrealised losses on AFS debt securities”;
- Amendments to IAS 7: “Disclosure initiative”;
- Amendments to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”.

The Group is currently considering the implementation of these new IFRS standards. However, no plans have been made to apply these new standards in advance.

## Note 1 - Information about the company

Evolis is a French Limited Company. It was incorporated in December 1999 and ended its first financial year on 31 December 2000.

Its main business line is designing, manufacturing and marketing printers for plastic cards and the sale of the related consumables.

The financial statements at 31 December 2016 reflect the accounting position of the company and its subsidiaries.

The annual consolidated financial statements were approved by the meeting of the Board of Directors on 16 March 2017.

## Note 2 - Significant events

At 1<sup>st</sup> April 2016, ACTS Distribution based in Miribel near Lyon acquired a partner's business. The purpose of this new distribution entity, wholly-owned by Evolis, is to market printing systems and related products and is expected to improve the Group's distribution value chain across a high-potential market.

## Note 3 - Accounting methods

Regulation n° 1606/2002 of the European Accounting Regulatory Committee imposes the use of the IFRS international accounting standards in consolidated financial statements of companies whose securities are traded in a regulated market.

Although it is not subject to this obligation because its securities are not traded on a regulated market, Evolis has opted to present its consolidated annual financial statements in accordance with the IFRS standards.

### 3.1 PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The financial statements are presented in thousands of euros.

The financial statements are prepared on the basis of the historical cost with the exception of assets and liabilities, which must be recognised according to IFRS standards at their fair value.

Fair value is defined as the price that would be collected when selling an asset or paid for transferring a liability in the course of a normal business transaction between market players at the date of valuation. Three levels of fair value are defined by the standards:

- Level 1: securities whose values are quoted on an active market for identical assets or liabilities;
- Level 2: observable securities; inputs other than the values quoted as per Level 1, which are observable for the relevant asset or liability either directly (i.e. prices) or indirectly (i.e. derivatives);
- Level 3: unobservable market securities; inputs relative to assets or liabilities not based on observable market values.

Assets intended for disposal or consumed in the Group's usual operating cycle, or to be transferred within twelve months of closing plus cash and cash equivalents are current assets.

Liabilities maturing during the normal course of the business cycle, or within twelve months of closing the financial year, are current liabilities.

The other assets and liabilities are considered non-current.

The preparation of financial statements in compliance with the IFRS standards requires making estimates and assumptions affecting the figures in these financial statements. These estimates assume the business will continue to operate as a going concern and are measured using information available at the time of preparation. Estimates may be revised if the circumstances on which they are based change or if new information arises. Actual results may differ from these estimates. Use of these estimates notably involves the items below:

- Assessment of retirement commitments,
- Assessment of reserves,
- Assessment of goodwill.

### 3.2 CONSOLIDATION PRINCIPLES

Evolis fully consolidates all the subsidiaries it controls legally and/or effectively.

Control applies when Evolis holds the power to manage, directly or indirectly, the company's financial and operational policies in such a way that it obtains advantages from the latter. Control is presumed to apply if Evolis holds more than half the voting rights.

Subsidiaries are consolidated insofar as Evolis takes control of them and until this control is transferred outside the group. The group does not include any entity qualified as a “related company” or a “joint venture”.

The balances in the balance sheet, reciprocal income and expenses are eliminated, as are internal profits/losses.

Information on the subsidiaries is provided in note 4.

### 3.3 COMMITMENT TO PURCHASE SHARES

When reciprocal put and call options contracted with minority interests regarding shares in a company controlled by the Group exist, they are taken into consideration to calculate the percentage of interest. When options are not reciprocal (put and call), the percentage of interests is not changed. The Group records these options in the “fixed asset liabilities” item with an offsetting reduction in minority interests and additional goodwill. The value of the debt matches the discounted value of the estimated strike price of the put option, and subsequent changes are recognised as shareholders' equity.

### 3.4 CONVERSION METHOD

Sales and purchases that are denominated in foreign currencies are converted and recognised within their month of invoicing. Foreign exchange gains or losses relating to the interval between the payment or collection of invoices and their entry, are recognised as other financial income and expenses.

Receivables and liabilities are valued at closing.

The operating currency of foreign companies is generally their local currency. In cases where the majority of transactions take place in a currency different to the local currency, the former currency is used.

The operational currency of subsidiaries is the euro except for Evolis Inc, Evolis Asia and cardPresso Inc which use the US dollar, Evolis India which uses the Indian Rupee and Evolis China which uses the MRB.

For consolidation, the closing rate method is used for the balance sheet and average exchange rates for the income statement and cash flow statement. The resulting translation difference is recognised as shareholders' equity in the exchange differential.

### 3.5 BUSINESS COMBINATIONS AND GOODWILL

#### Business combinations

Business combinations are recognised according to the acquisition method as defined by IFRS 3 Revised and IAS 27 Revised.

The main accounting principles applied by the Group are the following:

- The option of measuring non-controlling interests in goodwill estimates, i.e. at fair value ("full goodwill method"), or depending on the proportion of identifiable net assets held in the acquired business ("partial goodwill method");
- Recognising acquisition costs directly as expenses for the financial year;
- The inclusion, at the time of the business combination, of the fair value of contingent consideration (earn-out clause);
- The effects of changes in interest percentages without loss of control only impact shareholders' equity (group share and non-controlling interests). The amount of goodwill is fixed at the initial take-over date;
- Losses applicable to non-controlling interests are allocated to them at their full prorata share, even if this allocation makes the amount of non-controlling interests negative.

The difference between acquisition price and group share in the fair value of the assets and liabilities acquired represents goodwill. It is recognised on the assets side of the consolidated balance sheet under "Goodwill".

#### Goodwill and impairment testing

For the requirements of impairment testing, as of the time of acquisition, consolidated goodwill is allocated to each cash-generating unit to benefit from the business combination.

A cash-generating unit (CGU) is the smallest identifiable group of assets which generate cash inflows that are significantly independent from those generated by other assets or groups of assets. A CGU is a subdivision of a business activity for which internal reporting exists and for which income analysis is performed.

The Group generally values goodwill at legal entity level.

A CGU to which goodwill has been allocated is subjected to an impairment test every year and whenever the CGU is assumed to have undergone impairment, by comparing its book value including goodwill with its recoverable value.

As the case may be, the impairment of goodwill is recognised as operating income and is final.

#### Determining recoverable amounts

The necessity of measuring impairment is assessed by comparing the book value of the CGU or group of CGU's assets and liabilities with their recoverable amount.

Recoverable amount is defined as the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use.

Fair value less costs to sell is determined on the basis of available information producing the best estimate of the amount obtainable from the sale of a cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The value in use determined by the group corresponds to the discounted future cash flow of the CGU or group of CGUs, taking into account their residual value, on the basis of medium and long-term plans used by Group management. The main assumptions are detailed in note 5.

### 3.6 INTANGIBLE NON-CURRENT ASSETS:

Except for brands and goodwill, intangible non-current assets are all redeemable.

They mainly involve the R&D expenses meeting the deferral and implementation conditions for designing new ranges or versions of printers.

The deferral conditions for intangible assets are the following:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- The intention to complete the intangible asset and use or sell it.
- The ability to use or sell the intangible asset.
- The ability of the intangible asset to generate probable future economic benefits.
- The current or future availability of adequate technical, financial and other resources to complete the project.
- The ability to measure reliably the expenditure attributable to the intangible asset during its development phase.

#### Amortisation of intangible assets

Amortisation is recognised over the estimated useful life of the intangible asset. The table below shows the durations and amortisation methods used:

	Duration (years)	Method
Research & Development costs	3	straight line
Software, patents, trademarks	3 or 5 or N/A	straight line



### 3.7 TANGIBLE NON-CURRENT ASSETS

Tangible non-current assets are recorded in the balance sheet at acquisition cost.

When a tangible asset comprises significant elements with different useful lives, they are recognized separately.

#### Depreciation of non-current tangible assets

Depreciation is calculated on the basis of useful life using the following methods:

	Duration (years)	Method
Buildings	7 to 40	straight line
Plant	3 to 10	straight line
Tooling	3	straight line
Fixtures, fittings and improvements	5	straight line
General equipment	5 to 10	straight line
Transport vehicles	1 to 4	straight line
Office equipment and computer hardware	3 to 5	straight line
Furniture	5	straight line

The registered offices have been subjected to the following breakdown:

Buildings & Structures	Straight line over 40 years
Exterior joinery	Straight line over 25 years
Plumbing - heating - sealing	Straight line over 20 years
Interior fixtures & fittings	Straight line over 15 years
Exterior improvements - landscaping	Straight line over 10 years
Floor coverings	Straight line over 7 years

### 3.8 IMPAIRMENT OF NON-CURRENT ASSETS

The book value of non-current assets are examined at each closing date to assess whether there are any signs that an asset has become impaired. If such a sign does exist, the recoverable value of the asset or group of assets is estimated.

Goodwill and intangible assets with an indefinite useful life are systematically tested every year subsequent to updating the long term plan, and whenever a sign of loss of value arises.

If the recoverable value determined is lower than the net book value of the asset or group of assets, an impairment is recognised.

Impairments of non-current assets are reversible, except for those relative to goodwill.

### 3.9 PUBLIC SUBSIDIES

In compliance with the option provided by IAS 20, investment subsidies are recognized against the gross value of the non-current assets for which they were received. They are recognised against the amortisation charge over the useful lifetime of the asset.

### 3.10 NON-CURRENT ASSETS TO BE SOLD

Assets to be sold are shown, if any, on a separate line of the balance sheet insofar as that the date of sale is probable. The book value is then recoverable by a sale or an exchange for other assets. When this value, minus cost of sale, is less than "fair value", impairment is recognised.

### 3.11 INVENTORIES

Inventories of goods and materials are valued weighted average cost method. Finished product inventories are valued at production cost including the purchase price of materials plus incidental costs plus labour costs. Overheads not attributable to production are excluded.

The gross value of supplies includes purchase price and incidental costs.

A depreciation allowance is made to cover probable loss on obsolete items or those which can no longer be included in the manufacturing process.

### 3.12 RECEIVABLES

Receivables are valued at face value. When the inventory value is lower than the book value, an impairment charge is recorded for the amount of the difference.

The inventory value is assessed per receivable on the basis of the non-recovery risk (possible legal proceedings or significant delays in payment).

### 3.13 FINANCIAL ASSETS

Financial assets include available-for-sale assets, assets held until their maturity, assets measured at fair value through profit and loss, loans & receivables and cash flow and equivalents.

The measurement and recognition of financial assets are defined by the standard IAS 39.

At the time of initial recognition, financial assets are valued at fair value net of transaction costs.

At the time of acquisition, the Group classifies the financial asset into one of the four accounting categories provided for by the IAS 39 standard:

- Held-to-maturity investments
- Available-for-sale financial assets
- Loans and receivables
- Financial assets at fair value through profit or loss

After initial recognition, held-to-maturity assets and loans & receivables are recognised at amortised cost according to the effective interest rate method. Available-for-sale assets and the assets measured at fair value through profit and loss are recognised at fair value with value changes recorded directly in shareholders' equity for the former and in the income statement for the latter.

In the event of a significant or prolonged decrease in the fair value of available-for-sale assets below their acquisition price, an impairment is recognised in net P/L.

Unrealised gains and losses at the end of each financial year though shareholders' equity are reclassified to earnings when the securities are disposed of.

Security deposits are valued at the cost matching the price paid including acquisition costs related to the investment. Treasury shares are recognised as a reduction in shareholders' equity. Profits and losses arising from the disposal of these shares are carried directly to shareholders' equity and have no effect on the income statement.

### 3.14 CASH FLOW AND EQUIVALENTS

Cash flow and equivalents comprises instruments meeting the criteria of IAS 7 (short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value).

### 3.15 DERIVATIVE FINANCIAL INSTRUMENTS

According to the IAS 32 and 39 standards, all derivative financial instruments must be written into the balance sheet at their market value. The accounting method for changes in their market value differs depending on whether the derivative is used to hedge a market value risk, a future cash flow risk, a risk of change to a net investment in foreign currency or which does not constitute a hedging instrument:

- Changes in the value of derivative instruments hedging a market value risk are recognised in the income statement. They are offset by symmetrical revaluation of the asset, liability or firm commitment hedged, also recognised in the income statement.
- Changes in the value of derivative instruments hedging future cash flows are recognised in shareholders' equity. They are carried to the income statement as the cash flows are realised. The proportion of change in the fair value of derivatives deemed ineffective is recognized in the income statement.
- Changes in the value of derivative instruments hedging exchange risks on a net investment in foreign currency are recognised in shareholders' equity. The proportion of change in the fair value of derivatives deemed ineffective is recognized in the income statement.

Qualification as a hedging instrument results from the initial intention to assign the derivative to hedge an asset, liability, firm commitment or future cash flow, defined and documented from the beginning. The effectiveness of the hedge must be tested by regularly checking the correlation between the change in the hedging instrument's market value and that of the item hedged. The ineffective fraction of the hedge is systematically recorded in the financial income statement.

- Derivatives contracted as part of the risk management policy implemented by Evolis, but not constituting hedging instruments within the meaning of standards IAS 32 and 39, are recognised at their market value. Change in value are recognised in profits and losses for the period.

An embedded derivative is a component of a contract that meets the definition of a derivative and whose economic characteristics are not closely related to those of the host contract. An embedded derivative must be separate from its host contract and recognised according to the rules applicable to derivatives (fair value through profit or loss) if, and only if, the three following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- The embedded derivative meets the definition of a derivative according to the IAS 39 standard;
- The hybrid instrument is not measured at fair value with changes in fair value recognised in profit or loss via the income statement.

The group currently has no embedded financial derivative instruments.

### 3.16 SHARE CAPITAL AND RESERVES

Income per share is calculated on the basis of net earnings - group share

The number of shares retained is the average number of outstanding SA Evolis securities during the financial year.

In compliance with IAS 33 revised, the impact of possible shares to be issued was taken into account. This restatement has no significant effect on income per share.

### 3.17 PERSONNEL BENEFITS

- Retirement commitments

Retirement benefits, which are defined employee benefit obligations, are related to the collective bargaining agreements applicable to the group. They involve employee retirement benefits.

The group pays a large portion of these social liabilities to an accredited financial organisation and accrues the balance of its commitments according to an estimated of the amount paid to each employee on retirement, discounted and assigned a probability of occurrence.

The group is not affected by the other benefits except for long service awards, the amounts of which were considered non-significant.

### 3.18 ALLOWANCES

The Group recognises allowances when it has an obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and if a reliable estimate can be made of the amount of the obligation.

### 3.19 MEASUREMENT AND RECOGNITION OF FINANCIAL LIABILITIES

Except for trading liabilities and derivatives constituting liabilities measured at fair value, loans are measured initially at fair value minus transaction costs and subsequently at amortised cost, calculated using the effective interest rate. When the loan is concluded at market rates, and in the absence of incidental costs, the effective interest rate is equal to the nominal rate of the loan.

### 3.20 TURNOVER

Turnover is recognised when the risks and benefits inherent to ownership of goods are transferred to the purchaser, and when the amount can be measured reliably.

### 3.21 SEGMENT REPORTING

The two reporting levels retained are: geographical segment and business line. The main indicators tracked are revenue and operating income before non-recurring items.

The first segment reporting level is organised per geographical segment on the basis of client location.

The second segment reporting level is organised by business line: printers, consumables and miscellaneous.

Segment data only includes data directly attributable data or data that can be reasonably assigned.

### 3.22 LEASES

Assets financed through a lease are restated for all contracts involving assets whose original value is greater than K€100. The restatement of smaller leases would not be significant.

The other leases are simple rentals. The lease charges are recognised in expenses on a straight line basis until maturity.

### 3.23 TAXES

Deferred taxes are recognised using the liability method over all temporary differences at closing between the tax base of assets and their book value in the balance sheet.

Active deferred taxes are recognised insofar as it is probable that taxable profits will be available.

#### Note 4 - Consolidation scope

Companies	Closing date	Entry date	Registered offices	% of interest
Parent Company				
Evolis	31/12/2016	-	Beaucouzé (49)	-
Subsidiaries				
Evolis Inc	31/12/2016	04/10/2004	Fort Lauderdale (Florida USA)	100%
Evolis Asia	31/12/2016	20/09/2006	Singapore	100%
Sogedex Accessories	31/12/2016	02/01/2012	Beaucouzé (49)	100%
Evolis India	31/03/2017	01/07/2013	Mumbai (India)	70%
cardPresso	31/12/2016	01/04/2014	Madera	84%
Evolis China	31/12/2016	01/11/2014	Shanghai	100%
cardPresso Inc	31/12/2016	01/07/2015	Fort Lauderdale (Florida USA)	84%
ACTS Distribution	31/12/2016	01/04/2016	Beaucouzé (49)	100%

All companies are consolidated according to the full consolidation method.

Evolis India: 70% equity interest in this company.

cardPresso: 84% equity interest in this company.

In addition to these equity interests, the group has a commitment to purchase the balance of shares with the minority shareholders.

In this respect, Evolis has acquired a 14% holding in cardPresso during 2016.

#### Note 5 - Goodwill

	31/12/2015	Change in consolidation scope	Unrealized exchange gains/losses	Purchase of businesses	Others changes	31/12/2016
Gross value	9,121	753	37			9,911
Loss of value						
Net value	9,121	753	37	0	0	9,911

	31/12/2014	Change in consolidation scope	Unrealized exchange gains/losses	Purchase of businesses	Others changes	31/12/2015
Gross value	8,424		697			9,121
Loss of value						
Net value	8,424	0	697	0	0	9,121

Goodwill is impairment tested annually. Assets are centralised by CGU to perform these tests. Current value is determined using the discounted cash flows method with a terminal value, on the basis of forecast plans validated by Group Management. This calculation is based on a discount rate and infinite growth assumptions adapted to the relevant geographical areas.

The rate used for discounting future cash flow is WACC (Weighted Average Cost of Capital) at closing.

This rate was determined for each subsidiary taking into account:

- The subsidiary's debt structure. A long-term interest rate of 0.682% was taken into account corresponding to the OAT 10 year maturity rate at 31 December 2016.
- A risk premium including a country risk according to the geographical areas involved.
- A beta that takes into account each subsidiary's liquidity on its market, size and business line.

Data relative to the risk premium and beta was prepared on the basis of Damodaran tables.

At 31 December 2016, the WACC rates used for each subsidiary were the following:

Subsidiary	Country	2016 rate	2015 rate
WACC SOGEDEX	France	8.0%	9.0%
WACC ACTS	France	8.0%	none
WACC EVOLIS INDIA	India	10.0%	12.0%
WACC CARDPRESSO	Portugal	10.0%	12.0%

The impairment tests carried out did not show any value loss at 31 December 2016.

Sensitivity testing did not show significant differences when the discount rate was varied by 0.5 point.

## Note 6 - Intangible non-current assets

In K€	31/12/15	Change in consolidation scope	Unrealized exchange gains/losses	Acquisitions (allowances)	Decreases and reclass.	31/12/2016
Goodwill	9,121	753	37			9,911
Other intangible non-current assets	43	(740)	1	756		60
R&D expenses	7,222			1,558		8,780
Software, patents	2,958			153		3,111
<b>Total gross values</b>	<b>19,344</b>	<b>13</b>	<b>38</b>	<b>2,467</b>		<b>21,862</b>
Goodwill						
Other intangible non-current assets	30		1	15		46
R&D expenses	4,817			1,277		6,094
Software, patents	1,698			597		2,295
<b>Total amortisation and reserves</b>	<b>6,545</b>			<b>1,889</b>		<b>8,435</b>

In K€	31/12/14	Change in consolidation scope	Unrealized exchange gains/losses	Acquisitions (allowances)	Decreases	31/12/2015
Goodwill	8,424		697			9,121
Other intangible non-current assets	276			10	243	43
R&D expenses	6,023			1,199		7,222
Software, patents	2,710			248		2,958
<b>Total gross values</b>	<b>17,433</b>		<b>697</b>	<b>1,457</b>	<b>243</b>	<b>19,344</b>
Goodwill						
Other intangible non-current assets	243			30	(243)	30
R&D expenses	3,686			1,131		4,817
Software, patents	1,119			579		1,698
<b>Total amortisation and reserves</b>	<b>5,048</b>			<b>1,740</b>	<b>(243)</b>	<b>6,545</b>

Capitalisation of Research & Development costs for FY 2016 break down into 1 221 thousand euros non-current assets produced and 337 thousand euros non-current assets purchased (959 thousand euros non-current assets produced in 2015).

## Note 7 - Tangible non-current assets

In K€	31/12/2015	Change in consolidation scope	Unrealized exchange gains/losses	Acquisitions (allowances)	Decreases and reclass.	12/31/2016
Land	684					684
Buildings	7,867					7,867
Plant, equipment and tooling	6,797			340		7,137
Other tangible non-current assets	4,073		25	726	60	4,764
Prepays	15				15	
<b>Total gross values</b>	<b>19,436</b>		<b>25</b>	<b>1,066</b>	<b>75</b>	<b>20,452</b>
Land						
Buildings	2,383			326		2,709
Plant, equipment and tooling	5,885			465		6,350
Other tangible non-current assets	2,755		22	648	48	3,377
<b>Total amortisation and reserves</b>	<b>11,023</b>		<b>22</b>	<b>1 439</b>	<b>48</b>	<b>12,436</b>

In K€	31/12/2014	Change in consolidation scope	Unrealized exchange gains/losses	Acquisitions (allowances)	Decreases and reclass.	12/31/2015
Land	684					684
Buildings	7,764			103		7,867
Plant, equipment and tooling	5,993			819	15	6,797
Other tangible non-current assets	3,579		85	634	225	4,073
Prepays	14		1			15
<b>Total gross values</b>	<b>18,034</b>		<b>86</b>	<b>1,556</b>	<b>240</b>	<b>19,436</b>
Land						
Buildings	2,060			323		2,383
Plant, equipment and tooling	5,497			393	5	5,885
Other tangible non-current assets	2,159		50	771	225	2,755
<b>Total amortisation and reserves</b>	<b>9,716</b>		<b>50</b>	<b>1,487</b>	<b>230</b>	<b>11,023</b>

## Note 8 - Non-current financial assets

In K€	31/12/2015	Change in consolidation scope	Unrealized exchange gains/losses	Acquisitions (allowances)	Decreases	12/31/2016
Marketable securities	14					14
Receivables	169				46	123
Security deposits	89		1	30		120
<b>Total gross values</b>	<b>272</b>		<b>1</b>	<b>30</b>	<b>46</b>	<b>257</b>
Marketable securities	14					14
Receivables						
Security deposits						
<b>Total amortisation</b>	<b>14</b>					<b>14</b>

In K€	31/12/2014	Change in consolidation scope	Unrealized exchange gains/losses	Acquisitions (allowances)	Decreases	12/31/2015
Marketable securities	14					14
Receivables	153			16		169
Security deposits	86		6	5	8	89
<b>Total gross values</b>	<b>253</b>		<b>6</b>	<b>21</b>	<b>8</b>	<b>272</b>
Marketable securities	14					14
Receivables						
Security deposits						
<b>Total amortisation</b>	<b>14</b>					<b>14</b>

## Note 9 - Current and non-current financial assets

In K€	Fair value financial asset categories			Fair value	Fair value measurement method		
	Assets available for sale	Loans and receivables	Fair value assets through the consolidated income statement	Total value in balance sheet	Level 1: quoted price	Level 2: Model with observable parameters	Level 3: Internal model with non-observable parameters
	Notes						
Long-term investments	8	243		243	x	x	
Clients		14,622		14,622		x	
Assets available for sale				0			
Other current assets		2,454		2,454		x	
Cash flow and equivalents	12	24,938		24,938	x	x	
Other financial assets				0			
<b>TOTAL</b>		<b>0 42,257</b>	<b>0</b>	<b>42,257</b>			

## Note 10 - Assets to be sold

The group does not possess any non-current assets to be sold and is not planning any disposal of a business line.

## Note 11 - Other financial assets

None

## Note 12 - Cash flow and equivalents

Cash flow and cash equivalents are shown as assets at their fair value and include marketable securities, debt securities, cash at bank and on hand.

In K€	31/12/16	31/12/15
Marketable securities	0	0
<b>Total financial assets at fair value through profit or loss</b>	<b>0</b>	<b>0</b>
Debt securities	14,502	17,602
Cash in assets	10,437	7,430
<b>Total loans and receivables</b>	<b>24,939</b>	<b>25,032</b>
<b>Cash flow and equivalents</b>	<b>24,939</b>	<b>25,032</b>

### Note 13 - Shareholders' equity

Share capital, fully paid up, comprised 5,164,120 shares of 0.08 euro nominal value each at 31 December 2016.

Evolis has entered into a liquidity contract to energise group stock.

At 31 December 2016:

- The volume of shares included in the contract amounted to: 1,271 shares for a value of K€50.
- The cash committed to this contract amounts to: K€131

### Note 14 - Financial risk management

The company has reviewed the risks likely to have a significant adverse effect on its business, financial situation or income and considers that no other significant risks exist other than those presented.

#### 14.1 FOREIGN EXCHANGE RISKS

Evolis faces different types of risk:

- the first arises from the translation in its financial statements of the books of its foreign subsidiaries kept in dollars;
- the second relates to the company's business activity. Sales, notably through its American subsidiary, are billed in US dollars.

During the period, sales billed in US\$ amounted to M€43.1. i.e. 51% of consolidated turnover.

Procurement in Great Britain was negotiated in dollars. These purchases partially cover the sales made in dollars.

The group has bank accounts in USD, JPY, SGD and INR. The balance of these bank accounts is not systematically hedged. Depending on changes in the exchange rates for these currencies, the Company sometimes carries out hedging transactions.

All these systems are used to react in the best possible way to currency fluctuations but do not totally preclude a residual exchange risk.

- Forward currency purchases and sales

In K€	31/12/16		31/12/15	
	assets	liabilities	assets	liabilities
Forward purchase of JPY (valuation K€)		(54)		0
Nominal value (K JPY)		63,500		50,000
Forward sales of USD (valuation K€)		(373)		0
Nominal value (K USD)		13,820		4,100
Foreign exchange derivatives				

#### 14.2 INTEREST RATE RISKS

As leverage is very low (debt ratio vs. equity): NA in 2015 and 2016) The company is not significantly exposed to interest rate risks.

The group considers that it is not significantly exposed to interest rate risks on its investments classified as cash equivalents.

#### 14.3 LIQUIDITY RISK

The group considers that it is not exposed to liquidity risks because of its limited leverage and cash position at 31 December 2016 (K€24,938).

The group specifically reviewed its liquidity risk and considers that it is able to meet its future commitments.

No special clauses likely to significantly modify their terms are attached to financial liabilities.

Financing is provided by Evolis' partner banks.

Please refer to note 16 for the breakdown of financial liabilities by maturity.

#### 14.4 CREDIT RISK

Since the group companies began trading, client payment defaults have been reduced significantly.

Evolis achieves almost its entire turnover with importer wholesalers (indirect sales). Therefore, the Evolis group is minimally exposed to end customer defaults in the various countries.

When a new export client account is created, payment is usually made prior to delivery: after a satisfactory partnership period, full or partial payment terms are granted to clients after solvency rating by Evolis' credit control department. In this case, a maximum exposure amount is determined by Evolis.

- Late payment position

In K€	30/12/16	31/12/15
<b>Receivables past due but not impaired</b>	<b>12,249</b>	<b>10,147</b>
Receivables due for less than 60 days but not impaired	2,003	2,548
Receivables due for more than 60 days but not impaired	367	593
<b>Receivables not due and not impaired</b>	<b>2,370</b>	<b>3,141</b>
Gross amounts of impaired receivables	137	171
Loss of value recognised	(134)	(168)
<b>Accounts receivable net of value loss</b>	<b>14,622</b>	<b>13,291</b>



## Note 15 - Reserves

- Table of entries

In K€	31/12/15	Reclassification	Foreign exchange transl. adjustment	Allowances	Reversals			31/12/16
					Used	Not used	total	
Benefits for staff	199		2	92		14	14	279
Sundry risks	0						0	0
Guarantees due later than one year	101			100		101	101	100
<b>Non-current sub-total</b>	<b>300</b>	<b>0</b>	<b>2</b>	<b>192</b>		<b>115</b>	<b>115</b>	<b>379</b>
Sundry risks	206			145	96		96	255
Guarantees due within a year	154			120	154		154	120
Current sub-total	360			265	250	0	250	375
<b>Total</b>	<b>660</b>	<b>0</b>	<b>2</b>	<b>457</b>	<b>250</b>	<b>115</b>	<b>365</b>	<b>754</b>

In K€	31/12/14	Reclassification	Foreign exchange transl. adjustment	Allowances	Reversals			31/12/15
					Used	Not used	total	
Benefits for staff	211		3	49		64	64	199
Sundry risks	36					36	36	0
Guarantees due later than one year	93			101		93	93	101
<b>Non-current sub-total</b>	<b>340</b>		<b>3</b>	<b>150</b>		<b>193</b>	<b>193</b>	<b>300</b>
Sundry risks	0			206				206
Guarantees due within a year	133			154		133	133	154
Current sub-total	133			360	0	133	133	360
<b>Total</b>	<b>473</b>	<b>0</b>	<b>3</b>	<b>510</b>	<b>0</b>	<b>326</b>	<b>326</b>	<b>660</b>

- Table of impairment entries

In K€	31/12/15	Foreign exchange transl. adjustment	Allowances	Reversals	31/12/16
Impairment of inventories	821	10	589	630	790
Impairment of receivables	168	4	23	61	134
<b>Total</b>	<b>989</b>	<b>14</b>	<b>612</b>	<b>691</b>	<b>924</b>

In K€	31/12/14	Foreign exchange transl. adjustment	Allowances	Reversals	31/12/15
Impairment of inventories	572	16	234	1	821
Impairment of receivables	101	12	55		168
<b>Total</b>	<b>673</b>	<b>28</b>	<b>289</b>	<b>1</b>	<b>989</b>

### 15.1 PERSONNEL BENEFITS

Reserves for staff benefits include the retirement benefit commitments of:

- the parent company (balance according to payments made to a financial organisation)
- Sogedex Accessories
- Evolis India
- ACTS Distribution

Evolis SA entered into an end-of-career compensation contract in 2012.

The obligations of Evolis Inc and Evolis Asia, Evolis China, cardPresso and cardPresso Inc in this respect are considered as non-significant and are not restated in the consolidated statements.

The amount of the reserve was evaluated by applying the preferential method (standard IAS 19 revised). The impact of the revised standard is minimally significant.

The method of calculation used is the retrospective projected unit credit method.

The main assumptions adopted are the following:

- employees involved: members of personnel, under permanent contracts to the company.
- retirement at the employee's initiative at 65.

- Social contribution rate 45.7%
- Discount rate: 1.31%
- Salary increase rate: 2.00%
- Personnel turnover rate: 5%

At 31/12/2016, the retirement benefit commitment stood at a total of 928 k€ of which 635 k€ hedged by the end-of-career compensation contract.

In K€	31/12/16	31/12/15
Opening balance	190	170
Change in scope	20	
Cost of services rendered during period	90	76
Financial cost	9	8
Contributions	(108)	
Actuarial gains/losses	71	(71)
Service provisions	(19)	
Cost of services rendered		
Increases - Reductions	24	7
Unrealised exchange gains/losses	2	
Payments		
<b>Closing balance</b>	<b>279</b>	<b>190</b>

## 15.2 WARRANTY PROVISIONS

Warranties in progress at the end of the period are recognised on the basis of statistical estimates of the return rate of printers sold. These statistics are specific to the company and are determined on the basis of returns observed over the last three years.

### Note 16 - Financial debt schedule

31/12/2016 In K€	Rate	Less 1 year	Than 1 to 5 years	More than 5 years	Total
Short-term loans	1%				0
Long-term loans	1.98%	30			30
Long-term loans	11.50%	29	56		30
<b>Total</b>		<b>59</b>	<b>56</b>		<b>85</b>

31/12/2015 In K€	Rate	Less 1 year	Than 1 to 5 years	More than 5 years	Total
Short-term loans	1%	56			56
Long-term loans	1.98%	15	28		43
Long-term loans	11.50%	26	83		109
<b>Total</b>		<b>97</b>	<b>111</b>		<b>208</b>

### Note 17 - Other liabilities

In K€	Fair value financial asset categories		Fair value	Fair value measurement method		
	Liabilities at amortised cost	Fair value liabilities through the consolidated income statement	Total value in balance sheet	Level 1: quoted price	Level 2: Model with observable parameters	Level 3: Internal model with non-observable parameters
Suppliers	4,820		4,820		x	
Non-current financial debts	59		59		x	
Other financial liabilities	430		430	x	x	
Social security and tax liabilities	2,715		2,715		x	
Other debts	361		361		x	
<b>TOTAL</b>	<b>8,385</b>	<b>0</b>	<b>8,385</b>			

#### • Other non-current liabilities

In K€	31/12/16	31/12/15
Fixed asset liabilities <sup>(1)</sup>	2,093	3,081
Social security and tax liabilities	245	250
<b>Total</b>	<b>2,338</b>	<b>3,331</b>

(1) Fixed asset liabilities include liabilities on the acquisition of securities

#### • Other current liabilities

In K€	31/12/16	31/12/15
Suppliers	4,820	4,242
Social security and tax liabilities	2,715	4,140
Other financial liabilities	430	6
Fixed asset liabilities	207	134
Other debts	154	115
<b>Total</b>	<b>8,326</b>	<b>8,637</b>

### Note 18 - Dividends distributed

In K€	31/12/16	31/12/15
Net dividends paid during the period	6,713	3,667
<b>Total</b>	<b>6,713</b>	<b>3,667</b>

#### Earnings per share

	31/12/16	31/12/15
Number of shares during the period	5,164,120	5,164,120
<b>Earnings per share (in €)</b>	<b>1.30</b>	<b>0.71</b>

#### Earnings per share

	31/12/16	31/12/15
Number of shares (minus self-checks)	5,162,849	5,163,514
<b>Earnings per share (in €)</b>	<b>1.30</b>	<b>0.71</b>

## Note 19 - Segment reporting

- First segment reporting level (geographical segment):

31/12/16 In K€	EMEA <sup>(1)</sup>	Asia- Oceania	Americas	Total segment	not allocated	Total
Income from external sales	44,477	12,861	19,647	76,985	0	76,985
Income generated by other segments				0	0	0
Operating income per segment	5,967	1,198	6,390	13,555	0	13,555
Total book value of assets	61,457	5,654	7,292	74,403	1,458	75,861
Segment liabilities	7,503	464	341	8,308	0	8,308
Acquisition of non-current assets	4,252	11	38	4,301	0	4,301
Amortisation expense included in the result segment	2,384	412	533	3,329	0	3,329
Other non-cash expenses	(136)	58	91	13	0	13

(1) of which Turnover France: K€7,839 - EMEA including India business

31/12/15 In K€	EMEA <sup>(1)</sup>	Asia- Oceania	Americas	Total segment	not allocated	Total
Income from external sales	45,440	11,433	19,800	76,673	0	76,673
Income generated by other segments	0	0	0	0	0	0
Operating income per segment	8,066	2,592	7,192	17,830	(3,042)	14,788
Total book value of assets	59,930	5,795	6,794	75,519	630	73,149
Segment liabilities	8,095	377	159	8,631	0	8,631
Acquisition of non-current assets	2,829	175	30	3,034	0	3,034
Amortisation expense included in the result segment	2,484	292	422	3,198	0	3,198
Other non-cash expenses	466	9	8	483	0	483

(2) of which Turnover France: K€7,839 - EMEA including India business

- Second segment reporting level (product ranges):

31/12/16 In K	Printers	Consumables	Miscellaneous	Total	not allocated	Total
Income from external sales	37,228	35,394	4,363	76,985	0	76,985
Total book value of assets	4,739	2,500		7,239	61,685	68,924
Acquisition of non-current assets	1,999			1,999	2,302	4,301

31/12/15 In K	Printers	Consumables	Miscellaneous	Total	not allocated	Total
Income from external sales	33,783	38,674	4,216	76,673	0	76,673
Total book value of assets	5,410	2,480	6,678	14,568	58,581	73,149
Acquisition of non-current assets	1,084			1,084	1,950	3,034

- Segment data by geographical location of assets

31/12/16 In K€	EMEA	Asia- Oceania	Americas	Total segment	not allocated	Total
Total book value of assets	61,457	5,654	7,292	74,403	1,458	75,861
Acquisition of non-current assets	4,252	11	38	4,301		3,329

31/12/15 In K€	EMEA	Asia- Oceania	Americas	Total segment	not allocated	Total
Total book value of assets	59,930	5,795	6,794	75,519	630	73,149
Acquisition of non-current assets	2,829	175	30	3,034		3,034

## Note 20 - Personnel costs

### 20.1 PERSONNEL EXPENSE BREAKDOWN

In K€	31/12/16	31/12/15
Salaries and wages	12,247	11,133
Social contributions	4,390	4,113
Salaries and Social contributions charged to R&D expenses	(1,221)	(960)
Employee benefits	86	85
Personnel expense reimbursement	(33)	(99)
Payments in shares and similar	0	0
Profit sharing scheme	180	533
Statutory profit sharing	824	673
Retirement benefit	0	7
<i>Sub Total</i>	<i>16,473</i>	<i>15,485</i>
Tax and duties on remuneration	184	207
External personnel	721	857
Benefits granted to personnel	0	0
<b>Total</b>	<b>17,378</b>	<b>16,549</b>

### 20.2 DISTRIBUTION OF AVERAGE HEADCOUNT

	31/12/16	31/12/15
Employees, technicians and supervisory staff	99	101
Employees	244	207
<b>Total</b>	<b>343</b>	<b>308</b>

### 20.3 WAGES ALLOCATED TO SENIOR MANAGERS

In K€	31/12/16	31/12/15
Short-term benefits	1,008	1,000
Post-employment benefits		
Other long term benefits	892	892
End of employment contract gratuities		
Payment based on shares		
<b>Total</b>	<b>1,900</b>	<b>1,892</b>

## Note 21 - Research & Development costs allocated

In K€	31/12/16	31/12/15
Merchandise and materials consumed		
Personnel expenses	1,221	959
Other purchases and external expenses	337	239
Depreciation charges		
<b>Total</b>	<b>1,558</b>	<b>1,198</b>

## Note 22 - Other financial income and expenses

In K€	31/12/16	31/12/15
Translation gains/losses	142	268
Other financial income and expenses		
<b>Total</b>	<b>142</b>	<b>268</b>

## Note 23 - Tax

### 23.1 BREAKDOWN OF RECOGNISED TAX

In K€	31/12/16	31/12/15
Payable taxes	4,817	4,703
Deferred non-current tax asset	(152)	
Deferred tax asset		
Deferred non-current tax liability		262
Deferred current tax liability		
<b>Total</b>	<b>4,665</b>	<b>4,965</b>

### 23.2 TAX PROOF

In K€	31/12/16	31/12/15
Net income before tax	14,020	15,303
Applicable taxation rate	34.22%	34.22%
Theoretical tax expense	4,798	5,237
Non-deductible expenses	179	155
Losses carried forward for which no deferred taxes are recognised		1
Tax on dividends	201	110
Tax credit	(468)	(471)
Changes in deferred tax rates	85	10
Capitalisation of deficits		
Deferred tax rate difference on subsidiaries	(9)	(44)
Non-taxable earnings	(116)	(61)
Other reductions	( 52)	(28)
Other surcharges	47	56
<b>Total tax expense</b>	<b>4,665</b>	<b>4,965</b>
Of which:		
* Current tax	4,817	4,703
* Deferred tax	(152)	262

## Note 24 - Business combinations

In 2016, the group acquired a business via its new subsidiary ACTS Distribution

<b>Company</b>	ACTS Distribution
<b>Subsidiary of</b>	Evolis SA
<b>Entry date</b>	01/04/2016
<b>Registered offices</b>	Beaucouzé
<b>% control</b>	100%
<b>% interest</b>	100%
<b>Consolidation method</b>	Full consolidation

In 2015, the group did not acquire any equity interests.

- Goodwill and assets relating to acquisitions

At 31 December 2016, net assets and goodwill from these operations break down as follows:

In K€	ACTS Dist.	cardPresso	Evolis India	Sogedex	Aggregate 31/12/16
Year of acquisition	2016	2014	2013	2012	
Cost of acquisition (cash)	740	1,365	3,927	1,900	7,932
Reassessment of holdings (complete goodwill)		585	2,177		2,762
Fair value of net assets acquired in holdings		(934)	(962)		(1,896)
Unrealised exchange gains/losses		0	1,003		1,003
Miscellaneous	13			97	110
<b>Goodwill</b>	<b>753</b>	<b>1,016</b>	<b>6,145</b>	<b>1,997</b>	<b>9,911</b>

- Impact on the income statement:

The buyout of 14% of the minority interest in the subsidiary cardPresso generated profits of K€50.

## Note 25 - Commitments

### 25.1 COMMITMENTS GRANTED

None

### 25.2 COMMITMENTS RECEIVED

None

### 25.3 RECIPROCAL COMMITMENTS:

None

### 25.4 OTHER COMMITMENTS

Total amount of minimal future payments under main rental contracts:

In K€	31/12/16	31/12/15
Rental of Fort Lauderdale premises	236	438
of which due within a year	122	324
of which due later than one year	114	114
Rental of Singapore premises	48	98
of which due within a year	48	98
of which due later than one year		
<b>Total</b>	<b>284</b>	<b>536</b>

## Note 26 - Post-closing events

None

## Note 27 - Related parties

Wages paid to senior managers: See note n° 20.3

# BALANCE SHEET - ASSETS

HEADINGS	GROSS	AMORTISATION AND RESERVES	Net 31/12/16	Net 31/12/15
INTANGIBLE NON-CURRENT ASSETS				
Concessions, patents and similar rights	2,187,297	1,675,207	512,090	715,024
Other intangible non-current assets				
<b>TOTAL intangible non-current assets</b>	<b>2,187,297</b>	<b>1,675,207</b>	<b>512,090</b>	<b>715,024</b>
TANGIBLE NON-CURRENT ASSETS				
Land	684,372		684,372	684,372
Buildings	7,937,362	2,742,392	5,194,971	5,524,909
Plant, equipment and tooling	6,769,313	5,965,495	803,819	903,977
Other tangible non-current assets	3,218,907	2,347,082	871,825	773,509
Assets under construction	27,257		27,257	1,575
Prepays				
<b>TOTAL tangible non-current assets</b>	<b>18,637,212</b>	<b>11,054,968</b>	<b>7,582,244</b>	<b>7,888,342</b>
LONG-TERM INVESTMENTS				
Other holdings	5,660,397		5,660,397	5,095,385
Other non-current securities	8,541		8,541	8,541
Other long-term investments	206,440		206,440	212,955
<b>TOTAL non-current financial assets</b>	<b>5,875,377</b>	<b>0</b>	<b>5,875,377</b>	<b>5,316,881</b>
<b>TOTAL NON-CURRENT ASSETS</b>	<b>26,699,887</b>	<b>12,730,175</b>	<b>13,969,712</b>	<b>13,920,247</b>
INVENTORIES AND IN-PROCESS				
Raw materials and supplies	4,177,894	313,310	3,864,584	3,703,358
Finished and intermediary products	2,204,818	89,808	2,115,010	2,181,027
Merchandise inventories	1,541,874	51,808	1,490,066	1,682,966
<b>TOTAL inventories &amp; in-process</b>	<b>7,924,586</b>	<b>454,926</b>	<b>7,469,660</b>	<b>7,567,350</b>
RECEIVABLES				
Advances and prepayments on orders	475,484		475,484	514,568
Trade accounts and notes receivable	12,017,353	6,638	12,010,714	8,220,525
Other receivables	5,850,290		5,850,290	7,454,152
<b>TOTAL receivables</b>	<b>18,343,127</b>	<b>6,638</b>	<b>18,336,489</b>	<b>16,189,245</b>
CASH IN HAND & MISC.				
Marketable securities	14,500,000		14,500,000	17,600,818
Cash in hand	6,809,007		6,809,007	4,718,303
Prepaid expenses	349,824	0	349,824	333,620
<b>TOTAL cash in hand &amp; misc.</b>	<b>21,658,831</b>	<b>0</b>	<b>21,658,831</b>	<b>22,652,742</b>
<b>TOTAL CURRENT ASSETS</b>	<b>47,926,544</b>	<b>461,564</b>	<b>47,464,980</b>	<b>46,409,337</b>
Unrealized foreign exchange losses	6,883		6,883	43,281
<b>GRAND TOTAL</b>	<b>74,633,314</b>	<b>13,191,740</b>	<b>61,441,574</b>	<b>60,372,865</b>



# BALANCE SHEET - LIABILITIES

HEADINGS	Net 31/12/16	Net 31/12/15
EQUITY CAPITAL		
Registered capital	413,130	413,130
Share premiums	6,733,509	6,733,509
Legal reserve	41,313	41,313
Regulated reserves	273,640	273,640
Other reserves	37,034,468	34,673,349
<b>Profit/loss for the year</b>	<b>8,612,798</b>	<b>9,074,475</b>
<b>TOTAL net position</b>	<b>53,108,858</b>	<b>51,209,416</b>
INVESTMENT GRANTS	37,263	40,763
REGULATED PROVISIONS	280,944	354,250
<b>TOTAL EQUITY CAPITAL</b>	<b>53,427,065</b>	<b>51,604,429</b>
PROVISIONS FOR CONTINGENCIES AND EXPENSES		
Provisions for contingencies	481,883	504,281
Provisions for expenses	138,350	79,431
<b>TOTAL PROVISIONS FOR CONTINGENCIES AND EXPENSES</b>	<b>620,233</b>	<b>583,712</b>
FINANCIAL DEBTS		
Loans from credit institutions		56,269
Miscellaneous borrowing and long term debt	3,506	3,506
<b>TOTAL Financial debts</b>	<b>3,506</b>	<b>59,775</b>
ADVANCES AND PREPAYMENTS RECEIVED ON ORDERS	54,226	40,465
SUNDRY LIABILITIES		
Trade payables	3,841,266	4,024,281
Social security and tax liabilities	2,936,469	3,716,724
Payables to fixed assets suppliers and related accounts	204,758	134,222
Other debts	30,761	
<b>TOTAL sundry liabilities</b>	<b>7,013,254</b>	<b>7,875,227</b>
DEFERRED INCOME		
<b>TOTAL DEBT</b>	<b>7,070,986</b>	<b>7,975,468</b>
<b>Unrealized exchange gains</b>	<b>323,290</b>	<b>209,256</b>
<b>GRAND TOTAL</b>	<b>61,441,574</b>	<b>60,372,865</b>

# INCOME STATEMENT

HEADINGS	France	Export	Net 31/12/16	Net 31/12/15
Sales of goods	2,076,633	24,831,950	26,908,583	27,573,923
Sales of finished goods	2,528,297	32,609,218	35,137,515	34,678,225
Sales of services	191,854	366,820	558,674	457,607
<b>Net sales</b>	<b>4,796,784</b>	<b>57,807,988</b>	<b>62,604,772</b>	<b>62,709,755</b>
Stored production			(98,796)	(1,572,420)
Subsidies for operating activities			17,999	4,000
Reversals on depreciation and reserves, expense transfers			1,546,262	748,220
Other income			4,339	9,317
<b>OPERATING INCOME</b>			<b>64,074,576</b>	<b>61,898,872</b>
EXTERNAL EXPENSES				
Purchases of goods			5,926,370	7,247,032
Change in goods inventory			188,652	(104,739)
Purchases of raw materials and other supplies			22,266,194	19,063,972
Change in raw materials inventory and other supplies			(50,723)	584,902
Other purchases and external expenses			7,987,789	7,118,289
<b>TOTAL other external expenses</b>			<b>36,318,283</b>	<b>33,909,456</b>
TAXES, LEVIES AND LIKE PAYMENTS			1,118,472	1,119,240
PERSONNEL COSTS				
Salaries and wages			8,371,977	8,238,432
Social contributions			3,782,321	3,544,390
<b>TOTAL personnel expenses</b>			<b>12,154,297</b>	<b>11,782,822</b>
OPERATING ALLOWANCES				
Allowances for depreciation on non-current assets			1,592,762	1,561,678
Allocation to provisions on current assets			454,926	194,967
Allocation to provisions for liabilities and charges			391,420	461,000
<b>TOTAL operating allowances</b>			<b>2,439,107</b>	<b>2,217,645</b>
OTHER OPERATING EXPENSES			105,616	8,660
<b>OPERATING EXPENSES</b>			<b>52,135,775</b>	<b>49,037,823</b>
<b>OPERATING PROFIT</b>			<b>11,938,801</b>	<b>12,861,049</b>

HEADINGS	Net 31/12/16	Net 31/12/15
<b>OPERATING PROFIT</b>	<b>11,938,801</b>	<b>12,861,049</b>
INTEREST INCOME		
Interest from other investment securities and receivables from non-current assets	689,121	322,195
Other interest and related income	215,754	282,193
Reversal of provisions and transfers of expenses	43,281	22,029
Positive foreign exchange differences	1,259,270	2,983,020
Net income on assignment of investment securities	550	
<b>Total interest income</b>	<b>2,207,975</b>	<b>3,609,437</b>
INTEREST EXPENSE		
Financial allowances to depreciation and provisions	6,883	43,280
Interest and related expenses	129	4,308
Negative foreign exchange differences	753,893	2,737,518
<b>Total financial expenses</b>	<b>760,904</b>	<b>2,785,107</b>
<b>FINANCIAL INCOME</b>	<b>1,447,070</b>	<b>824,330</b>
<b>EARNINGS BEFORE TAX</b>	<b>13,385,871</b>	<b>13,685,379</b>
EXTRAORDINARY INCOME		
Extraordinary income on management transactions	1,353	1,980
Extraordinary income on capital transactions	32,772	87,641
Reversal of provisions and transfers of expenses	180,527	166,460
<b>Total extraordinary income</b>	<b>214,653</b>	<b>256,081</b>
EXTRAORDINARY EXPENSES		
Extraordinary expenses on management transactions		7,897
Extraordinary expenses on capital transactions	27,287	39,772
Extraordinary allowances to depreciation and provisions	137,221	350,920
<b>Total extraordinary expenses</b>	<b>164,508</b>	<b>398,589</b>
<b>EXTRAORDINARY INCOME</b>	<b>50,144</b>	<b>(142,508)</b>
Employee profit sharing	824,170	672,601
Tax on profits	3,999,048	3,795,795
<b>PROFIT</b>	<b>8,612,798</b>	<b>9,074,475</b>

# NOTES TO THE COMPANY ACCOUNT

## ACCOUNTING PRINCIPLES AND VALUATION METHODS

Notes to the balance sheet and income statement for the financial year ending on 31 December 2016 spanning the period from 1<sup>st</sup> January 2016 to 31 December 2016.

The annual financial statements are in Euros.

### SIGNIFICANT EVENTS OCCURRING DURING THE FINANCIAL YEAR

With a view to accelerating its product distribution, and to maintain and develop its market share in France, Evolis acquired the business of a long-standing partner through its subsidiary ACTS Distribution on 1 April 2016.

### POST-CLOSING EVENTS

None

### ACCOUNTING PRINCIPLES

The annual financial statements are prepared in compliance with the ANC N°2016-07 regulations, according to the principles of prudence, independence of each financial year, and assuming ongoing operations.

The method chosen for valuing items recorded in the accounts was the historical cost method.

The valuation methods used for this financial year were not changed with respect to the last financial year.

The CICE tax credit for encouraging competitiveness and jobs was recognised against personnel expenses.

The amount of the CICE tax credit for encouraging competitiveness and jobs for 2016 amounted to €255,012. The CICE tax credit allowed the company to finance the enhancement of its competitiveness through, notably, efforts with respect to investment and training.

### ASSESSMENT METHODS

#### Intangible non-current assets

Software is amortised on a straight-line basis over three years, with the exception of the M3 information system which is amortised over 5 years.

Trademark registrations are not amortised.

Research and development costs are recognised as expenses for the period.

#### Tangible non-current assets

Tangible non-current assets are recorded at acquisition cost.

Economically justified depreciation & amortisation are calculated on the basis of the estimated lifetime of the non-current assets according to the straight line method or declining balance method when legislation allows it.

The building was subjected to the following breakdown:

• Buildings & Structures	Straight line over 40 years
• Exterior joinery	Straight line over 25 years
• Plumbing - heating - sealing	Straight line over 20 years
• Interior fixtures & fittings	Straight line over 15 years
• Exterior improvements - landscaping	Straight line over 10 years
• Floor coverings	Straight line over 7 years

Depreciation methods and duration of other tangible non-current assets are as follows:

• Plant	Straight line 3 to 5 years
• Tooling	Straight line over 3 years
• Fixtures and fittings	Straight line over 5 years
• General equipment and fixtures	Straight line 5 to 10 years
• Transportation equipment	Straight line over 4 years
• Office equipment and computer hardware	Straight line 3 to 5 years
• Furniture	Straight line over 5 years

#### Non-current financial assets

Non-current financial assets are measured at acquisition cost. When the current value at closing of the financial year is lower than acquisition value, an impairment charge is recorded.

## Inventories

Inventories of goods and materials are valued at purchase cost price (according to the weighted average cost method).

The gross value of goods and supplies includes purchase price and incidental costs.

Finished product inventories are valued at production cost exclusive of overhead not attributable to production, financial expenses and marketing expenses.

When the probable realizable value of inventory falls below cost price, an impairment charge is recorded.

## Receivables

Receivables were recorded at face value. If relevant, a depreciation allowance is made for doubtful receivables so as to take into account recovery problems to which they may give rise.

## Marketable securities

Marketable securities are recognised at acquisition cost. When the current value at closing of the financial year is lower than acquisition value, an impairment charge is recorded.

## Conversion method

Purchase and sales transactions conducted abroad are converted into euros according to the average exchange rate for the current month.

Receivables and debts are expressed according to the closing rate at 31 December 2016.

## Provisions for contingencies and charges

The Group recognises allowances when it has an obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and if a reliable estimate can be made of the amount of the obligation.

## Employee profit sharing

The company recognised the employee profit sharing scheme amounting to €824,170 under expenses to pay at the end of the financial year 2016.

## Retirement commitments

The company recognised an allowance amounting to €58,920 in retirement benefits to be paid to employees at the end of their careers.

The company's total retirement commitment amounts to €773,008.

In compliance with CNC recommendation 2003 – R. 01, the reserve was evaluated by applying the preferential method (standard IAS 19 revised). The calculation method used is the retrospective projected unit credit method with accumulated benefits.

The calculation formula is the following:

$$S \times (1+t)_n \times P \times T_v \times T_r \times (1+i)_{-n}$$

S = reference salary for personnel under permanent employment contracts

t = salary revaluation rate: 2%

P = coefficient of benefits acquired at closing

T<sub>v</sub> = life expectancy rate

T<sub>r</sub> = personnel turnover rate: 5%

i = IFC discount rate: IBoxx rate 1.31%

Retirement at the employee's initiative at 65.

The amount of the provision is determined by the headcount: 211 people, the relatively young average age and low seniority (6.7 years) of the company's employees.

# INFORMATION ON THE BALANCE SHEET

NON-CURRENT ASSETS					
GROSS VALUE	31/12/15	ACQUISITIONS	Transfers between line items	DISPOSALS	31/12/16
Start-up costs					
R&D expenses					
Other intangible non-current assets	2,044,671	142,626			2,187,297
Assets under construction					
<b>INTANGIBLE</b>	<b>2,044,671</b>	<b>142,626</b>			<b>2,187,297</b>
Land	684,372				684,372
Buildings	7,742,607				7,742,607
Buildings on un-owned land					
Building fixtures and fittings	194,755				194,755
Plant, equipment and tooling	6,428,893	340,420			6,769,313
Miscellaneous fixtures	218,813	210,283			429,096
Transportation equipment	413,842	63,363		46,951	430,254
Office equipment and computer hardware	2,041,164	311,505	1,575		2,354,244
Others	5,314				5,314
Assets under construction	1,575	27,257	(1,575)		27,257
Prepays					
<b>TANGIBLE</b>	<b>17,731,335</b>	<b>952,828</b>		<b>46,951</b>	<b>18,637,212</b>
Holdings valued by the equity method					
Other holdings	5,095,385	565,012			5,660,397
Other non-current securities	8,541				8,541
Loans & Other investment assets	212,955	2,476,201		2,482,716	206,439
<b>FINANCIAL</b>	<b>5,316,881</b>	<b>3,041,213</b>		<b>2,482,716</b>	<b>5,875,377</b>
<b>GRAND TOTAL</b>	<b>25,092,887</b>	<b>4,136,667</b>		<b>2,529,667</b>	<b>26,699,886</b>

AMORTISATION AND DEPRECIATION					
	31/12/15	Allowances	Transfers between line items	Reversals	31/12/16
Start-up costs					
R&D expenses					
Other intangible non-current assets	1,329,647	345,560			1,675,207
<b>INTANGIBLE</b>	<b>1,329,647</b>	<b>345,560</b>			<b>1,675,207</b>
Buildings	2,320,630	318,512			2,639,142
Buildings on un-owned land					
Building fixtures and fittings	91,823	11,426			103,249
Plant, equipment and tooling	5,524,916	440,579			5,965,495
Miscellaneous fixtures	58,143	31,036			89,179
Transportation equipment	282,262	93,057		35,226	340,093
Office equipment and computer hardware	1,565,218	352,592			1,917,810
Others					
Assets under construction					
<b>TANGIBLE</b>	<b>9,842,992</b>	<b>1,247,202</b>		<b>35,226</b>	<b>11,054,968</b>
<b>GRAND TOTAL</b>	<b>11,172,639</b>	<b>1,592,762</b>		<b>35,226</b>	<b>12,730,175</b>

	STRAIGHT LINE	DECLINING BALANCE	EXTRAORDINARY	TOTAL
<b>ALLOWANCES</b>	<b>1,592,762</b>			<b>1,592,762</b>



## Treasury shares

As part of a liquidity agreement implemented in July 2009, on 31/12/2016 Evolis held 1,271 Evolis shares with an acquisition value of €49,831.56.

## Receivables at closing

The maturity date of receivables at closing of the year break down as follows:

	Gross amount	Amount at one year at most	Amount due later than one year
Other non-current financial assets	156,608		156,608
Trade accounts and notes receivable	12,017,353	12,010,714	6,638
Other receivables	5,850,290	5,850,290	
Prepaid expenses	349,824	349,824	
	<b>18,374,075</b>	<b>18,210,828</b>	<b>163,247</b>

## Marketable securities

- Marketable securities are recorded in the balance sheet at their acquisition value: 14,500,000
- Unrealised gains not recognised are:

**Asset value at closing 14,500,000**

## Share capital

Share capital breaks down as follows:

- Number of shares at start of financial year 5,164,120
- Number of shares at end of financial year 5,164,120

**Face value 0.08**

## Prepaid expenses

The item "Prepaid expenses" corresponds to operating expenses recorded during the year but which partly accrue during the next financial year.

**349,824**

## Assets involving related companies

- Group equity securities 5,660,397
- Accounts receivable and related accounts 6,839,141
- Other receivables 4,596,261
- Unrealised exchange gains/ losses

**TOTAL 17,095,798**

## Variation in shareholders' equity

Situation before income statement at opening of period

Allocation of income from the previous period as per the decision of the ordinary general meeting:

- Legal reserve 2,361,119
- Other reserves 6,713,356
- dividends (3,500)

Amortisation of investment subsidies (73,306)

Net change in regulated reserves for the period (73,306)

Amount at closing before income statement 44,814,267

Income statement 8,612,798

**Amount at closing of the period 53,427,065**

## Statement of debt maturity

The maturity date of receivables at closing of the year break down as follows:

	less than 1 year	1 to 5 years	more than 5 years	TOTAL
Loans and financial debts				0
Trade notes and accounts payable	3,841,266			3,841,266
Social security and tax liabilities	2,936,469			2,936,469
Payables to fixed assets suppliers and related accounts	204,758			204,758
Other debts	30,761			30,761
<b>GRAND TOTAL</b>	<b>7,013,254</b>			<b>7,013,254</b>

## Table of provisions

The movements during the period are detailed below:

	31/12/15	ALLOWANCES	REVERSALS	31/12/16
Regulated provisions				
• depreciation allowances	354,250	107,221	180,527	280,944
• reserves for price increases	0	0		0
• investment reserves	0	0	0	0
• other regulated reserves	0	0	0	0
<b>TOTAL</b>	<b>354,250</b>	<b>107,221</b>	<b>180,527</b>	<b>280,944</b>

	31/12/2015	ALLOWANCES	REVERSALS	31/12/16
			amounts used      amounts unused	
<b>Provisions for liabilities and charges</b>				
• disputes				
• warranties	255,000	220,000	255,000	220,000
• foreign exchange losses	43,281	6,883	43,281	6,883
• taxes				
• retirement benefits reserve	79,431	58,920		138,351
• other provisions for liabilities and charges	206,000	142,500	93,500	255,000
<b>TOTAL</b>	<b>583,712</b>	<b>428,303</b>	<b>391,781</b>	<b>620,234</b>

	31/12/15	ALLOWANCES	REVERSALS	31/12/16
<b>Provision for depreciation</b>				0
• on assets under construction				0
• on financial non-current assets				0
• on inventories	593,960	454,926	593,960	454,926
• on trade receivables	36,616		29,978	6,638
• other reserves for depreciation		0		0
<b>TOTAL</b>	<b>630,576</b>	<b>454,926</b>	<b>623,938</b>	<b>461,564</b>

## Expenses payable

• Borrowings and debts with financial institutions	
• Accounts payable and other debts	167,966
• Social and tax liabilities	2,311,890
• Payables to fixed assets suppliers and related accounts	
• Other debts	30,761
• Cash in hand, expenses payable	
<b>TOTAL</b>	<b>2,510,617</b>

## Liabilities involving related companies

• Advances and prepayments received on orders	
• Trade notes and accounts payable (Group)	20,893
• Other debts	3,506
<b>TOTAL</b>	<b>24,399</b>

## Unrealised exchange gains/losses

These result from valuations of liabilities and receivables in foreign currencies during the closing of the financial statements. They break down as follows:

	ASSETS <i>Unrealised loss</i>	PROVISION <i>Foreign exchange loss</i>	LIABILITIES <i>Unrealised gain</i>
Trade notes and accounts payable	6,883	6,883	8,894
Trade accounts and notes receivable		0	314,396
<b>TOTAL</b>	<b>6,883</b>	<b>6,883</b>	<b>323,290</b>

# INFORMATION ON THE INCOME STATEMENT

## Turnover before tax by type

### 2016

Areas	Printers	Consumables	Miscellaneous	TOTAL
America	8,927,735	5,282,979	1,207,767	15,418,481
Asia	6,997,893	2,799,772	1,052,402	10,850,067
EMEA <sup>(1)</sup>	16,557,336	16,444,608	3,334,241	36,336,185
<b>TOTAL</b>	<b>32,482,964</b>	<b>24,527,359</b>	<b>5,594,410</b>	<b>62,604,733</b>

### 2015

Areas	Printers	Consumables	Miscellaneous	TOTAL
America	8,336,720	5,397,039	1,194,200	14,927,959
Asie	3,986,380	3,601,170	1,168,450	8,756,000
EMEA <sup>(1)</sup>	19,563,936	16,350,169	3,111,691	39,025,796
<b>TOTAL</b>	<b>31,887,036</b>	<b>25,348,378</b>	<b>5,474,341</b>	<b>62,709,755</b>

[1] EMEA = Europe Middle East Africa

## Research & Development costs

	31/12/16	31/12/15
Overall Research & Development costs recognised as expenses	K€1,447	K€1,084

## Research Tax Credit

Research expenses incurred during the financial year qualified the company for a research tax credit of  
This tax credit represents a State receivable (negative tax) that improves the company's income)

**350,000**

## Transfer of expenses

	31/12/16	31/12/15
Insurance - Repayment	37,989	59,139
Employee benefits	86,037	85,197
Training	23,154	17,757
Taxes and rental charges charged back	426,643	290,777
	<b>573,824</b>	<b>452,870</b>

## Distribution of average headcount

	31/12/16	31/12/15
Executives	76	63
Employees - Technicians	135	111
Workers		
<b>GRAND TOTAL</b>	<b>211</b>	<b>174</b>

## Financial assets involving related companies

Financial expenses: Foreign exchange losses	318,433
Financial revenue:	
• Interest income on current accounts	34,026
• Foreign exchange gains	452,843
<b>Total</b>	<b>486,869</b>
<b>Turnover 2016</b>	<b>31,505,958</b>

## Income tax breakdown

	EARNINGS BEFORE CORPORATION TAX	TAXES	NET EARNINGS
Operating income before non-recurring items	13,385,871	4,263,920	9,121,951
Extraordinary income	50,144	17,159	32,985
Employee profit sharing	(824,170)	(282,031)	(542,139)
<b>GRAND TOTAL</b>	<b>12,611,845</b>	<b>3,999,048</b>	<b>8,612,797</b>

## Net future tax position

This item break down as follows:

	31/12/16	31/12/15
Regulated provisions	280,944	354,250
Investment grants	37,263	40,763
Expenses to allocate		
Unrealized exchange losses	6,883	43,281
Others		
<b>Future tax debt increase</b>	<b>325,090</b>	<b>438,294</b>
Non-deductible expenses	894,781	822,594
Unrealised gains on UCITS		
Others		
<b>Future tax debt relief</b>	<b>894,781</b>	<b>822,594</b>
<b>TAX BASE</b>	<b>(569,691)</b>	<b>(384,300)</b>
<b>Corresponding tax</b>	<b>(194,948)</b>	<b>(131,619)</b>
Depreciation considered as deferred		
Deferrable tax losses		
Long-term capital losses		

## Profit before entries recorded for tax purposes

	31/12/16	31/12/15
Income statement	8,612,798	9,074,475
+ Allowances for the year to deductible regulated reserves	107,221	264,979
- Reversals for the year on taxable regulated reserves	180,527	166,460
- Tax expense on these reserves	(25,085)	33,713
<b>Net profit before entries recorded for tax purposes</b>	<b>8,564,577</b>	<b>9,139,281</b>

## Financial income

This item break down as follows:

	31/12/16	31/12/15
Translation gains/losses	541,775	224,250
Cost of debt	(113)	(4,308)
Financial revenue from investments and cash flow	871,398	533,881
Financial revenue from current accounts	34,026	69,706
Earnings after discount	(17)	800
Earnings after allowances and reversals from financial assets		
<b>TOTAL</b>	<b>1,447,070</b>	<b>824,331</b>

## Extraordinary income

This item break down as follows:

	31/12/16	31/12/15
<b>EXTRAORDINARY INCOME</b>		
<b>ON MANAGEMENT OPERATIONS</b>		
Miscellaneous extraordinary income	1,353	1,980
<b>ON EQUITY OPERATIONS</b>		
Income from sales of fixed assets	20,000	53,422
Share of grants transferred to income statement	3,500	3,500
Gain - Share redemption	9,272	30,720
<b>REVERSALS FROM RESERVES AND EXPENSE TRANSFER</b>		
Reversal from depreciation allowances	180,527	166,460
<b>EXTRAORDINARY EXPENSES</b>		
<b>ON MANAGEMENT OPERATIONS</b>		
Penalties, tax and penal fines		324
Other extraordinary expenses		7,573
<b>ON EQUITY OPERATIONS</b>		
Net book value of fixed assets sold	11,725	29,458
Loss on Share Redemption	15,562	10,315
Miscellaneous extraordinary expenses		
<b>ALLOWANCES TO EXTRAORDINARY AMORTISATION &amp; RESERVES</b>		
Depreciation allowances	107,221	264,979
Allowances to extraordinary amortisation		85,942
Provisions for liabilities and charges	30,000	
<b>TOTAL</b>	<b>50,144</b>	<b>(142,508)</b>

## OTHER INFORMATION

### Wages allocated to senior managers

	31/12/16	31/12/15
Remuneration	1,007,642	1,000,129
<b>TOTAL</b>	<b>1,007,642</b>	<b>1,000,129</b>

### Liabilities guaranteed by real surety and financial commitments

- Forward contract

Purchases made in USD lead Evolis to implement a forward contract in USD with monthly instalments in 2017.

At 31/12/2016, the contract balance amounted to USD13,820,000.

Purchases made in JPY lead Evolis to implement a forward contract in JPY with monthly instalments in 2017.

At 31/12/2016, the contract balance amounted to JPY63,500,000.

The forward contracts showed a capital loss of EUR428,064.

### Joint and several guarantee

None

### Commitment to continue rentals

In K€	31/12/16	31/12/15
Rental of Fort Lauderdale premises	236	438
of which due within a year	122	324
of which due later than one year	114	114
Rental of Singapore premises	48	98
of which due within a year	48	98
of which due later than one year	0	98
<b>Total</b>	<b>284</b>	<b>536</b>

## List of subsidiaries and equity holdings

		Capital	Shareholders' equity other than capital	Proportionate share of capital held (in %)	Workforce	Turnover before VAT during last period	Net recurring income before tax
<b>Subsidiaries (over 50%-owned)</b>							
<b>Evolis Inc. (Miami, United States)</b>	USD	10,000	5,519,532	100%	19	21,799,144	1,349,159
	<i>Exchange rate</i>		1.0541			1.1069	1.1069
	<b>EUR</b>	<b>8,130</b>	<b>5,236,251</b>			<b>19,693,869</b>	<b>1,218,863</b>
<b>Evolis Asia (Singapore)</b>	USD	98,457	656,670	100%	11	14,213,893	271,277
	<i>Exchange rate</i>		1.0541			1.1069	1.1069
	<b>EUR</b>	<b>75,000</b>	<b>622,967</b>			<b>12,841,172</b>	<b>245,078</b>
<b>cardPresso (Agua de Pena)</b>	EUR	5,000	338,049	84%	11	1,199,449	66,538
<b>Sarl Sogedex</b>	EUR	50,000	937,791	100%	11	3,660,816	569,976
<b>Evolis India</b>	INR	9,512,220	165,010,453	70%	65	514,303,253	13,396,851
	<i>Exchange rate</i>		71.5935			74.3716	74.3716
	<b>EUR</b>	<b>111,171</b>	<b>2,304,825</b>			<b>6,915,318</b>	<b>180,134</b>
<b>Evolis China</b>	RMB	610,040	592,095	100%	6	4,246,272	56,417
	<i>Exchange rate</i>		7.3202			7.3202	7.3202
	<b>EUR</b>	<b>80,950</b>	<b>80,885</b>			<b>580,076</b>	<b>7,707</b>
<b>Sarl ACTS Distribution</b>	EUR	150,000	268,371	100%	5	2,455,148	175,499

Evolis did not enter into any significant transactions with the related parties in terms that do not match market conditions.

	SUBSIDIARIES		HOLDING	
	French (€)	Foreign (€)	French (€)	Foreign (€)
<b>Book value of shares held</b>				
• Gross value:	200,000	5,460,397	none	none
• Net value:	200,000	5,460,397	none	none
<b>Total loans and advances granted</b>	2,250,988	2,345,273	none	none
<b>Total deposits and guarantees granted</b>	none	none	none	none
<b>Total dividends received</b>	none	689,121	none	none



# TABLEAU RELATING TO FEES OF STATUTORY AUDITORS AND MEMBERS OF THEIR NETWORKS

Financial year 2016

	RSM OUEST auditors				GROUPE Y-NEXIA auditors			
	Amount before VAT		%		Amount before VAT		%	
	N	N-1	N	N-1	N	N-1	N	N-1
<b>Audits</b>								
Auditors, certification, examination of individual and consolidated accounts (b)	20,013	39,094	35%	52%	37,196	36,461	65%	48%
• Issue 1								
• Fully consolidated subsidiaries								
Other due diligence and service provisions directly related to the auditor's assignment (c)								
• Issuer								
• Fully consolidated subsidiaries								
<b>Subtotal</b>	<b>20,013</b>	<b>39,094</b>	<b>35%</b>	<b>52%</b>	<b>37,196</b>	<b>36,461</b>	<b>65%</b>	<b>48%</b>
<b>Other services provided by the networks to fully consolidated subsidiaries (d)</b>								
• Legal, tax, social								
• Others (to be stated if > 10% of audit fees)								
<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>0%</b>	<b>0%</b>	<b>0</b>	<b>0</b>	<b>0%</b>	<b>0%</b>
<b>TOTAL</b>	<b>20,013</b>	<b>39,094</b>	<b>35%</b>	<b>52%</b>	<b>37,196</b>	<b>36,461</b>	<b>65%</b>	<b>48%</b>

(a) N/A - With regard to the period considered, this item refers to service provisions for the accounting year recorded in the income statement.

(b) Including service provisions by independent consultants or members of the auditor's network, use by the latter when certifying the financial statements.

(c) This item states due diligence and directly related service provisions to the issuer or its subsidiaries:

- by the auditor pursuant to the provisions of article 10 of the code of ethics,
- by a member of the network pursuant to the provisions of articles 23 and 24 of the code of ethics.

(d) Non-audit services provided pursuant to the provisions of article 24 of the code of ethics, by a member of the network to the issuer's subsidiaries posting certified financial statements.

(e) N/A - Add a column if more than two auditors.

# PROFIT/LOSS OVER THE PAST FIVE FINANCIAL YEARS

Closing date Duration of financial year (months)	31/12/16 12	31/12/15 12	31/12/14 12	31/12/13 12	31/12/12 12
<b>CAPITAL AT END OF YEAR</b>					
Share capital	413,130	413,130	413,130	413,130	412,370
Number of shares					
• ordinary	5,164,120	5,164,120	5,164,120	5,164,120	5,154,620
• preference shares					
Maximum number of shares to manage					
• by converting bonds					
• by exercising subscription rights					
<b>OPERATIONS AND PROFITS/LOSSES</b>					
Turnover before tax	62,604,772	62,709,755	50,343,193	48,258,023	45,752,328
Income before tax, employee profit sharing, allowances to amortisation and reserves	14,822,982	15,670,879	11,659,014	9,677,985	10,670,946
Tax on profits	3,999,048	3,795,795	3,155,166	2,359,772	2,364,399
Employee profit sharing	824,170	672,601	676,700	479,405	524,097
Allowances Amortisation and reserves	1,386,966	2,128,008	1,358,885	1,115,797	1,617,836
Net earnings	8,612,798	9,074,475	6,468,263	5,723,011	6,164,614
Total dividends	6,196,944	6,713,356	3,666,525	1,445,954	1,546,386
<b>EARNINGS PER SHARE</b>					
Income after tax, employee profit sharing, allowances to amortisation and reserves	1.94	2.17	1.52	1.32	1.51
Income after tax, employee profit sharing, allowances to amortisation and reserves	1.67	1.76	1.25	1.11	1.20
Dividends distributed	1.20	1.30	0.71	0.28	0.30
<b>PERSONNEL</b>					
Average employee headcount	196	174	161	150	142
Payroll costs	8,371,977	8,238,432	6,735,719	5,916,289	5,557,537
Payments to social benefits (Social Security, welfare, etc.)	3,782,321	3,544,390	3,067,203	2,699,367	2,653,950

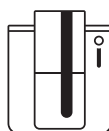
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