Cegedim

2017 Interim Financial Report

Septembre 2017

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Summary

Interim Financial Report

Half-year consolidated financial statements are subject to a limited review by our auditors.

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1 Presentation of the Group

1.1 Key Figures

The following selected consolidated financial information has been prepared in accordance with: International Financial Reporting Standards (IFRS) as adopted by the European Union, except where stated otherwise.

Starting June 30, 2017, the Group has decided to implement recommendation ANC 2013-03 of France's national accounting standards board, which allows companies to incorporate the income of equity-accounted affiliates in the consolidated operating result. Cegedim's 2016 financial statements have been restated as indicated in Note 1 Geenral principles on page 43.

In millions of euros, except for per share data	06.30.2017	06.30.2016
Revenue	**230.6**	**215.5**
EBITDA	33.2	26.8
EBITDA margin	14.4%	12.5%
Operating income before special items	13.6	10.4
Operating income before special items margin	5.9%	4.8%
Profit (loss) for the period from continuing activities	(3.7)	(19.0)
Profit (loss) for the period attributable to the owners of the parent	(3.8)	(19.8)
Number of shares outstanding	13,997,173	13,997,173
Average number of shares excluding treasury shares	13,975,365	13,953,978
Net earnings per share	**(0.3)**	**(1.4)**
Net current earnings per share	(0.0)	(1.1)

In millions of euros	06.30.2017	12.31.2016
Goodwill on acquisition	201.0	199.0
Net financial debt	237.0	226.8
Shareholders' equity, Group share	183.6	188.9
Cash flow after cost of net financial debt and taxes	28.4	3.6
Total balance sheet	702.1	709.1

1.2 Corporate governance

1.2.1 Executives and supervisory bodies, statuary auditors

Cegedim Governance
JUNE 30, 2017

Audit Committee

- Marcel **Kahn**
  Chairman
- Aude **Labrune**
- Pierre **Marucchi**
- Jean-Pierre **Cassan**

Appointments Committee

- Jean-Claude **Labrune**
  Chairman
- Marcel **Kahn**
- Jean-Pierre **Cassan**

Strategy Committee

- Jean-Claude **Labrune**
  Chairman
- Laurent **Labrune**
- Anne-Sophie **Herelle**

Compensation Committee

- Jean-Pierre **Cassan**
  Chairman
- Aude **Labrune**
- Marcel **Kahn**

Board of Directors

- Jean-Claude **Labrune**
  Chairman of the Board of Directors
- Bpifrance, *represented by* Marie Arnaud-Dewitt
- Jean-Pierre **Cassan**
  Independant director
- Sandrine **Debroise**
- **FCB, SAS**, *represented by* Pierre Marucchi
- **GERS, GIE**, *represented by* Philippe Tcheng
- Marcel **Kahn**
- Aude **Labrune**
- Laurent **Labrune**
- Anne-Sophie **Herelle**

General Management

- Jean-Claude **Labrune**
  CEO
- Pierre **Marucchi**
  Managing Director
- Laurent **Labrune**
  Managing Director

Commissaires aux Comptes

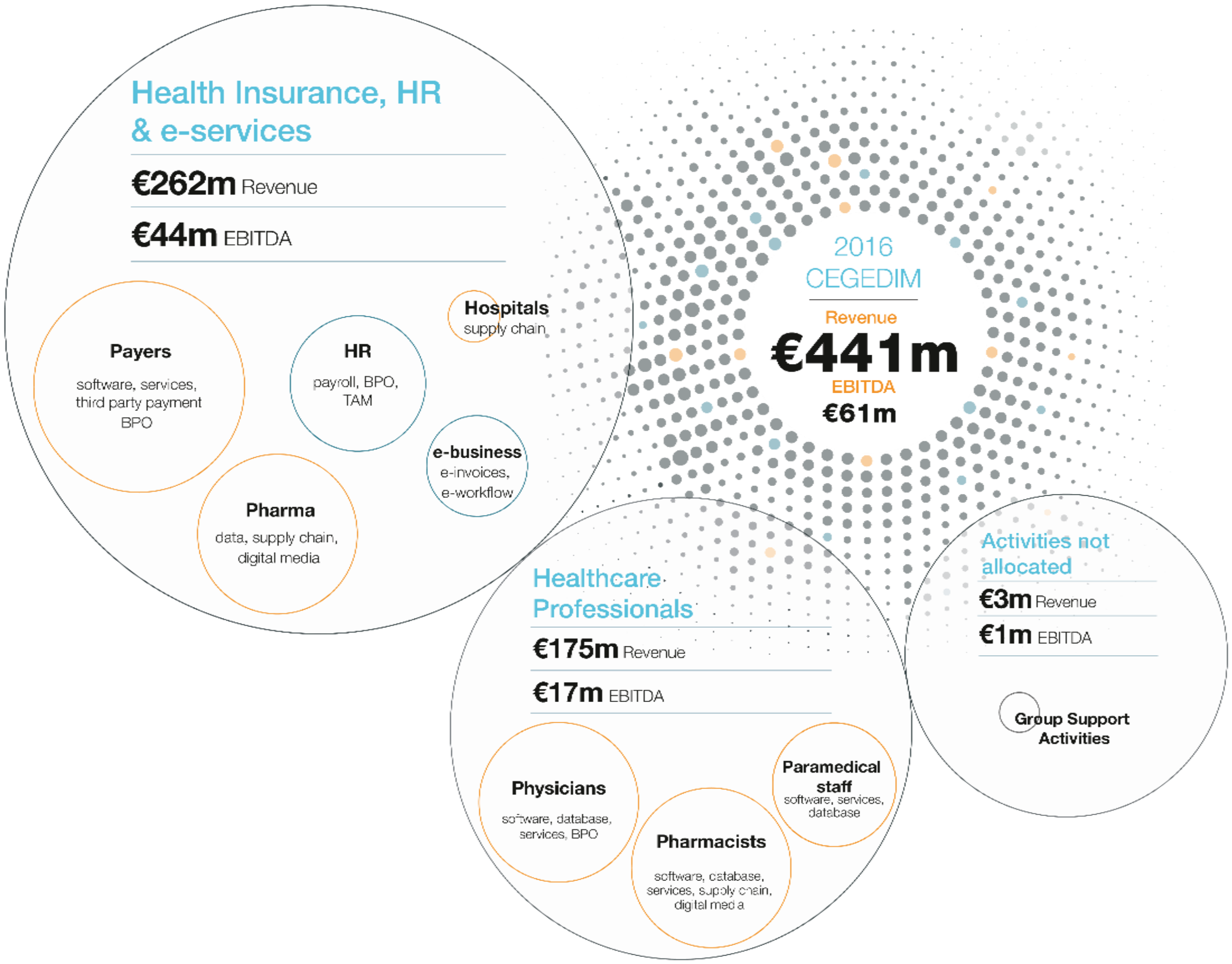
- Grant **Thornton** *represented by* Solange Aiache
- **MAZARS**, *represented by* Jean-Philippe Mathorez

1.3 Activities

Cegedim is an innovative technology and services company specializing in the digital flows of the healthcare ecosystem and in B2B marketing, as well as in the design of enterprise software for healthcare and insurance professionals. The Group is also involved the businesses of human resources management and digitization in all types of industries. Cegedim employs more than 4,000 people in 11 countries and generated revenue of €441 million in 2016. Given the services offered and customers targeted, Cegedim's business is structured around two operating divisions:

- Health insurance, HR and e-services
- Healthcare Professionals

Et une division non opérationnelle, Activité non répartie, reprenant les activités support du Groupe.



1.4.1 Main business activities

Health insurance, HR and e-services

CEGEDIM INSURANCE SOLUTIONS

The *Cegedim Insurance Solutions* business unit includes all of the Group's solutions and services for insurers, supplemental insurers, provident institutions and intermediaries through its subsidiaries *Cegedim Activ*, *Activus*, *Cetip* and *iGestion*. This unit brings together competencies across the entire chain of information sharing between healthcare professionals, insurance organizations and managers of compulsory and supplemental insurance plans. *Cegedim Insurance Solutions* has broadened its digital product offering with innovative solutions in preventive healthcare based on managing well-being and health capital, hospitalization, home care and chronic illness.

CEGEDIM SRH

Cegedim SRH offers Human Resources Departments *TEAMS^RH^*, a complete, modular HRIS platform via SaaS. The *TEAMS^RH^* solution covers a wide range of functions: payroll, personnel administration, business activities, scheduling, career and skills management, HR analytics, digitization of HR processes and documents, compensation, etc. This innovative solution can be coupled with a Business Process Outsourcing (BPO) service.

DIGITAL

e-promotion

MedExact - France
MedExact offers a variety of digital marketing tools to physicians, pharmacists and paramedics equipped with *Cegedim* software.

Digital displays in pharmacies

RNP - France
RNP, *Réseau National de Promotion* or National Promotional Network, is the French benchmark for on-site advertising in pharmacy and drugstore chains.

RNP offers its clients a line of services to develop the visibility of their products: point-of-sale media campaigns (store windows, jumbo screens), shelving, promotions to strategic groups and POS surveys.

Futuramedia - France
At the end of 2016, *Cegedim* acquired *Futuramedia*, an advertising firm specializing in Digital Media since 2004. A true pioneer in the sector in France, the company *Futuramedia* has more than 6,550 digital faces throughout two networks Pharma Instore and Pharma Vitrine.

CEGEDIM E-BUSINESS

Specialized in electronic data since 1989, Cegedim designs, develops and markets invoice digitization, probative value filing offers and EDI through its *Cegedim e-business* business unit, which groups together the activities of *Cegedim EDI*, *CG Call*, *GIS (Global Information Services)*, *Cegedim*, *Global Payments*, *Hospitalis* and *Qualitrans -Telepharma*.

DATA

Sales Statistics for Healthcare products.

GERS SAS - France
For more than 40 years, the GERS has offered data and analyses for the healthcare market from a single data collection system. The offer to cover all healthcare professionals and the entire distribution channel for general practitioners and hospitals. The data range (Purchases & Sales) the geographic accuracy, France to the point of sale as well as modern visualization solutions meeting the needs of the players in the self-medication drugs, food supplements, medical and dermo-cosmetic devices.

The reliability and accuracy of its data have made GERS highly recommended with the health authorities and unions.

OTHER SERVICES

Management of Medical Samples and Promotional Material

Pharmastock - France
Pharmastock is a pharmaceutical depositary institution. Specialized in the distribution of healthcare products (drugs, medical devices, skin care, cosmetics, etc.).

Healthcare Data Hosting

Cegedim Cloud Services - France
Cegedim has extensive expertise in facilities management for pharmaceutical companies, insurers and supplemental health insurers, and healthcare networks, as well as in the management of financial flows and paperless exchange documents. Due to their strategic and sensitive nature, these activities have led the Group's teams to devise architectures with very high availability that meet the security requirements of its customers and, in particular, standards governing the hosting of health data. Cegedim obtained approval from the French Ministry of Health to "host personal health data," allowing it to offer all those involved in e-health a line of "private cloud" hosting services using first-rate infrastructures and know-how.

Integration and Services

Cegedim Outsourcing - France and Morocco
Cegedim Outsourcing, specializing in the fields of IT infrastructure and Business Process Outsourcing (BPO).

Healthcare Professional

CEGEDIM HEALTHCARE SOFTWARE (CHS)

This division contains all of the Group's computerization activities for healthcare professionals. It has over 178,000 physician workstations, 20,000 pharmacies and 44,000 paramedical staff using its solutions in nine countries (Belgium, Chile, Spain, the United States, France, Italy, Romania, the United Kingdom and Tunisia).

In 2016, CHS continued to grow in web programs and developing the Patient ecosystem, a true exchange platform between patients and healthcare professionals.

CHS operates in the following areas:

- Software for pharmacists (*Smart Rx, Cegedim Rx UK and Romania, Next Software*);
- Software for doctors (*CLM, INPS (Vision), HDMP, Millennium, Stacks and Pulse Systems*);
- Software for paramedical professions (*RM Ingénierie*);
- Medication database (*Resip/ Claude Bernard Database*).

FINANCIAL SERVICES

Financial Leasing

Cegelease - France
In France, *Cegelease* offers professionals and businesses in all sectors, financial leases on computer equipment (software, hardware and maintenance) and pharmacy fixtures and furnishings (signs, robotics, furniture, etc.).

Cegelease self-finances a portion of its leases and places the remainder with the largest French lending institutions.

Originally specializing in financing IT solutions, *Cegelease* has diversified the range of assets it finances:

- IT solutions (hardware and software);
- office and telephone equipment;
- capital equipment, real estate and build-outs (automated machines and manipulators, pharmacy crosses, signs, fixtures for window or store displays);
- equipment made for opticians, dentists and ophthalmologists.

Cegelease financing products are organized around the following trademarks:

- *Pharmalease*: for pharmacies;
- *Medilease*: for other healthcare professionals;
- *Cegelease Santé* for pharmacies that are customers of the Group;
- *Cegelease Entreprise* for a few secure occupational niches (the legal profession, municipal governments, etc.);
- *Minilease* primarily for oral surgeons

1.4 Shareholding structure

Shareholders as of June 30, 2017

Shareholders	Number of shares held	% held	Number of single votes	Number of double votes		Total votes	% of voting rights
				Shares	Votes		
FCB	7,375,891	52.70%	14,847	7,361,044	14,722,088	14,736,935	62.76%
Bpifrance participations	2,102,061	15.02%	0	2,102,061	4,204,122	4,204,122	17.90%
Sub-total concert FCB and Bpifrance participations	*9,477,952*	*67.71%*	*14,847*	*9,463,105*	*18,926,210*	*18,941,057*	*80.66%*
Free Float(1)	4,502,715	32.17%	4,464,241	38,474	76,948	4,541,189	19.34%
Cegedim(2)	16,506	0.12%	-	-	-	-	0.00%
Total	**13,997,173**	**100.00%**	**4,479,088**	**9,501,579**	**19,003,158**	**23,482,246**	**100.00%**

(1) The Free-Float includes the shares hold by Corporate Officers and Board Directors.
(2) Including the liquidity contract.

Shareholders as of December 31, 2016

Shareholders	Number of shares held	% held	Number of single votes	Number of double votes		Total votes	% of voting rights
				Actions	Voix		
FCB	7,375,891	52.70%	14,847	7,361,044	14,722,088	14,736,935	62.74%
Bpifrance participations	2,102,061	15.02%	0	2,102,061	4,204,122	4,204,122	17.90%
Sous-total Concert FCB et Bpifrance participations	*9,477,952*	*67.71%*	*14,847*	*9,463,105*	*18,926,210*	*18,941,057*	*80.64%*
Public(1)	4,495,638	32.12%	4,444,994	50,644	101,288	4,546,282	19.36%
Cegedim(2)	23,583	0.17%	-	-	-	-	0.00%
Total	**13,997,173**	**100.00%**	**4,459,841**	**9,513,749**	**19,027,498**	**23,487,339**	**100.00%**

(1) The Free-Float includes the shares hold by Corporate Officers and Board Directors. The detail of the Corporate Officers and Boards directors holding are presented in page 48 point 2.3 "Interest held by corporate officers in the Company's share capital and transactions in the Company's shares by corporate officers" which appears in the Registration Documents filed with the Autorité des Marchés Financiers on March 29, 2017 under number D.17-0255.
(2) Including the liquidity contract.

1.5 Stock market indicators

1.5.1 Cegedim share

Cegedim is listed on Euronext Paris, compartment B.

ISIN code : *FR0000053506*

Reuters ticker: *CGDM.PA*

Bloomberg ticker: *CGM*

The Cegedim share price is posted with a short delay on Cegedim's website: Cegedim.com.

1.5.2 Stock market performance as of June 30, 2017

Cegedim share performed positively during the first six months of 2017. The closing price at the end of June 2017 was up 16.0% at 30.40€. The price reached its high of €31.44 on June 5, 2017 and its low of €23.90 on April 21, 2017.

		Jan. – Jun.	
		2017	**2016**
Share price at closing	€	30.40	27.47
Average for the period	€	27.53	25.23
High for the period	€	31.44	33.35
Low for the period	€	23.90	21.02
Market capitalization	M€	425.5	384.5
Outstanding shares	M	14.0	14.0

1.6 Shareholders relations

Cegedim's financial communication policy is to deliver rapid, relevant and timely information on company performance to investors and the market.

One key element of communicating with the market is the publication of earnings in annual reports, interim reports and quarterly revenue reports.

Following the publication of financial media statements, Cegedim organizes a conference call. Cegedim has regular contact with institutional investors through meetings and road shows in Europe and the United States.

Financial disclosure policy

Simplicity, transparency, clarity.

Provisional financial calendar for 2017

October 26: Third quarter revenue

December 12: 8th Investor Summit

Shareholder contacts

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Chief Investment Officer

Head of Investor Relations

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2 Overview of the interim period

2.1 Interim period highlights

Apart from the items cited below, to the best of the company's knowledge, there were no events or changes during the period that would materially alter the Group's financial situation.

Non-recourse factoring agreement

On May 22, 2017, the Group signed a factoring agreement with a French bank. The non-recourse agreement covers aggregated total receivables of €38.0 million. The operating units involved in the arrangement are Cegedim SA, Cegedim Activ, Cegedim SRH and CETIP. The factoring agreement is open-ended, but either party may terminate it at any time, subject to a three-month notice period.

It applies to trade receivables denominated in euros payable by clients located in France. The amount of trade receivables sold under the agreement came to €18.8 million at June 30, 2017.

Partial interest rate hedging

To hedge part of its exposure to euro interest rate fluctuations arising from its RCF, the Group carried out an interest rate swap on February 17, 2017. Under the zero-premium swap agreement, Cegedim receives the 1-month Euribor rate if it exceeds 0%, receives nothing otherwise, and pays a fixed rate of 0.2680% for a notional amount of €50 million, starting on February 28, 2017, and maturing February 26, 2021.

To hedge part of its exposure to euro interest rate fluctuations arising from its RCF, the Group carried out an interest rate swap on May 11, 2017. Under the zero-premium swap agreement, Cegedim receives the 1-month Euribor rate if it exceeds 0%, receives nothing otherwise, and pays a fixed rate of 0.2750% for a notional amount of €30 million, starting on May 31, 2017, and maturing December 31, 2020.

GIE Isiaklé

As part of the BPO contract Cegedim signed with the Klesia group in September 2016, the two companies created an economic interest group (GIE), held 50/50. In January 2017, Cegedim lent Isiaklé €9 million for a period of 10 years at an interest rate of 1m Euribor plus a margin of 1.1%. Isiaklé will use the loan to purchase from Klesia a €9 million software package necessary for it to perform its services. The GIE is accounted for in Cegedim's consolidated accounts using the equity method.

Tessi litigation

On February 10, 2017, Cegedim was ordered to pay €4,636,000 to the Tessi company for failing to meet certain obligations with respect to an asset sale made on July 2, 2007.

Cegedim has decided to appeal this decision.

Acquisition of B.B.M Systems in the UK

On February 23, 2017, Cegedim acquired UK company B.B.M. Systems through its Alliadis Europe Ltd subsidiary. The deal strengthens the Group's expertise in developing cloud-based products for general practitioners.

B.B.M. Systems had 2016 revenues of around €0.7 million and earned a profit. It contributes to the Group's scope of consolidation from March 1, 2017.

Change to Cegedim SA's Board of Directors

In keeping with the wishes of BPIFrance, Ms. Anne-Sophie Hérelle has been appointed to replace Ms. Valérie Raoul-Desprez on the Board of Directors. The permanent representative of BPIFrance, is now Ms. Marie Artaud-Dewitte, Deputy Head of Legal Affairs at Bpifrance Investissements. She replaces Ms. Anne-Sophie Hérelle.

Acquisition of Adaptive Apps in the UK

On May 3, 2017, Cegedim acquired UK company Adaptive Apps through its In Practice Systems Limited subsidiary. The deal strengthens the Group's expertise in developing cloud-based and mobile products for healthcare professionals.

Adaptive Apps had 2016 revenues of around €1.5 million and earned a profit. It contributes to the Group's scope of consolidation from May, 2017.

Euris litigation

Cegedim, jointly with IMS Health, is being sued by Euris for unfair competition. Cegedim has filed a motion claiming that IMS Health should be the sole defendant. After consulting its external legal advisors, the company has decided to not record a provision.

2.2 Events after June 30, 2017

To the best of the company's knowledge, apart from the items cited below, there were no events or changes after the accounts were closed that would materially alter the Group's financial situation.

Tessi litigation

On July 21, 2017, Cegedim paid €4,636,000 to the Tessi company to comply with a court ruling of February 10, 2017.

Cegedim has decided to appeal this decision. The appeal is currently under way.

Cegelease contemplated disposal

As part of the business model transformation plan that the Group initiated in fall 2015, Cegedim is contemplating divestment of its Cegelease and Eurofarmat subsidiaries. These subsidiaries operate principally in the financial domain, are highly valued, and require additional resources to continue pursuing and accelerating their development for the benefit of their clients and employees.

The two businesses have 24 employees in France. In 2016 they contributed €5.4 million to Group consolidated EBITDA. The subsidiaries' standalone EBITDA amounted to €18.1 million in 2016.

If the Group receives satisfactory offers and is able to obtain the necessary approvals, it plans to close the deal in the second half of 2017. The Group in no way guarantees that a deal will be carried out.

A successful sale would give the Group a portfolio of businesses that fit well together and generate strong synergies. Cegedim is not planning any further divestments.

Assisting Cegedim on this transaction are the consulting firm of Ohana & Co and the law firm of Freshfields Bruckhaus Deringer.

2.3 Employees

On June 30, 2017, the Cegedim Group employed 4,251 people worldwide. Thus, the total number of employees increased by 189 people, or 4.7%, compared to the end of December 2016 (4,062 people) and increased by 365 people, or 9.4%, compared to June 30, 2016 (3,886 employees).

2.3.1 Employees by region

	06.30.2017	06.30.2016
France	2,890	2,651
EMEA excl. France	1,146	993
Americas	215	242
Cegedim Group	**4,251**	**3,886**

2.3.2 Employees by division

	06.30.2017	06.30.2016
Health Insurance, HR and e-services	2,278	1 877
Healthcare Professionals	1,714	1 701
Activities not allocated	259	308
Cegedim Group	**4,251**	**3 886**

2.4 Risk factors and related party transactions

2.4.1 Risk factors

A description of the Group's main risks is available in the 2016 Registration Document filed with the Autorité des Marchés Financiers (French Financial Market Authority – AMF) on March 29, 2017 under number D.17-0255, in Chapter 2.4, Risk and insurance, from page 49 to page 63. During the first six months of 2017, Cegedim identified no other significant changes.

2.4.2 Related party transactions

A description of transactions with related parties is available in Chapter 9.5, page 215, and in the note 5.3, page 112, of the 2016 Registration Document filled with the Autorité des Marchés Financiers (French Financial Markets Authority - AMF) on March 29, 2016. under number D.17-0255. During the first six months of 2017, Cegedim identified no other significant related party transactions.

2.5 Analysis of the financial position of the Cegedim Group

2.5.1 2017 half year consolidated P&L

In € million		06.30.2017	06.30.2016	Change
Revenue	**€M**	**230.6**	**215.5**	**+7.0%**
Purchases used	€M	(16.6)	(17.0)	(2.3)%
External expenses	€M	(66.4)	(63.3)	+5.0%
Payroll costs	€M	(109.8)	(103.7)	+5.9%
Other income and expenses	€M	(4.6)	(4.7)	(2.5)%
EBITDA	**€M**	**33.2**	**26.8**	**+23.6%**
EBITDA margin	*%*	*14.4*	*12.5*	*+193bps*
Depreciation	€M	(19.6)	(16.4)	+19.1%
EBIT before special items	**€M**	**13.6**	**10.4**	**+30.6%**
EBIT before special items margin	*%*	*5.9*	*4.8*	*+107bps*
Special items	€M	(11.7)	(3.7)	+214.1%
EBIT	**€M**	**1.9**	**6.7**	**(72.0)%**
EBIT margin	*%*	*0.8*	*3.1*	*(228)bps*
Cost of net financial debt	€M	(3.3)	(23.9)	(86.3%
Total taxes	€M	(2.3)	(1.7	+36.8%
Profit (loss) from continuing activities	**€M**	**(3.7)**	**(19.0)**	**(80.2)%**
Net profit (loss) from activities held for sale	€M	0.0	(0.8)	n.m.
Net profit attributable to owners of the parent	€M	(3.8)	(19.8)	n.m.

Starting June 30, 2017, the Group has decided to implement recommendation ANC 2013-03 of France's national accounting standards board, which allows companies to incorporate the income of equity-accounted affiliates in the consolidated operating result. Cegedim's 2016 financial statements have been restated as indicated in Note 1 Geenral principles on page 43.

Revenue increased by €15.1 million, or 7.0%, to €230.6 million in the first half of 2017, compared to €215.5 for the first half of 2016. Excluding an unfavorable currency translation effect of 1.2% and a1.8% boost from acquisitions, revenues rose 6.4%

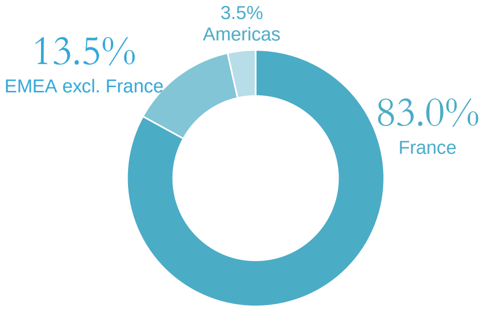
The unfavorable currency translation effect of €2.6 million, or 1.2%, was chiefly due to the €2.8 million negative impact of the pound sterling, which represents 10.9% of Group revenues

The €3.9 million positive impact from acquisitions, or 1.8%, was mainly due to the acquisition of *Futuramedia* in France in November 2016

In the first half of 2017, all of the divisions improved in like-for-like terms. *Health insurance, HR and e-services* division revenues rose by 9.8%, *Healthcare professionals* division revenues rose by 1.4% and *Activities not allocated* rose by 26.2%.

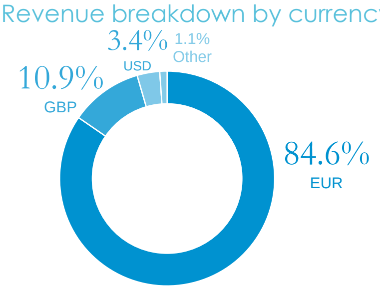
By geographic region, the relative contribution of France climbed by 2.9 points to 83.0%, whereas EMEA (excluding France) and the Americas fell respectively by 2.5 and 0.3 points to respectively 13.5% and 3.5%.

Revenue breakdown by geography



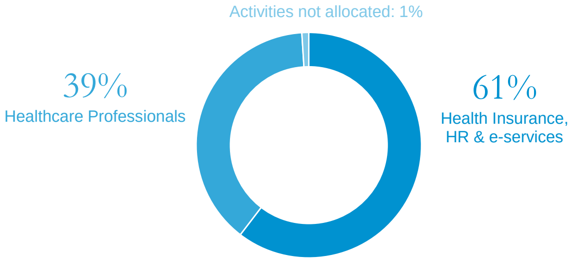
The breakdown of revenue by currency has marginally changed since the same period last year: the euro climbed by 3.3 point to 84.6% and the pound sterling and the US dollar fell respectively by 2.9 and 0.4 points to respectively 10.9% and 3.4%, whereas other currencies remained relatively stable at 1.1%.

Revenue breakdown by currency



By division, the breakdown of Group revenue remains relatively stable. The contribution of the *Health Insurance, HR and e-services* division increased by 3.0 points to 60.8%, whereas that of the *Healthcare Professionals* division decreased by 3.1 points to 38.7%. The contribution of the *Activities not allocated* division remained relatively stable at 0.9%.

Revenue breakdown by division



Operational charges

Purchases used decreased by €0.4 million, or 2.3%, to €16.6 million in the first half of 2017, compared to €17.0 million in the first half of 2016. The purchases used represented 7.2% of consolidated revenues in the first half of 2017, compared to 7.9% in the first half of 2016. This decrease in purchases used was primarily due to the trend at the computerization of UK physicians.

External expenses increased by €3.1 million, or 5.0%, to €66.4 million in the first half 2017, compared to €63.3 million in the first half of 2016.The external expenses represented 28.8% of consolidated revenue in the first half of 2017, compared to 29.4% in the first half of 2016. This increase in external expenses was primarily due higher use of temporary employees as part of the migration and development of Cegedim's offering.

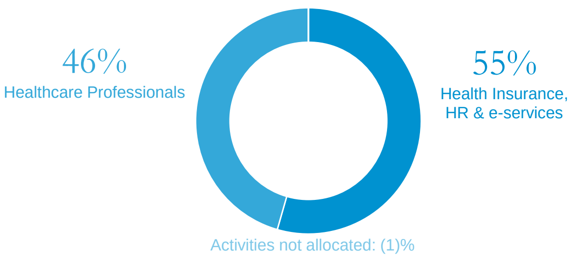
Payroll costs increased by €6.1 million, or 5.9%, to €109.8 million in the first half of 2017, compared to €103.7 million in the first half of 2016. The payroll costs represented 47.6% of consolidated revenue in the first half of 2017, compared to 48.1% in the first half of 2016. The increase in payroll costs mainly reflects an increase in number of employees primarily related to the launch of the BPO offering at *Cegedim Insurance Solutions* and the strengthening of the R&D team in order to ensure the transition to SaaS.

The introduction of the CICE ("*Crédit d'impôt pour la compétitivité et l'emploi*" -Tax credit for competitiveness and employment) in France in 2013 reduced the payroll cost in the P&L. In the first half of 2017, the impact on payroll cost is a reduction of €1.8 million, compared to a reduction of €1.3 million in the first half of 2016.

L'EBITDA increased by €6.3 million, or 23.6%, to €33.2 million in the first half of 2017, compared to €26.8 million in the first half of 2016. The EBITDA represented 14.4% of consolidated revenue in the first half of 2017, compared to 12.5% in the first half of 2016. This increase in EBITDA reflected the trends in revenue, purchases used, external expenses and payroll costs based on the factors set out above.

In the first half of 2017, the *Health Insurance, HR and e-services* division contributed to 55% of the consolidated EBITDA, compared to 46% for the *Healthcare Professionals* division, whereas the *Activities not allocated* division contributed negatively by 1%.

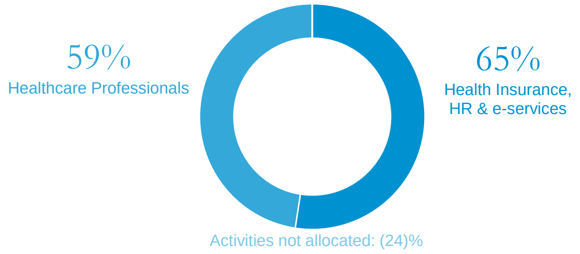
EBITDA breakdown by division



EBIT before special items (*Operating income before special items*) increased by €3.2 million, or 30.6% to €13.6 million in the first half of 2017, compared to €10.4 million in the first half of 2016. The EBIT represented 5.9% of consolidated revenue in the first half of 2017, compared to 4.8% in the first half of 2016. This increase was due to an increase of €6.3 million in EBITDA partially offset by an increase of €3.1 million in depreciation expenses, from €16.4 million in the first half of 2016, to €19.6 million in the first half of 2017. The major part of this €3.1 million increase results from a €2.1 million increase in R&D depreciation expenses that amounted to €13.1 million in the first half of 2017, compared to €10.8 million in the first half of 2016.

In the first half of 2017, the *Health Insurance, HR and e-services* division contributed to 65% of the consolidated EBIT before special items, compared to 59% for the *Healthcare Professionals* division, whereas the *Activities not allocated* division contributed negatively by 24%.

EBIT before special items breakdown by division



Special items amounted in the first half of 2017 to a charge of €11.7 million, compared to charge of €3.7 million in the first half of 2016. The increase was mainly attributable to the impact of accelerated amortization of intangible fixed assets in the US amounting to €8.5 million. Without the accelerated amortization, exceptional items at June 2017 would have been virtually the same as at June 2016.

Breakdown of special items by nature

In € million	06.30.2017	06.30.2016
Allowance and depreciations	(8.1)	-
Restructuring costs	(2.5)	(2.5)
Other non-recurring income and expenses	(1.1)	(1.2)
Special items	**(11.7)**	**(3.7)**

Breakdown of special items by division

In € million	06.30.2017	06.30.2016
Health Insurance, HR, e-services	(0.7)	(0.3)
Healthcare professionals	(9.7)	(3.0)
Activities not allocated	(1.4)	(0.5)
Special items	**(11.7)**	**(3.7)**

EBIT decreased by 4.8 million to €19 million in the first half of 2017, compared to €6.7 million in the first half of 2016. The EBIT represented 0.8% of consolidated revenue in the first half of 2017, compared to 3.1% in the first half of 2016. This decrease was due to the €8.0 million increase in special items partially offset by the 3.2 million increase in EBIT before special items.

Financial Charges

Total cost of net financial debt decreased by €20.6 million, or 86.3%, to €3.3 million in the first half of 2017, compared to €23.9 million in the first half of 2016. The decline reflects the positive impact of refinancing carried out in the first half of 2016.

Tax expense amounted to a charge of €2.3 million in the first half of 2017, compared to a charge of €1.7 million in the first half of 2016. The increase was chiefly due to better earnings at French subsidiaries whose results are consolidated with those of Cegedim for tax purposes.

Net results

Consolidated net profit from continuing activities amounted to a €3.7 million loss in the first half of 2017, compared to €19.0 million loss in the first half of 2016. This €15.2 million increase in consolidated net loss from continuing activities reflected the trends in revenue, EBIT, special items, cost of net financial debt and tax expense based on the factors set out above

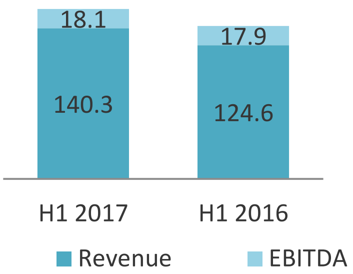
Net profit from discontinued activities amounted to a €0.8 million loss in the first half of 2016. At June 30, 2017 no activity has been classified as active held for sale. After taking into account minority interests, **the consolidated net profit attributable to the Group** amounted to a €3.7 million loss in the first half of 2017, compared to €19.8 million loss in the first half of 2016.

Earnings per share before special items amounted to a €0.0 loss in the first half of 2017, compared to €1.1 loss for the same period one year ago. **Earnings per share** amounted to a €0.3 loss in the first half of 2017, compared to a €1.4 loss one year ago.

2.5.2 Analysis of the financial position by division

2.5.2.1 Health Insurance, HR and e-services Division

In € million	06.30.2017	06.30.2016	Change
Revenues	**140.3**	**124.6**	**+12.6%**
EBITDA	**18.1**	**17.9**	**+1.4%**
EBITDA margin	*12.9%*	*14.3%*	*(142)bps*
Depreciation	(9.3)	(7.3)	+28.0%
EBIT before special items	**8.8**	**10.6**	**(16.8)%**
EBIT margin	*6.3%*	*8.5%*	*(222)bps*
Special items	(0.7)	(0.3)	+160.6%
EBIT	**8.1**	**10.3**	**(21.2)%**



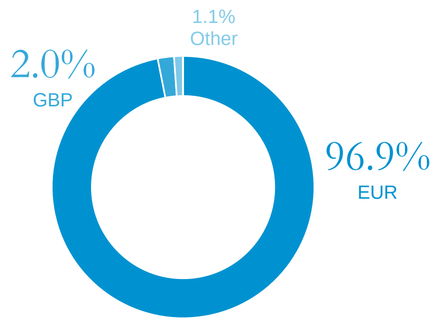
Revenue for the *Health Insurance, HR and e-services* increased by €15.7 million, or 12.6%, to €140.3 million in the first half of 2017, compared to 124.6 million in the first half of 2016. The November 2016 acquisition of *Futuramedia* in France made a positive contribution of 3.1%. Currency effects made a negative contribution of 0.3%. Like-for-like revenues rose 9.8% over the period.

The *Health insurance, HR and e-services* division represented 60.8% of consolidated revenues, compared with 57.8% over the same period a year earlier.

By geographic region, the relative contribution of France climed by 0.8 point at 96.9%, whereas EMEA (excluding France) fell by 0.8 point to 3.1%.

The breakdown of revenue by currency has marginally changed since the same period last year: the euro climbed by 0.8 points to 96.9% and the pound sterling fell by 0.7 point to 2.0%, whereas other currencies remained relatively stable at 1.1%.

Revenue breakdown by currency



This increase in revenue in the first half of 2017 was chiefly attributable to:

- Continued double-digit growth at *Cegedim SRH,* as work began with several new clients of the SaaS platform for HR management;
- Strong sales momentum leading to the start of work with several new clients of the SaaS platform for electronic data exchange, *Global Information Services*, including payment platforms. As a result, *Cegedim e-business* posted double-digit revenue growth in the first two quarters of 2017;
- Double-digit growth in *iGestion* BPO activities for health insurance companies and mutual insurers;
- The continuation of positive trends – for several quarters now – in third-party payment processing services;
- Modest growth in software and services for the personal insurance market, despite the impact of switching to the SaaS format.

EBITDA felt a pinch, by €0.3 million, or 1.4%, to €18.1 million in the first half of 2017, compared to €17.9 million in the first half of 2016. It represented 12.9% of consolidated revenue in the first half of 2017, compared to 14.3% in the first half of 2016.

This slight EBITDA growth was chiefly attributable to:

- Strong improvement in profit at Cegedim e-business, leading to the start of work with several new clients of the SaaS platform for electronic data exchange, Global Information Services, including payment and process digitalization platforms and the positive impact of investment done last year.
- *RNP and Futuramedia*, advertising firm specializing in on-site advertising in French pharmacy with classic and digital media. The *Futuramedia'* s digital offer had been succefful integrated.
- A stable EBITDA at *Cegedim SRH* despite the impact of the start of operations with numerous new clients particularly in BPO.

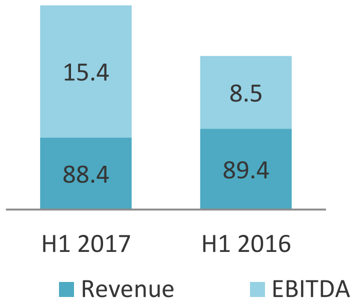
This performance was partially offset by a decline in profitability at:

- *iGestion*, BPO activities, as work began with several new clients on BPO;
- Third-party payment processing services, following the development of products and services aimed at hospitals;
- *Cegedim Insurance Solutions* following the switching to the SaaS format.

EBIT before special items *(Operating income from recurring operations*) decreased by €1.8 million, or 16.8%, to €8.8 million in the first half of 2017, compared to €10.6 million in the first half of 2016. It represented 6.3% of consolidated revenue in the first half of 2017, compared to 8.5% in the first half of 2016. This decrease in EBIT was primarily due to virtually stable EBITDA and to a €2.0 million increase in in depreciation.

2.5.2.2 Healthcare Professionals Division

In € million	06.30.2017	06.30.2016	Change
Revenues	**88.4**	**89.4**	**(1.1)%**
EBITDA	**15.4**	**8.5**	**+80.2%**
EBITDA margin	*17.4%*	*9.5%*	*+784bps*
Depreciation	(7.4)	(6.5)	+13.5%
EBIT before special items	**8.0**	**2.0**	**+293.0%**
EBIT margin	*9.0%*	*2.3%*	*677bps*
Special items	(9.7)	(3.0)	+225.9%
EBIT	(1.7)	(0.9)	(81.1)%



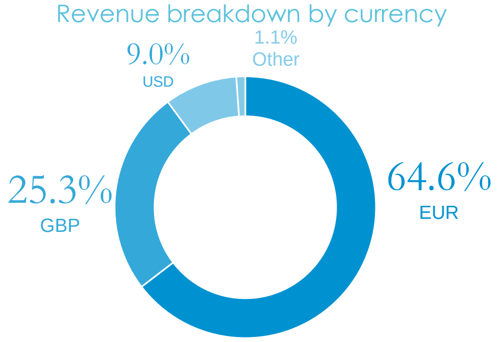
Revenue for the *Healthcare Professionals* division decreased by €1.0 million, or 1.1%, to 88.4 million in the first half of 2017, compared to €89.4 million in the first half of 2016. Currency effects made a negative contribution of 2.5%. There was virtually no impact from acquisitions or divestments. Like-for-like revenues rose 1.4% over the period.

The *Healthcare professionals* division represented 38.3% of consolidated revenues, compared with 41.5% over the same period a year earlier

By geographic region, the relative contributions of France climbed by 3.0 points to 60.5% ant the EMEA (excluding France fell by 2.9 points to 30.4%, whereas the Americas remained relatively stable at 9.1%.

The breakdown of revenue by currency has marginally changed since the same period last year: the euro climbed by 4.5 points to 64.6% and the pound sterling fell by 4.4 points to 25.3%, whereas US dollars and other currencies remained relatively stable at respectively 9.0% and 1.1%.

Revenue breakdown by currency



Second-quarter growth more than offset the decline in the first quarter. The key performances responsible for this positive trend were:

- Double-digit Q2 growth from *Pulse*, the computerization of doctors, and the RCM business in the US. RCM is a BPO-type business and is growing rapidly, with double-digit growth over the first half that will negatively affect EBITDA for the period;
- Computerization products and services for doctors in Belgium, Spain and France, and for French nurses, physical therapists, speech therapists, orthoptists, midwives, and podiatrists;
- Computerization products and services for French pharmacists, which returned to growth thanks to the *Smart Rx* launch of last September. The business confirmed strong momentum in its order intake compared with a year ago;
- A good performance in the first half by the *BCB* scientific database for prescription assistance, prescription fulfillment, and health products.
- *Cegelease*, the financial lease business.

This performance was partly offset by a decline in revenue of computerization solutions to UK doctors pending the release of a full version in SaaS format. The first modules arrived on the market early this year and were well received.

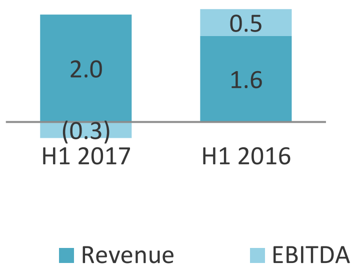
EBITDA increased by €6.8 million, or 80.2% to €15.4 million in the first half of 2017, compared to €8.5 million in the first half of 2016. It represented 17.4% of consolidated revenue in the first half of 2017, compared to 9.5% in the first half of 2016.

This increase in EBITDA was chiefly attributable to profit growth in the in the computerization of doctors in France, Belgium, Spain and US and from the financial lease business, *Cegelease.* This performance was partly offset by a decline in profitability for the computerization of doctors in the UK pending the release of a full SaaS version of that product.

EBIT before special items *(Operating income from recurring operations)* increased by €6.0 million, or 293.0%, to €8.0 million in the first half of 2017, compared to €2.0 million in the first half of 2016. It represented 9.0% of consolidated revenue in the first half of 2017, compared to 2.3% in the first half of 2016. This increase in EBIT was primarily due to the €6.8 million increased in EBITDA and by a €0.9 million increase in depreciation expenses.

2.5.2.3 Activities not allocated Division

In € million	06.30.2017	06.30.2016	Change
Revenues	**2.0**	**1.6**	**+26.2%**
EBITDA	**(0.3)**	**0.5**	**n.m.**
EBITDA margin	*(15.4)%*	*28.8%*	*n.m.*
Depreciation	(2.9)	(2.7)	+8.7%
EBIT before special items	**(3.2)**	**(2.2)**	**(44.6%**
EBIT margin	*(161.7)%*	*(141.0)%*	*n.m.*
Special items	(1.4)	(0.5)	+171.2%
EBIT	(4.6)	(2.7)	+67.9%



Revenue for *Activities not allocated* increased by €0.4 million, or 26.2%, to €2.0 million in the first half of 2017, compared to €1.6 million in the first half of 2016. There were no divestments or acquisitions and there was no impact from foreign currency translations.

The *Activities not allocated* division represented 0.9% of consolidated revenues, compared with 0.7% over the same period a year earlier

This trend reflects the return to a normal level of billing.

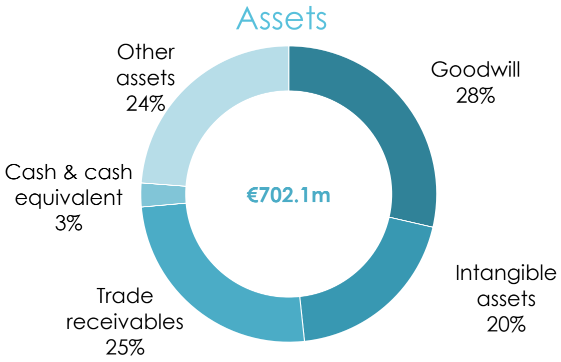
EBITDA decreased by €0.8 million, or 167.6%, to a €0.3 million loss in the first half of 2017, compared to €0.5 million profit in the first half of 2016. It represented 15.4% of consolidated revenue in the first half of 2017, compared to 28.8% in the first half of 2016. This decrease in EBITDA was principally due to the impact of rent charges related to moving the corporate headquarters in 2016.

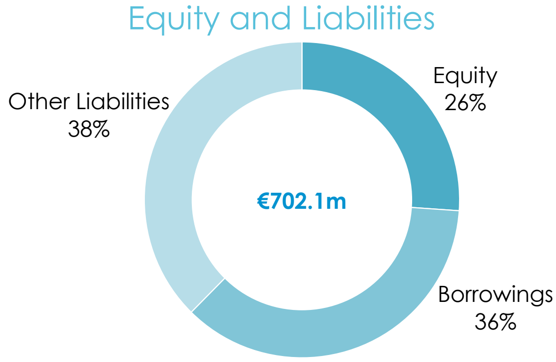
EBIT before special items *(Operating income from recurring operations)* decreased by €1.0 million, or 44.6%, to a €3.2 million loss in the first half of 2017, compared to €2.2 million loss in the first half of 2016. It represented 161.7% of consolidated revenue in the first half of 2017, compared to 141.0% in the first half of 2016. This negative trend in EBIT before special items was primarily due to the €0.8 million decrease in EBITDA and the €0.2 million increase in depreciation expenses.

2.5.3 Financial structure as of June 30, 2017

2.5.3.1 Consolidated Balance Sheet

SIMPLIFY CONSOLIDATED BALANCE SHEET

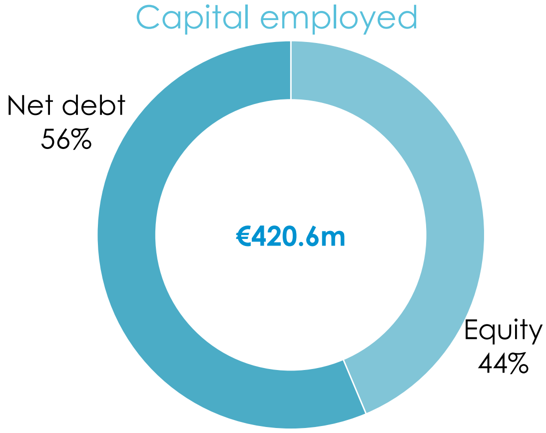




In € million	Note	06.30.2017	12.31.2016	Change
Assets				
Goodwill		201.0	199.0	+1.0%
Intangible assets		138.2	139.4	(0.9)%
Tangible assets		33.7	32.2	+4.7%
Financial assets	a	19.7	8.7	+125.7%
Other non-current assets	b	38.1	38.3	(0.4)%
Total non-current assets		**460.4**	**447.3**	**+2.9%**
Trade receivables – Long-term portion		147.9	167.4	(11.6)%
Cash & cash equivalent		18.1	20.8	(13.0)%
Other current assets		75.8	73.7	+2.9%
Total current assets		**241.8**	**261.8**	**(7.7)%**
Total assets		**702.1**	**709.1**	**(1.0)%**
Liabilities				
Long-term financial debt	c	251.0	244.0	+2.9%
Other non-current liabilities		47.0	45.1	+4.0%
Total non-current liabilities		**297.9**	**289.1**	**+3.0%**
Short-term financial debt	c	4.1	3.6	+14.3%
Other current liabilities	d	216.6	227.4	(4.8)%
Total current liabilities		**220.7**	**231.0**	**(4.5)%**
Total liabilities excluding Shareholders' equity		**518.6**	**520.1**	**(0.3)%**
Shareholders' equity	**e**	**183.6**	**188.9**	**(2.8)%**
Total Liabilities and shareholders' equity		**702.1**	**709.1**	**(1.0)%**

a) Excluding equity shares in equity method companies.
b) Including deferred tax of €27.3 million for June 30, 2017, and €28.8 million for December 31, 2016.
c) Long-term and short-term liabilities include liabilities under our employee profit sharing plans in the total amount of €7.2 million for June 30, 2017, and €7.5 million for December 31, 2016.
d) Including "tax and social liabilities" of €72.4 million for June 30, 2017, and €78.8 million for December 31, 2016. This includes VAT, French and US profit-sharing schemes, provisions for leave days, social security contributions in France, French health coverage and wage bonuses.
e) Including minority interests of €0.0 million for June 30, 2017, and €0.0 million for end-December 2016.

NET FINANCIAL DEBT



In € million	Note	06.30.2017	12.31.2016	Change	06.30.2016
Long-term financial debt		251.0	244.0	+2.9%	223.0
Short-term financial debt		4.1	3.6	+14.3%	4.3
Gross debt		**255.1**	**247.6**	**+3.0%**	**227.3**
Cash and cash eqivalent		18.1	20.8	(13.0)%	10.8
Net financia debt		**237.0**	**226.8**	**+4.5%**	**216.6**
Equity		183.6	188.9	(2.8)%	198.4
Gearing	**f**	**1.3**	**1.2**	**+7.5%**	**1.1**

f) Net financial debt to Total equity ratio.

The structure of debt at June 30, 2017 was as follows:

- 200 million euro revolving credit, of which 200 million euro was drawn as of June 30, 2017 ; maturing on January 14, 2021 ;
- 45.1 million euro FCB loan maturing in January 2021 ;
- 24.0 million euro overdraft facility, of which 0.0 million euro was drawn as of June 30, 2017.

The table below sets out Cegedim's principal financing arrangements as of June 31, 2017.

In millions of euros	Total	Less than 1 year	Between 1 and 5 years	More than 5 years
Revolving credit facility	200.0	-	-	200.0
FCB Loan	45.1	-	-	45.1
Overdraft facility	0.0	0.0	-	-
Total	245.1	0.0	-	245.1

The Group also rely to non-recourse factoring agreement of which €20.6 million was drawn as of June 30, 2017.

Interest rate

In the second half of 2016, the applicable margin on amount drawn under the Revolving Credit Facility was 1.40%. In the first half of 2017, the applicable margin on amount drawn under the Revolving Credit Facility was 1.40%.

The FCB Loan bears interest at a rate of 200 basis points above the rate applicable under the Credit Revolver Facility Agreement. The interest is payable semiannually on June 30 and December 31 of each year.

COMMENTS OF THE CONSOLIDATED BALANCE SHEET

Consolidated total balance sheet amounted to €702.1 million at June 30, 2017, a 1.0% decrease over December 31, 2016.

Acquisition Goodwill amounted to €201.0 million at June 30, 2017, compared with €199.0 million at December 31, 2016. The €2.0 million increase, or 1.0%, was mainly due to the €3.1 million acquisitions of *B.B.M. Systems* and *Adaptive Apps* in the UK. The €3.1 million was partly offset by the euro's appreciation against certain foreign currencies, notably the Pound Sterling for €0.8 million. Acquisition goodwill represented 28.6% of the total balance sheet at June 30, 2017, compared with 28.1% at December 31, 2016.

Intangible assets decreased by €1.3 million, or 0.9%, to €138.2 million at June 30, 2017, compared to €139.4 million at December 2016. This decrease mainly reflect the fact that R&D depreciation expenses including the €8.5 million accelerated amortization of intangible fixed assets in the US compensate almost the increase of capitalized R&D. The intangible assets represented 19.7% of total assets at the end of June 2017 as of end of December 2016.

Tangible assets increased by €1.5 million, or 4.7% to €33.7 million at June 30, 2017, compared to €32.2 million at December 2016. The tangible assets represented 4.8% of total assets at the end of June 2017 compared to 4.5% at December 31, 2016.

Trade receivables decreased by €19.3 million, or 9.8%, to €177.6 million at end of June 2017, compared to €196.9 million at end of December 2016.

- Long-term portion slightly increased by €0.2 million, or 0.5%, to €29.7 million at June 30, 2017, compared to €29.6 million at December 2016. It represented 4.2% of total assets at June 30, 2017 as of at December 31, 2016.
- Short-term portion decreased by €19.5 million, or 11.6%, to €147.9 million, compared to €167.4 million at December 31, 2016. This decrease mainly reflects the implementation of the factoring agreement in the first half of 2017. It represented 21.1% of total assets at June 30, 2017, compared to 23.6% at December 31, 2016.

The trade receivables represented 25.3% at June 2017, compared to 27.8% at December 2016.

Cash and equivalents came to €18.1 million at June 30, 2017, a €2.7 million decrease compared with Decembre 31, 2016. The decline was principally due to the generation of €34.1 million in cash from operations before the net cost of financial debt and tax, the payment of €2.2 million in tax, a €3.8 million reduction of WCR, and the generation of €3.9 million in cash from financing operations, mainly from drawing upon the revolving credit facility. These developments were partially offset by €41.9 million in cash disbursements related to investment transactions. For more information refer the point 2.5.3.2 page 29 *comments on the cash flow statement*. The cash and cash equivalent represented 2.6% of total assets at June 30, 2017 compared to 2.9% at December 2016.

Long-term financial debt increased by €7.0 million, or 2.9%, to €251.0 million, compared to €244.0 million at December 31, 2016. This increase stemmed mainly from the fact that during the first half of 2017, the Group drew €10.0 million from the Revolving Credit Facility in order to finance the €9 million loan Cegedim granted to a client, Klesia, for managing its BPO activity. This trend was partially offset by the payment of €2.3 million in earn-outs for *Activus* and *Nightingale*, and by a €0.7 million decrease in liabilities under Cegedim's employee profit-sharing plans. Long-term liabilities include liabilities under Cegedim's employee profit-sharing plans in the total amount of €5.2 million at the end of June 2017, compared to €5.9 million at December 31, 2016

Short-term financial debt increased by €0.5 million, or 14.3%, to€4.1 million at June 30, 2017, compared to €3.6 million at December 2016. This increase reflects mainly the €0.4 million increase in liabilities under Cegedim employee profit sharing plans. Short-term liabilities include liabilities under Cegedim employee profit sharing plans in the total amount of €2.0 million at the end of June 2017 compared to €1.6 million at the end of December 2016.

Total financial debt amounted to €255.1 million at June 30, 2017, an increase of €7.5 million, or 3.0%. Total net financial debt amounts to €237.0 million, an increase of €10.2 million compared to six months earlier. The total financial debt represented 129.1% of equity at June 30, 2017, compared to 120.0% at December 2016. Long-term and short-term financial debt include liabilities under Cegedim employee profit sharing plans in the total amount of €7.2 million, and €2.5 million of other liabilities at the end of June 2017.

Financial net debt trend

In millions of euros	Net financial debt
06.30.2015	165.7
12.31.2015	167.6
06.30.2016	216.6
12.31.2016	226.8
06.30.2017	237.0

Shareholders' equity fell by €5.4 million or 2.8%, to €183.6 million at June 30, 2017, compared with €188.9 million at December 31, 2016. The drop was mostly the results of the €3.7 million net earnings loss attributable to owners of the parent and the €2.0 million negative change in cumulative translation adjustments partially offset by €0.3 million from cash flow related to hedges. Shareholders' equity represented 26.1% of the total balance sheet at the end of June 2017, compared to 26.6% at the end of December 2016.

Off-balance sheet commitments

Cegedim S.A. provides guarantees and securities on the operational or financing obligations of its subsidiaries in the ordinary course of business. Existing guarantees at December 31, 2016, did not change significantly during the first six months of 2017. See note 10.4 of the Interim Consolidated Financial Statement.

2.5.3.2 Consolidated cash flow sources and amounts

SUMMARIZED CONSOLIDATED CASH FLOW STATEMENT

In € million	06.30.2017	06.30.2016
Gross cash-flow	**34.1**	**29.2**
Tax paid	(2.2)	(2.3)
Change in working capital	+3.8	(10.6)
Net cash provided by (used in) operating activities	**35.6**	**16.3**
Of which net cash provided by (used in) operating activities held for sale	*0.0*	*(0. 2)*
Net cash provided by (used in) investing activities	**(41.9)**	**(29.9)**
Of which net cash provided by (used in) investing activities held for sale	*0.0*	*0.0*
Net cash provided by (used in) financing activities	**3.9**	**(202.3)**
Of which net cash provided by (used in) financing activities	*0.0*	*0.0*
Total cash flows excluding currency impact	**(2.3)**	**(215.9)**
Change due to exchange rate movements	(0.4)	(0.8)
Change in cash	**(2.7)**	**(216.8)**
Net cash at the beginning of the period	*20.7*	*228.1*
Net cash at the end of the period	*18.0*	*11.3*

COMMENTS ON THE CASH FLOW STATEMENT

Net cash-flow from operating activities increased by €19.4 million to €35.6 million at end of Jun 2017, compared to €16.3 million at the end of June 2016. This improvement mainly reflects the €20.6 million decrease in cost of net debt and a significant decrease of €€14.4 million in WCR.

Working capital levels vary as a result of several factors, including seasonality and the efficiency of the receivables collection process. Historically, Cegedim has financed its working capital requirements with cash on hand and amounts available under the Revolving Credit Facility and overdraft facilities.

Change in Working Capital amounted to an outflow of €3.8 million at the end of June 2017, compared to a requirement of €10.6 million twelve months earlier. This €14.4 million decrease of in WRC reflects the positive trend in trade receivables following the implementation of deconsolidated factoring arrangement partially offset by a negative trend at trade payable and tax liabilities.

Net cash from operating activities amounted to an outflow of €6.1 million, compared to requirement of €12.0 million. This €18.1 million increase came mainly from a decrease in WCR and an increase in gross cahs-flow.

In € million	06.30.2017	06.30.2016
Cash flow from operating activities before tax and interest	34.1	29.2
Change in working capital requirement	+3.8	(10.6)
Corporate tax paid	(2.2)	(2.3)
Net cash from operating activities	35.6	16.3
Acquisitions of intangible and tangible assets	(29.7)	(28.8)
Disposal of intangible and tangible assets	0.2	0.5
Free cash flow from operations	**+6.1**	**(12.1)**

Net cash flow used in investing activities decreased by €12.0 million to an outflow of €41.9 million at end of Jun 2017, compared to an inflow of €29.9 million at end of June 2016. This trend reflects mainly the €9 million loan Cegedim granted to a client, Klesia, for managing its BPO activity.

CAPITAL EXPENDITURES

In € million	06.30.2017	06.30.2016
Capitalized R&D	(22.5)	(18.7)
Maintenance Capex	(6.5)	(9.8)
Acquisition / Disposal	(3.0)	(1.4)
Total capital expenditures	**32.1**	**(29.9)**

Capital expenditures excluding acquisitions and divestments were up compared to previous years. Historically, they have primarily related to R&D, maintenance costs and to acquisition/disposal. There are no material capital expenditure commitments. Flexibility and discretion are maintained in order to adjust, from time to time, the level of capital expenditures to the needs of Cegedim's business

At June 30, 2017, capital expenditures came to €32.1 million, an increase of €2.2 million compared to June 30, 2016. The capital expenditures breakdown was as follows: €22.5 million of capitalized R&D, €6.5 million in maintenance capex and €3.0 million on acquisitions. The capital expenditures represented 13.9% of consolidated revenue in the first half of 2017.

Payroll expenses for the R&D workforce represent the majority of the total R&D cost and around 10.7% of the last twelve months Group revenue. Although this percentage is not a targeted figure, it has increased compared to the past several years. Of this R&D expenditure, approximately half is capitalized annually in accordance with IAS 38, which requires that (i) the project is clearly identified and the related costs are separable and tracked reliably; (ii) the technical feasibility of the project has been demonstrated, and the Group has the intention and the financial capacity to complete the project and use or sell the products resulting from this project; and (iii) it is probable that the developed project will generate future economic benefits that will flow to the Group.

At the end of June 2017, €22.5 million of R&D costs were capitalized, an increase of €3.9 million compared to June 30, 2016. This figure came from a reduction of payroll costs and external expenses. The remaining R&D costs are recorded as expenses for the period in which they were incurred.

Net cash flow used in financing activities decreased by €206.3 million, to an inflow of €3.9 million at the end of June 30, 2017 to an outflow of €202.3 million at June 30, 2016. This trend reflects mainly the impact from the debt refinancing conducted in the first half of 2016. The positive net cash flow from financing activities came mainly from the €10 million drawn from the €200 million revolver credit in order to finance the €9 million loan Cegedim granted to a client, Klesia, for managing its BPO activity.

The change in net cash from operations, from investment operations and from financing operations was a decrease of €2.7 million at the end of June 2017, including a €0.4 million negative contribution from exchange rate movements.

2.6 Outlook

Cegedim's activity is essentially affected by developments affecting the healthcare players which are the Group's main clients. The principle impacts are regulatory, economic, technological, demographic, and behavioral in nature.

The Group is benefiting from government healthcare reforms, new ways of delivering healthcare, rapid development of new technologies, and changes in the way healthcare players interact. It is benefiting from the increase in healthcare expenditures that are a result of aging populations and trends in chronic illnesses in the countries where the Group carries on its business activities. These factors require the development of tools to manage patient monitoring and medical records, and the adoption of tools for the coordination of care amongst healthcare professionals.

The Group is also benefiting from the growing complexity of medical knowledge, which requires the development of knowledge bases on products and therapeutics, and requires that companies equip themselves with software designed to aid drug prescription and fulfillment, and to help manage prescription guidelines. Lastly, the Group is rolling out a strategy for connected devices, telemedicine, future biological testing in doctors' offices, and physical rehabilitation tools. Cegedim's products and services also address outcome-based remuneration policies.

Health insurance-related businesses are being influenced by the regulatory changes surrounding new insurance policies (ACS – assistance for supplemental insurance; ANI regulations for employer insurance; and 'responsible' policies that lay out certain policyholder obligations) and of the expansion and automation of third-party payer processes (online benefits management, invoicing and payment).

The Group is also keeping pace with the changing business model in administrative operations, with the digital revolution and the growing complexity in human resources management, including training, time tracking, talent management, paperless environment, and the management of supplemental health and retirement schemes.

In 2017, Cegedim continues to reinvent itself, pursuing innovation and investing in business model transformation. Cegedim is making great strides on its transformation. As a result, growth is expected to pick up speed in the fourth quarter of 2017 and lay the groundwork for improving profitability.

Cegedim was expecting for 2017:

- Like-for-like revenue growth between 4.0% and 6.0%;
- EBITDA in a range of €66.0 million to €72.0 million inclusive.

Based on its H1 2017 performances, the Group reiterates its EBITDA forecast and is raising its outlook for like-for-like revenue growth, which is likely to be slightly above the previously announced forecast range.

Cegedim expects to see the full positive impact of its investments, reorganization and transformation in 2018.

In 2017, the Group does not expect any significant acquisitions and is not issuing any earnings guidance or estimates.

Potential Brexit impact

In 2016, the UK accounted for 12.7% of consolidated Group revenues and 14.8% of consolidated Group EBIT before special items.

Cegedim deals in local currency in the UK, as it does in every country where it is present. Thus, Brexit is unlikely to have a material impact on consolidated Group EBIT before special items.

Assuming the revenue/cost structure remains similar, any appreciation in the euro against the pound sterling would bring about a reduction in earnings expressed in euros. Based on the 2016 fiscal year, if all other currencies remain at the same level against the pound sterling, a theoretical 1% appreciation in the euro against the pound sterling would have a negative impact of €0.6 million on Cegedim's revenue, and €0.4 million on its operating income before special items.
With regard to healthcare policy, the Group has not identified any major European programs at work in the UK and expects UK policy to be only marginally affected by Brexit.

The figures cited above include guidance on Cegedim's future financial performances. This forward-looking information is based on the opinions and assumptions of the Group's senior management at the time this document is issued and naturally entails risks and uncertainty. For more information on the risks facing Cegedim, please refer to section 2.4, "Risk factors and insurance" and 3.7 « Outlook » in the 2016 Registration Document filed with the Autorité des Marchés Financiers (French Financial Market Authority – AMF) on March 29, 2017 under number D.17-0255.

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3 Consolidated condensed financial statement

3.1 Consolidated balance sheet

3.1.1 Assets

In thousands of euros	Note	06.30.2017 Net	12.31.2016 Net
Goodwill on acquisition	6.1	**200,958**	**198,995**
Development costs		34,927	12,152
Other intangible fixed assets		103,225	127,293
Intangible fixed assets		**138,153**	**139,445**
Property		544	459
Buildings		4,376	4,712
Other tangible fixed assets		28,517	26,548
Construction work in progress		292	508
Tangible fixed assets		**33,729**	**32,227**
Equity investments		1,098	1,098
Loans		12,495	3,508
Other long-term investments		6,116	4,126
Long-term investments – excluding equity shares in equity method companies		**19,709**	**8,733**
Equity shares in equity method companies	2.2	10,006	9,492
Government – Deferred tax	8.1	27,320	28,784
Accounts receivable: Long-term portion	4.3	29,737	29,584
Other receivables: Long-term portion		-	0
Financial instruments		781	-
Non-current assets		**460,392**	**447,260**
Services in progress		-	1,034
Goods		7,924	6,735
Advances and deposits received on orders		2,603	1,773
Accounts receivable: Short-term portion	4.3	147,870	167,361
Other receivables: Short-term portion		50,760	53,890
Cash equivalents		8,000	8,000
Cash		10,074	12,771
Prepaid expenses		14,525	10,258
Current assets		**241,756**	**261,823**
Total assets		**702,148**	**709,082**

3.1.2 Equility and liabilities

In thousands of euros	Note	06.30.2017	12.31.2016
Share capital		13,337	13,337
Group reserves		178,452	204,723
Group exchange gains/losses		(4,455)	(2,391)
Groupe earnings		(3,767)	(26,747)
Shareholders' equity, Group share		**183,567**	**188,921**
Minority interests (reserves)		(23)	9
Minority interests (earnings)		19	14
Minority interests		(4)	23
Shareholders' equity		**183,562**	**188,944**
Long-term financial liabilities	7.1	250,969	244,013
Long-term financial instruments		2,010	1,987
Deferred tax liabilities	8.1	6,162	6,453
Non-current provisions		24,175	23,441
Other non-current liabilities	4.4	14,607	13,251
Non-current liabilities		**297,922**	**289,145**
Short-term financial liabilities	7.1	4,094	3,582
Short-term financial instruments		7	11
Accounts payable and related accounts		55,618	62,419
Tax and social liabilities		72,444	78,810
Provisions		2,657	3,297
Other current liabilities	4.4	85,843	82,874
Current liabilities		**220,663**	**230,993**
TOTAL Liabilities		**702,148**	**709,082**

3.2 Consolidated income statement

In thousands of euros	Note	06.30.2017	06.30.2016	Change
Revenue		**230,618**	**215,509**	**7,0%**
Purchases used		(16,578)	(16,966)	-2,3%
External expenses		(66,425)	(63,290)	5,0%
Taxes		(4,223)	(3,684)	14,6%
Payroll costs	5.1	(109,817)	(103,670)	5,9%
Allocations to and reversals of provisions		(1,476)	(2,454)	-39,8%
Change in inventories of products in progress and finished products		-	-	-
Other operating income and expenses		(416)	240	273,2%
Income of equity-accounted affiliates (1)	2.2	1,493	1,158	28,9%
EBITDA		**33,177**	**26,843**	**23,6%**
Depreciation expenses		(19,589)	(16,443)	19,1%
Operating income before special items		**13,588**	**10,401**	**30,6%**
Depreciation of goodwill		-	-	-
Special items		(11,719)	(3,731)	214,1%
Other spedial items	**4.1**	**(11,719)**	**(3,731)**	**214,1%**
Operating income		**1,870**	**6,669**	**-72,0%**
Income from cash and cash equivalents		294	974	-69,8%
Gross cost of financial debt		(4,372)	(25,458)	-82,8%
Other financial income and expenses		811	634	27,8%
Cost of net financial debt	**7.2**	**(3,267)**	**(23,851)**	**-86,3%**
Income taxes		(1,173)	(530)	121,1%
Deferred taxes	8.1	(1,176)	(1,187)	-0,9%
Total taxes		**(2,349)**	**(1,717)**	**36,8%**
Share of profit (loss) for the period of equity method companies	2.2	(1)	(76)	-98,6%
Profit (loss) for the period from continuing activities		(3,748)	(18,974)	n.m.
Profit (loss) for the period discontinued activities	3.3	-	(826)	n.m.
Consolidated profit (loss) for the period		(3,748)	(19,801)	n.m.
Consolidated Net income (loss) attributable to owners of the parent	**A**	**(3,767)**	**(19,775)**	**n.m.**
Minority interests		19	(26)	n.m.
Average number of shares excluding treasury stock	B	13,975,365	13,953,978	-
Current Earnings Per Share (in euros)		**(0.0)**	**(1.1)**	**n.m.**
Earnings Per Share (in euros)	**A/B**	**(0.3)**	**(1.4)**	**n.m.**
Dilutive instrument		None	None	n.m.
Earning for recurring operation per share (in euros)		**(0.3)**	**(1.4)**	**n.m.**

In thousands of euros	06.30.2017 reported	Income of equity-accounted affiliates	06.30.2016 restated
(1) Restatement of the Income of equity-accounted affiliates			
EBITDA	25 685	1 158	26 843
Operating income before special items	9 243	1 158	10 401
Operating income before special items	5 511	1 158	6 669

3.3 Consolidated statement of other comprehensive income

In thousands of euros	Note	30.06.2017	30.06.2016[1]	Change
Consolidated net profit (loss) for the period		**(3,748)**	**(19,801)**	**n.m.**
Other items included in total earnings				
Unrealized exchange gains / losses		(2,043)	(8,886)	n.m
Free shares award plan		17	149	n.m
Hedging of financial instruments (net of tax)		303	80	n.m
Hedging of net investments		-	-	
Actuarial differences relating to provisions for pensions		-	(441)	n.m.
Items recognized as shareholders' equity net of taxes		**(1,722)**	(9,097)	**n.m**
Total earnings		**(5,470)**	**(28,897)**	**n.m.**
Minority interests' share		40	(9)	n.m
Groupe share		**(5,510)**	**(28,888)**	**n.m.**

3.4 Consolidated statement of change in equity

In thousands of euros	Equity	Reserves tied to capital	Conso. Reserves and earning	Unrealized exchange gains/losses	Total group share	Minority interests	Total
Balance as at 01.01.2015, restarted	**13,337**	**182,955**	**(43,166)**	**63,578**	**216,704**	**142**	**216,846**
Earnings for the fiscal year			66,957		66,957	41	66,998
Earnings recorded directly as shareholders' equity					0		0
• Transactions on share			(904)		(904)		(904)
• Hedging of financial instruments			754		754		754
• Hedging of net investments					0		0
• Unrealizeed exchange gains/losses				(55,108)	(55,108)		(55,108)
• Actuarial differences relating to provisions for pensions			438		438		438
Total earning for the fiscal year			**67,246**	**(55,108**	**12,138**	**41**	**12,179**
Transactions with shareholders							
• Equity transactions						(33)	(33)
• Distribution of dividends(1)						(70)	(70)
• Treasury shares			(707)		(707)		(707)
Total transaction with shareholders	**0**	**0**	**(707)**	**0**	**(707)**	**(103)**	**(810)**
Other changes		(182,955)	182,871		(84)		(84)
Change in consolidated scope					0		0
Balance as at 12.31.2015	**13,337**	**0**	**206,244**	**8,469**	**228,051**	**80**	**228,131**
Earnings for the fiscal year			(26,747)		(26,747)	14	(26,733)
Earnings recorded directly as shareholders' equity					0		0
• Transactions on share			33		33		33
• Hedging on shares			379		379		379
• Hedging on net investments					0		0
• Unrealized exchange gain/losses				(10,860)	(10,860)	16	(10,844)
• Actuarial differences relating to provisions for pensons			(1,528)		(1,528)		(1,528)
Total earning for the fiscal year			**(27,862)**	**(10,860)**	**(38,722)**	**31**	**(38,692)**
Transactions with shareholders							
• Equity transactions							0
• Distribution of dividends (1)						(87)	(87)
• Treasury shares			598		598		598
Total transactions with shareholders			**598**	**0**	**598**	**(87)**	**511**
Other changes			(1,005)		(1,005)		(1,005)
Change in consolidated scope					0		0
Balance as at 12.31.2016	**13,337**	**0**	**177,975**	**(2,391)**	**188,921**	**23**	**188,945**
Earnings for the fiscal year			(3,767)		(3,767)	19	(3,748)
Earnings recorded directly as shareholders' equity					0		0
• Transactions on share			17		17		17
• Hedging of financial instrument instruments			303		303		303
• Hedging f net investments					0		0
• Unrealized exchange gains/losses				(2,064)	(2,064)	21	(2,043)
• Actuarial differences relating to provisions for pensions					0		0
Total earning for the fiscal year			**(3,446)**	**(2,064)**	**(5,510)**	**40**	**(5,470)**
Transactions with shareholders							
• Equity transactions						(3)	(3)
• Distribution of dividends (1)						(65)	(65)
• Treasury shares			166		166		166
Total transactions with shareholders			**166**		**166**	**(67)**	**98**
Other changes			(10)		(10)		(10)
Change in consolidated scope					0		0
Balance as at 06.30.2017	**13,337**	**0**	**174,685**	**(4,455)**	**183,567**	**(4)**	**183,562**

(1)The total amout of dividends is distributed in respect of commons shares. There are no other classes of shares. There were no issues, repurchases or redemptions of equity securities between 2015 and 2017, expect for the shares acquired the free share award plan.

3.5 Consolidated statement of cash flow

In thousands of euros	Note	06.30.2017	12.31.2016	06.30.2016
Consolidated profit (loss) for the period		(3,748)	**-26 733**	(19,801)
Share of earnings from equity method companies		(1,492)	-1 253	(1,082)
Depreciation and provisions		33,941	56 133	24,511
Capital gains or losses on disposals		(266)	-548	(38)
Cash flow after cost of net financial debt and taxes		**28,435**	**27 598**	**3,591**
Cost of net financial debt		3,267	25 772	23,854
Tax expenses		2,349	4 083	1,722
Operating cash flow before cost of net financial debt and taxes		**34,051**	**57 454**	**29,167**
Tax paid		(2,212)	-5 687	(2,251)
Change in working capital requirements for operations: requirement		-	-	(10,638)
Change in working capital requirements for operations: surplus		3,810	6 801	-
Cash flow generated from operating activities after tax paid and change in working capital requirements	A	**35,650**	**58 569**	**16,278**
Of which net cash flow from operating activities of discontinued operations		-	*4 021*	*(224)*
Acquisitions of intangible assets		(23,897)	-46 622	(20,976)
Acquisitions of tangible assets		(5,849)	-15 209	(7,811)
Acquisitions of long-term investments		-	-	-
Disposals of tangible and intangible assets		225	848	492
Disposals of long-term investments (1)		464	-	-
Change in loans made and cash advance (1)		(9,812)	-1 277	(130)
Impact of changes in consolidation scope		(3,008)	-21 425	(1,448)
Dividends received from outside Group		-	2 026	-
Net cash flows generated by investment operations	B	**(41,878)**	**-81 659**	**(29,872)**
Of which net cash flow from investment operations of discontinued operations		-	*-828*	*(9)*
Dividends paid to parent company shareholders		-	-	-
Dividends paid to the minority interests of consolidated companies		(13)	-87	(17)
Capital increase through cash contribution		-	-	-
Loans issued		10,500	190 000	169,000
Loans repaid		(3,106)	-340 292	(340,262)
Interest paid on loans		(2,963)	-33 029	(30,491)
Other financial income and expenses paid or received		(468)	-112	(566)
Net cash flows generated by financing operations	C	**3,950**	**-183 520**	**(202,337)**
Of which net cash flow from financing operations of discontinued operations		-	*-16*	*-2*
Change In Cash without impact of change in foreign currency exchange rates	**A+B+C**	**(2,279)**	**-206 610**	**(215,930)**
Impact of changes in foreign currency exchange rates		(420)	-787	(845)
Change in cash		**(2,699)**	**-207 398**	**(216,775)**
Opening cash		20,722	228 120	228,120
Closing cash		18,024	20 722	11,345

In thousands of euros	**12.31.2016**	**06.30.2016**
(1) Restatement		
Disposals of long-term investments reported	(1,277)	(130)
Restatement	1,277	130
Disposals of long-term investments reported restated	**-**	**-**
Change in loans made and cash advance		
Restatement	(1,277)	(130)
Change in loans made and cash advance restated	**(1,277)**	**(130)**

3.6 Notes to the consolidated financial statement

Note 1 General principles

The Group's consolidated financial statements as of June 30, 2017, have been prepared in accordance with standard IAS 34 - Interim Financial Reporting. They correspond to condensed interim financial statements and do not include all of the information required for annual financial statements. The consolidated financial statements as of June 30, 2017, should therefore be read in conjunction with the Group's consolidated financial statements reported on December 31, 2016.

The accounting principles applied by the Group for the preparation of the interim consolidated financial statements at June 30, 2017, are the same as those applied by the Group at December 31, 2016, and comply with international accounting standards IFRS (International Financial Reporting Standards) as endorsed by the European Union. These accounting principles are described in the section entitled "Accounting Principles" applicable to the consolidated financial statements in the 2016 Registration.

The consolidated condensed financial statements were approved by the Board of Directors of Cegedim SA at their meeting of September 21, 2017, were reviewed by the Audit Committee on September 18, 2017.

NEW IFRS STANDARTS AND INTERPRETATIONS

The new accounting standards effective for periods starting January 1, 2017 – notably amendments to IAS 7 dealing with "disclosure of cash flow arising from financing activities", and to IAS 12 on "recognition of deferred tax assets for unrealized losses" – either have no impact on the Group's financial statements or do not apply.

While companies are allowed to early apply the standards, amendments and interpretations either adopted or pending adoption by the European Union for application from December 31, 2017, the Group has elected not to do so. The most relevant standards and amendments are as follows.

- IFRS 15 "Revenue from contracts with customers";
- IFRS 9 "Financial instruments";
- Amendment to IFRS 2 "Share-based payments";
- IFRIC 22 "Foreign currency transactions".

IFRS 15 "REVENUE FROM CONTRACTS WITH CUSTOMERS"

– IFRS 15 deals with the principles of revenue recognition. This standard replaces the earlier standards IAS 18 "Revenue" and IAS 11 "Construction contracts", as well as any related SIC and IFRIC interpretations. It proposes a new five-step approach to revenue recognition and offers specific guidance on certain topics such as licenses, warranties, and any assets recognized from the costs to obtain or fulfill a contract with a customer.
– The Group plans to apply IFRS 15 in its consolidated financial statements starting January 1, 2018, using the modified retrospective approach. Under this method, the effects of first applying the standard are recorded in shareholders' equity starting January 1, 2018, and there is no restatement of earlier periods.
– The Group is still conducting a thorough analysis of initial application impacts, which it expects to complete in the second half of 2017. It has run diagnostics on its principal business units, accounting for 80% of consolidated revenues, with the help of independent experts and a team of representatives from the sales & marketing, legal affairs, operations management, and accounting departments. The results of those diagnostics are now being checked against an analysis of customer contracts for verification or refinement. The analysis uses a sample of representative contracts and contracts considered relevant because of their size or complexity. Once this process is complete, the Group will update its revenue recognition procedure and set up a program to monitor the need for any adjustments between subsidiaries' local accounting practices and the IFRS 15 standard used to draw up the consolidated financial statements.

The standard could have impacts for the recognition of revenue related to contracts, especially those with performance obligations. However, the analysis is still ongoing and we have not yet identified any major changes in the way revenues are recognized.

EQUITY-ACCOUNTED AFFILIATES

When it made the switch to equity accounting for the HGL company starting June 30, 2017, the Group decided to implement recommendation ANC 2013-03 of France's national accounting standards board, which allows companies to incorporate the income of equity-accounted affiliates in the consolidated operating result.

HGL operates in the same market as the Cegedim Group's consolidated operating subsidiaries, so a decision was made that the financial information disclosed in the consolidated financial statements would be more accurate if the impact of HGL's operating results were included in the consolidated scope. We performed the same analysis on the entire equity-accounted portfolio so that units with similar activities or regular business dealings with the Group could be included in the consolidated operating result.

Equity-accounted affiliates whose activities are not similar to those of the Group will continue to appear at the bottom of the consolidated income statement.

This distinction will be applied each time a new equity-accounted affiliate is added to the Group.

Note 2 Consolidation scope

2.1 Change in consolidation scope

2.1.1 COMPANIES ENTERING THE CONSOLIDATED SCOPE

Company	% owned at the end of the FY	% owned during the FY	% owned during the previous FY	Consolidation method during the FY	Consolidation method during the previous FY	Comments
Bluebay Medical Systems	100,00%	100,00%	-	FC	-	Acquisition
Adaptive Apps	100,00%	100,00%	-	FC	-	Acquisition
Healthcare Gateway	50,00%	50,00%	-	MEE	-	

2.1.2 COMPANIES LEAVING THE CONSOLIDATED SCOPE

Company	% owned at the end of the FY	% owned during the FY	% owned during the previous FY	Consolidation method during the FY	Consolidation method during the previous FY	Comments
Cegedim RX South Africa	-	-	100%	-	FC	Liquidation
Galaxysanté	-	-	49%	-	MEE	Liquidation
SGBTIF	-	-	100%	-	FC	Liquidation

2.2 Equity method investments

2.2.1 VALUE OF SHARES IN COMPANIES ACCOUNTED FOR THE BY THE EQUITY METHOD

Company	% owned as at 12.31.2016	Profit (loss) as at 12.31.2016	Group share of profit (loss) as at 12.31.2016	Group share of total net shareholders' equity as at 12.31.2016	Group share of total net shareholders' equity as at 12.31.2016	Goodwill	Provision for risks	Net value of shares in companies accounted for the equity method as at 12.31.2016
Edipharm	20.00%	148	30	217	43	-	-	43
Infodisk	34.00%	(332)	(113)	(396)	(135)	-	135	-
Isiakle	50.00%	-	-	50	25	-	-	25
Millennium	49.22%	2,665	1,312	13,309	6,551	2,859	-	9,409
Tech Care Solutions	50.00%	50	25	15	8	-	-	8
Galaxy Santé	49.00%	(3)	(2)	12	6	-	-	6
Total		**2,528**	**1,252**	**13,208**	**6,498**	**2,859**	**135**	**9,492**

Company	% owned as at 06.30.2017	Profit (loss) as at 06.30.2017	Portion of profit (loss) as at 06.30.2017	shareholders' equity as at 06.30.2017	Portion of total net shareholders' equity as at 06.30.2017	Goodwill	Provision for risks	Exit from the scope	Net value of shares in companies accounted for the equity method as at 06.30.2017
Edipharm	20.00%	88	18	147	32	-	-		32

Isiakle	50.00%	0	0	50	25	-	-		25
Millennium	49.22%	1,912	941	13,221	6,507	2,859	-		9,366
Tech Care Solutions	50.00%	(2)	(1)	13	6	-	-		6
Healthcare Gateway	50.00%	1,072	536	1,153	577	-	-		577
Income from companies accounted for the equity method incorporated to the Operating results		**3,069**	**1,493**	**14,583**	**7,147**	**2,859**	**0**		**10,006**
Infodisk	34.00%	0	0	(396)	(135)	-	135		0
Galaxy Santé	49.00%	(2)	(1)	10	5	-	-	(5)	0
Total au 30.06.2017		**3,067**	**1,492**	**14,198**	**7,018**	**2,859**	**135(**	**(5)**	**10,006**

2.2.2 CHANGE IN THE VALUE OF SHARES IN COMPANIES ACCOUNTED FOR THE BY THE EQUITY

The change in equity shares accounted for using equity method can be analyzed as follows:

In thousands of euros	
Shares accounted for using the equity method as at 01.01.2017	9,492
Distribution of dividendes	(1,014)
Capital increase	-
Portion of profit (loss) as at 06.30.2017	1,492
Provision for risk	-
Newly consolidated companies	40
Companies leaving the consoldiated scope	(5)
Total	**10,006**

Pursant to recommendation ANC 2013-03, the portion of profit (loss) of Edipharm, Isiaklé and Tech Care Solutions Tech Care Solutions are incorporated in the Health Insuirance, HR and e-services division operating result and for Millennium and Healthcare Gateway it is incorporated in the Healthcare profesionals deivision operating result.

Note 3 Segment reporting

3.1 Segment reporting as of 2017

Cegedim's business is structured around two operating divisions.

The Health insurance, HR and e-services is dedicated to large customer accounts. This divison:

- Incorporates all the products and services dedicated to health insurers and mutual insurers, provident institutions and brokers. Its offerings cover the full range of interactions between these entities and healthcare professionals.
- It also targets companies in all business sectors looking for hosting and outsourcing solutions (for example, in HR and payroll) or electronic data exchange (Cegedim e-business).

The Healthcare professional division serves doctors, allied health professionals, pharmacists and health clinics. It supplies the software, databases and solutions these clients use daily to run their practices.

Group activities not allocated to either of these divisions are assigned to a third division that provides support to the operational divisions.

3.1.1 INCOME STATEMENT ITEMS AS AT JUNE 30, 2017

	In thousand of euros	Health Insurance, HR & e-services	Healthcare professionals	Activities not allocated	Total 06.30.2017	Total France	Total rest of the world
	Segment revenue						
A	**Revenue HG**	**140,256**	**88,379**	**1,983**	**230,618**	**191,379**	**39,240**
B	Inter-company revenue	1,065	1,864	5,068	7,997	7,491	507
A+B	**Revenue**	**141,321**	**90,243**	**7,052**	**238,615**	**198,869**	**39,746**
	Résultat sectoriel						
C	**Operating income before special items**	**8,803**	**7,991**	**(3,206)**	**13,588**		
D	**EBITDA before special items**	**18,130**	**15,353**	**(306)**	**33,177**		
C/A	Operating margin	6.3%	9.0%	(161.7)%	5.9%		
D/A	EBIDTA margin	12.9%	17.4%	(15.4)%	14.4%		
	Segment depreciation						
	Depreciation and amortization	9,327	7,362	2,900	19,589		

3.1.2 GEOGRAPHICAL REVENUE BREAKDOWN AS AT JUNE 30, 2017

In thousands of euros	France	Euro zone excluding France	Pound sterling zone	Rest of the world	06.30.2017
Geographical breakdown	191,379	3,661	25,179	10,399	**230,618**
%	83%	2%	11%	5%	**100%**

3.1.3 BALANCE SHEET ITEMS AS AT JUNE 30, 2017

In thousands of euros	Health Insurance, HR & e-services	Healthcare professionals	Activities not allocated	Total 06.30.2016	Total France	Total rest of the world
Segment assets						
Goodwill *(Note 6.1)*	74,285	126,673	-	200,958	120,255	80,703
Intangible assets	62,090	72,059,	4,005	138,153	81,048	57,105
Tangible assets	13,763	9,006	10,960	33,729	26,957	6,772
Equity shares accounted for using the equity method *(Note 2.4)*	64	9,942	-	10,006	57	9,949
Net total	**150,201**	**217,679**	**14,965**	**382,845**	**228,317**	**154,528**
Investments during the year (gross values)						
Goodwill *(Note 6.1)*	-	-	-	-	-	-
Intangible assets	11,838	11,807	262	23,906	13,934	9 972
Tangible assets	3,773	826	1,491	6,090	5,395	695
Equity shares accounted for using the equity method (note 2.4)	-	-	-	-	-	-
Gross total	**15,611**	**12,633**	**1,753**	**29,997**	**19,330**	**10 667**
Segment liabilities (1)						
Non-current liabilities						
Provisions	14,464	8,938	772	24,175	24,159	15
Other liabilities	-	14,605	2	14,607	14,564	43
Current liabilities						
Accounts payable and related accounts	30,532	21,057	4,029	55,618	43,899	11,719
Tax and social liabilities	52,251	17,872	2,321	72,444	68,035	4,409
Provisions	1,087	1,570	-	2,657	2,650	8
Other liabilities	46,649	39,123	70	85,843	77,606	8,236

(1) Cegedim SA's contribution to liabilities is still allocated by default to the Health Insurance, HR & e-services segment, with no segment breakdown.

3.2 Segment information as at 2016

3.2.1 INCOME STATEMENT ITEMS AS AT JUNE 30, 2016

	In thousands of euros	Health Insurance, HR & e-services	Healthcare professionals	Activities not allocated	Continuing activities as of 06.30.2016	Activity sold	IFRS 5 restatement	Total 06.30.2016	Total France	Total rest of the world
Sector revenue										
A	**Revenue HG**	**124,575**	**89,363**	**1,572**	**215,509**	**1,100**	**-**	**216,609**	**173,738**	**42,870**
B	Inter-company revenue from continuing activities	1,598	1,811	17,300	20,709	-	-	20,709	19,771	938
A+B	**Revenue**	**126,172**	**91,174**	**18,871**	**236,218**	**1,100**	**-**	**237,318**	**193,509**	**43,808**
Segment earnings										
C	**Operating income before special items (1)**	**10,585**	**2,033**	**(2,217)**	**10,401**	**(818)**	**-**	**9,583**		
D	**EBITDA before special items (1)**	**17,871**	**8,521**	**451**	**26,843**	**(818)**	**-**	**26,025**		
C / A	Operating margin	8.5%	2.3%	(141.0)%	4.8%	(74.4)%	-	4.4%		
D / A	EBIDTA margin	14.3%	9.5%	28.8%	12.5%	(74.4)%	-	12.0%		
Segment depreciation										
	Depreciation and amortization	7,287	6,487	2,669	16,443	-	-	16,443		

In thousands of euros	Health Insurance, HR & e-services	Healthcare professionals	Activities not allocated	Total Group
(1) Restatement				
Operating income before special items 06.30.2016 reported	10,509	951	(2,217)	9,243
Portion of Income of equity-accounted affiliates	76	1,083	-	1,158
Operating income before special items nt 30.06.2016 restated	10,585	2,033	(2,217)	10,401
EBITDA before special items 06.30.2016 reported	17,796	7,437	452	25,685
Portion of Income of equity-accounted affiliates	76	1,083	-	1,158
EBITDA before special items 30.06.2016 restated	17,871	8,521	452	26,843

3.2.2 GEOGRAPHICAL REVNUE BREAKDOWN AS AT JUNE 30, 2016

In thousands of euros		France	Euro zone excluding France	Pound sterling zone	Rest of the world	06.30.2016
Continuing activities	Geographical breakdown	172,638	2,415	29,876	10,580	215,509
	%	80%	1%	14%	5%	100%
Activities held for sale	Geographical breakdown	1,100	0	0	0	1,100
	%	100%	0%	0%	0%	100%
Total	Geographical breakdown	173,738	2,415	29,876	10,580	216,609
	%	80%	1%	14%	5%	100%

3.2.3 BALANCE SHEET ITEMS AS AT DECEMBER 31, 2016

In thousands of euros	Health Insurance, HR & e-services	Healthcare professionals	Activities not allocated	Total 12.31.2016	Total France	Total rest of the world
Segment assets						
Goodwill *(Note 6.1)*	74,242	124,752	-	198,994	120,255	78,739
Intangibles assets	58,102	76,468	4,875	139,445	78,060	61,385
Tangible assets	11,619	9,235	11,373	32,227	24,685	7,543
Equity shares accounted for using the equity method *(Note 2.4)*	77	9,415	-	9,492	75	9,417
Net total	**144,040**	**219,869**	**16,248**	**380,158**	**223,075**	**157,083**
Investments during the year (gross values)						
Goodwill *(Note 6.1)*	17,290	-	-	17,290	17,290	-
Intangible assets	18,891	24,085	2,547	45,522	27,345	18,178
Tangible assets	5,238	4,018	5,992	15,247	11,156	4,091
Equity shares accounted for using the equity method *(Note 2.4)*	25	-	-	25	25	-
Gross total	**41,443**	**28,102**	**8,539**	**78,085**	**55,816**	**22,269**
Segment liabilities (1)						
Non-current liabilities						
Provisions	14,196	8,510	735	23,441	23,424	16
Other liabilities	-	13,251	-	13,251	13,159	92
Current liabilities						
Accounts payable and related accounts	38,049	21,694	2,676	62,419	51,416	11,004
Tax and social liabilities	56,646	20,083	2,082	78,810	72,302	6,509
Provisions	1,268	2,028	-	3,297	3,261	36
Other liabilities	40,083	36,346	6,445	82,874	73,880	8,994

(1) Cegedim SA's contribution to liabilities is still allocated by default to the Health Insurance, HR & e-services segment, with no segment breakdown.

3.3 Assets held for sale and discontinued or divested operations

Cegedim sold it m Kadrige activity on November 9, 2016.

DISCONTINUED OPERATIONS

In the consolidated income statement presented for comparison, the results of divested operations or held for sale have been reclassified line by line on the item “Net profit (loss) from activities held for sale.”

The main indicators of the consolidated income statement as at June 30, 2017, and June 30, 2016, in respect of discontinued operations are:

In thousands of euros	**06.30.2017**	**06.30.2016**
Revenue	-	**1,100**
Purchased used	-	(8)
External expenses (1)	-	(322)
Taxes	-	(29)
Payroll costs (1)	-	(1,542)
Allocation and reversals of provisions	-	(14)
Change in inventories of products in progress and finished products	-	-
Other operating income and expenses	-	(3)
EBITDA	-	**(818)**
Depreciation and amortization	-	(1)
Operating income before special items	-	**(818)**
Depreciation of goodwill	-	-
Special items	-	-
Other special items	-	-
Operating income	-	**(818)**
Cost of net financial debt	-	(4)
Gain on disposal	-	-
Income taxes	-	-
Deferred income taxes	-	(4)
Share of net profit (loss) for the period of equity method companies	-	-
Net profit (loss) from activities held for sale	-	-
Net profit (loss) from activities sold	-	**(826)**

(1) Capitalized production has been reclassified in external expenses and payroll costs, as explained in the below table:

In thousands of euros	**06.30.2017**	**06.30.2016**
Payrolls costs	-	-
External expenses	-	-
Capitalized production	-	-

Cash flow from discontinued operations

In thousands of euros	06.30.2017	06.30.2016
Net cash fllow from operating activities	-	(224)
Net cash fllow from investing activities	-	(9)
Net cash fllow from financing activities	-	(2)

Note 4 Operating data

4.1 Other special items

Special items comprise the following:

In thousands of euros	06.30.2017	06.30.2016
Operating income before special items	**13,588**	**10,401**
Allowance and depreciation	(8,107)	-
Restructuring costs	(2,518)	(2,499)
Capital gains or losses on disposals	-	-
Other special items	(1,093)	(1,232)
Operating income	**13,588**	**10,401**

4.2 Capitalized production

Capitalized production has been reclassified to payroll costs and external expenses as shown in the table below.

In thousands of euros	06.30.2017	06.30.2016
Payroll costs	18,018	14,934
External erxpenses	4,504	3,734
Capitalized production	**22,522**	**18,668**

4.3 Trade receivables

In thousands of euros	Current trade receivables	Non-Current trade receivables	06.30.2017	12.31.2016
French companies (1)	129,476	29,181	158,656	177,598
Foreign companies	25,010	556	25,567	25,922
Total gross value	**154,486**	**29,737**	**184,223**	**203,520**
Provisions	6,616	-	6,616	6,575
Total net value	**147,870**	**29,737**	**177,607**	**196,945**

(1) Including the fair value of collected leases related to the Cegelease restatement.

A provision for impairment is recognized if the inventory value, based on the probability of collection, is less than the recorded value. Thus, customers undergoing reassessment or judicial liquidation are routinely impaired at 100%, and receivables outstanding for more than six months are monitored on a case-by-case basis and, if necessary, impaired in the amount of the estimated risk of non-collection.

The share of past-due receivables (gross amount), excluding provisions, was €26.5 million as at June 30, 2017.

AGING BALANCE

In thousands of euros	Total past due receivables	Receivables < 1 month	Receivables 1 to 2 months	Receivables 2 to 3 months	Receivables 3 to 4 months	Receivables > 4 months
French companies	17,868	4,709	4,088	2,009	609	6,453
Foreign companies	8,631	1,739	1,105	781	463	4,543
Total	**26,499**	**6,448**	**5,194**	**2,790**	**1,072**	**10,996**

TRADE RECEIVABLES SOLD WITH CREDIT RISK TRANSFER

The terms of the factoring contract signed in 2017 transfer all the major risks and income attached to trade receivables. Thus, these trade receivables can be derecognized from the balance sheet.

According to the IAS 39, the trade receivables sold to third parties under a factoring arrangement are derecognized from Group Assets when both the risks and the income associated with them are materially transferred to those third parties, and if the factor assumes all risks related to the credit, interest rates and the collection period. For more information, refer to the Trade receivables section of “General principals”.

Trade receivables sold under the non-recourse factoring contract and thus derecognized under IAS 39 amounted to €20.6 million on June 30, 2017.

There is no cash available on June 30, 2017, related to these contracts.

4.4 Other liabilities

In thousands of euros	Current		Non- current		Total	
	06.30.2017	12.31.2016	06.30.2017	12.31.2016	06.30.2017	12.31.2016
Advances and payment on account	**3,203**	**3,203**	**-**	**-**	**3,203**	**3,203**
Clients – Credits to be established	-	-	-	-	-	-
Expenses payable	-	-	-	-	-	-
Miscellaneous payables (1)	49,198	53,343	14,607	13,159	63,806	66,502
Other liabilities	**49,198**	**53,343**	**14,607**	**13,159**	**63,806**	**66,502**
Debts on acquisition of assets	**166**	**115**	**-**	**92**	**166**	**207**
Dividends payable	**52**	**-**	**-**	**-**	**52**	**-**
Deferred income	**33,223**	**26,212**	**-**	**-**	**33,223**	**26,212**
Total other liabilities	**85,843**	**82,874**	**14,607**	**13,251**	**100,450**	**96,125**

(1) which the fair value of collected leases, Cegelease’ restatement

Note 5 Employees' benefits expense and liabilities

5.1 Employees' benefits expense

In thousands of euros	06.30.2017	06.30.2016
Wages	(107,839)	(102,222)
Profit-sharing	(1,950)	(1,299)
Free shares award plan	(29)	(149)
Payroll costs	**(109,817)**	**(103,670)**

5.2 Number of employees

In thousands of euros	06.30.2017	06.30.2016
France	2,890	2,651
International	1,361	1,235
Number of employees	**4,251**	**3,886**

Note 6 Intangible assets

6.1 Goodwill

At June 30, 2017, goodwill amounted to a net value of €201 million compared to €199 million as at December 31, 2016. The €2 million increase is mainly due (1) to acquisitions of *B.B.M. Systems* and *Adaptive App*, in the field of cloud-based and mobile products for heathcare profestionsl (2) to foreign currency effects on Goodwill valued in pound sterling.

Goodwill on acquiostions related to *.B.M. Systems*, *Adaptive App* and *Futuramedia* have not yet been allocated.

Division	12.31.2016	Reclassification	Allocation of goodwill on acquistions	Scope	Impairment	Translation gains or losses and other changes	06.30.2017
Health Insurance, HR & e-services	**74,243**					43	**74,285**
Healthcare professionals	**124,752**			2,956		(1,036)	**126,672**
Activities not allocated	**0**						**0**
Assets held for sale	**198,995**			**2,956**		**(993)**	**200,958**
Total goodwill	**74,243**					43	**74,285**

Paragraph 90 of IAS 36 indicates that CGUs where goodwill has been allocated should be tested at least annually and every time an impairment charge could occur. This impairment charge is defined as the difference between the CGU's recoverable value and its book value. The recoverable value is defined by IAS 36.18 as the higher of the asset's fair value - less costs of sales - and its value in use (sum of capitalized flows expected by the company for this asset).

Impairment tests aim to verify that the book value of assets essential to the operation of the business and allocated to each of the CGUs (including goodwill) does not exceed the recoverable amount thereof.

Impairment tests were carried out as part of the closure of the 2016 accounts, for both of the Group's operational CGUs, such as they exist at the prev
isous closing.

The performance of the first half of 2017 are on line with the business plan thus no an indication of impairment loss have been identified leading to conduct new impairment tests.

Note 7 Financing and financial instruments

7.1 Net Debt

In thousands of euros	06.30.2017			12.31.2016
	Financial	Miscellaneous(1)	Total	
Long-term financial borrowing and liabilities (> 5 years)	-	-	-	-
Medium-term financial borrowing and liabilities (> 1 year, < 5 years)	244,768	6,201	250,969	244,013
Short-term financial borrowing and liabilities (> 6 months, < 1 year)	215	3,363	3,577	1,392
Short-term financial borrowing and liabilities (> 1 month, < 6 months)	196	180	376	2,086
Short-term financial borrowing and liabilities (< 1 month)	63	37	100	60
Current bank loans	41	-	41	44
Total financial liabilities	**245,282**	**9,781**	**255,063**	**247,595**
Positive cash	18,074	-	18,074	20,771
Net financial debt	**227,208**	**9,781**	**236,989**	**226,824**

(1) The miscellaneous item includes employee profit sharing plans in the amount of €7,181 thousand.

NET CASH

In thousands of euros	Financial	06.30.2017	12.31.2016
Current bank loans	41	41	44
Positive cash	18,074	18,074	20,771
Net cash	**18,033**	**18,033**	**20,727**

STATEMENT OF CHANGES IN NET DEBT

In thousands of euros		06.30.2017	06.30.2016
Net debt at the beginning of the fiscal year	A	**226,824**	**167,638**
Operating cash flow before cost of net debt and taxes		(34,052)	(57,454)
Tax paid		2,212	5,687
Change in working capital requirement		(3,810)	(6,801)
Net cash flow from operating activities		**(35,649)**	**(58,568)**
Change from investment operations		38,870	62,260
Impact of changes in consolidation scope		3,008	21,425
Dividends		13	(1,939)
Increase in cash capital		-	-
Impact of changes in foreign currency exchange rates		420	787
Interest paid on loans		2,963	33,029
Other financial income and expenses paid or received		468	112
Other changes		72	(2,783)
Total net change for the fiscal year	B	**10,165**	**54,324**
Impact of companies entering the consoldated scope	C	-	1,685
Impact of companies sold	D	-	3,177
Net debt at the end of the fiscal year	A-B+C+D	**236,989**	**226,824**

The banks loans have the following terms:

In thousands of euros	< 1month	> 1 month < 6 months	> months < 1 year	> 1 year < 5 years	> 5 years
Euribor 1 month rate	63	196	215	244,768	-
Total	**63**	**196**	**215**	**244,768**	**-**

Cegedim subject to two maintenance covenants in relation with the Revolver Facility Agreement. Compliance with these financial commitments is determined in accordance with International Financial Reporting Standards (IFRS). It is a ratio of the level of net bank indebtedness in relation to consolidated gross operating income (or EBITDA) and a ratio of the level of gross operating income in relation to the level of bank financing costs.

For more information on the financial covenants and the way there are calculated see on page 51 and 52, point 2.4.1.3 in the Chapter "Risk factors and insurance" of this 2016 Registration Document filled with the AMF on March 29, 2017 under the number D.17-0255.

The EBITDA figure used to calculate leverage is restated for the impact of correcting the accounting treatment of the lease business in accordance with IAS 17.

In euro thousand	06.30.2017	Cegelease restatement	06.30.2017 restated
Revenue	230,618	49,865	280,483
EBITDA	33,177	5,935	39,112
EBIT before special items	**13,588**	**(346)**	**13,243**

FINANCING

In May 2007, Cegedim raised 50.0 million euros, the FCB Loan, from its largest shareholder, FCB. The shareholder loan agreement between Cegedim SA and FCB was signed on May 7, 2007. The FCB Loan Agreement was amended on September 5, 2008, and September 21, 2011, to extend the maturity date and modify the applicable interest rate. During the December 2009 capital increase, FCB subscribed for 4.9 million euros equivalent in shares as a redemption of a portion of debt, which decreased the balance of the FCB Loan to 45.1 million euros. In January 14, 2016, the FCB Loan was amended in order to subordinate it to the 200 million euro revolving credit facility taken the same day and to extend the maturity date and modify the applicable interest rate.

On March 20, 2013, Cegedim issued a senior bond at 6.75%, maturing on April 1, 2020, for an amount of 300 million euros in accordance with the Reg. S and 144A rules. The bond is listed on the Luxembourg Stock Market with ISIN codes XS0906984272 and XS0906984355. The bonds have been priced at 100% of their face value.

On April 7, 2014, Cegedim issued 125 million euros in bonds in addition to its issue of 300 million euros at 6.75%, maturing in 2020. The issue price was 105.75%, plus interest accrued since April 1, 2014. Apart from the issue date and price, these new bonds are identical to those issued on March 20, 2013, under the 300 million euro bond issue with a coupon of 6.75% maturing in 2020. Between May 6, 2015, and February 25, 2016, Cegedim redeemed on the market its 6.75% bond, maturing April 1, 2020, ISIN code XS0906984272, for a total principal amount of 110.2 million euros. The company cancelled these bonds. As a result, a total principal amount of 314.8 million euros remains in circulation.

In January 2016, the Group took out from Cegedim's bankers a new five-year revolving credit facility (RCF) of 200 million euros maturing on January 14, 2021.

On April 1, 2016, *Cegedim* exercised its call option on the entire 6.75% 2020 bond with ISIN code XS0906984272 and XS0906984355, for a total principal amount of 314,814,000.00 euros and a price of 105.0625%, i.e. a total premium of 15,937,458.75 euros. The company then cancelled these securities. The transaction was financed by drawing a portion of the RCF obtained in January 2016 and using the proceeds of the sale to IMS Health. Following this transaction, the Group's debt comprised the 45.1 million euro FCB subordinated loan, the partially drawn 200 million euro RCF, and overdraft facilities.

As at June 30, 2017, the debt was structured in the following manner:

- 200 million euro revolving credit, of which 200 million euros was drawn as of June 30, 2017; maturing on January 14, 2021;
- 45.1 million euro FCB Loan maturing in January 2021;
- Estimated earn-out on acquisitions for €1.1 million
- 24.0 million euro overdraft facility, of which 0.0 million euros was drawn as of June 30, 2017.

The Group had also access to non-recourse factoring of which €20.6 million was used as of June 30, 2017.

The exposure of the debt to fluctuations in euro rates has been partially hedged by a euro rate hedge.

The Group sold a swap in June 2015 with a pre-set Euribor receiver rate and a fixed payer rate of 4.565% on a notional amount of 20 million euros maturing December 29, 2017, against cash payment.

Cegedim carried out an interest rate swap on February 17, 2017. Under the zero-premium swap agreement, Cegedim receives the 1-month Euribor rate if it exceeds 0%, receives nothing otherwise, and pays a fixed rate of 0.2680% for a notional amount of €50 million, starting on February 28, 2017, and maturing February 26, 2021.

Cegedim carried out an interest rate swap on May 11, 2017. Under the zero-premium swap agreement, Cegedim receives the 1-month Euribor rate if it exceeds 0%, receives nothing otherwise, and pays a fixed rate of 0.2750% for a notional amount of €30 million, starting on May 31, 2017, and maturing December 31, 2020.

As at June 30, 2017, the hedge of the debt against fluctuations in the euro rate consisted of:

- two no-premium, one-month, swaps with a pre-set Euribor receiver rate and a fixed payer rate defined as follows:
  - 4.57% rate on a notional hedged amount of 20 million euros, until maturity on December 29, 2017;
  - 4.58% rate on a notional hedged amount of 20 million euros, until maturity on December 29, 2017.
- two no-premium, one-month swaps, with a pre-set 1- month Euribor receiver rate if it exceeds 0%, receives nothing otherwise and a fixed payer rate defined as follows:
  - 0.2680% for a notional amount of €50 million, starting on February 28, 2017, and maturing February 26, 2021.
  - 2750% for a notional amount of €30 million, starting on May 31, 2017, and maturing December 31, 2020

The total notional hedged amount was 120 million euros as at June 30, 2017.

Interest expense on bank loans, charges and commissions totaled 3 million euros as at June 30, 2017.

The interest related to the shareholder loan as at June 30, 2017, amounted to 0.8 million euros.

The change in fair value of these derivatives was recorded in shareholders' equity for the efficient part of those qualified as cash flow hedges (0.5 million euros) and in profit or loss for their inefficient part and for the related counterparty risk taken into account in accordance with IFRS 13 (0.3 million euros). The fair value at the closing date of hedging instruments amounts to 1.2 million euros.

LIQUIDITY RISK

Contractual cash flows are not discounted.

When there is a fixed rate, the rate is used to calculate future interest payments.

7.2 Net financial expenses

In thousands of euros	06.30.2017	06.30.2016
Income or cash equivalent	**294**	**974**
Interest paid on loans	(2,963)	(12,494)
Interest resulting from the bond buyback	-	(17,997)
Accrued interest on loans	-	5,900
Interest on financial liabilities	**(2,963)**	**(24,591)**
Other financial interest and expenses[1]	(1,409)	(867)
Cost of gross financial debt	**(4,372)**	**(25,458)**
Net currency exchange differences *	(255)	(243)
Valuation of financial instruments	300	(243)
Other financial income and expenses paid or received[2]	(468)	(566)
Other financial income and expenses, non cash[2]	1,233	(1,687)
Other financial income and expenses	**811**	**634**
Cost of net financial debt	**(3,267)**	**(23,851)**

In thousands of euros	06.30.2017	06.30.2016
(1) Including FCB interest	(767)	(806)
Interest of sharesolding	(207)	(220)
Total	**(974)**	**1,026**

In thousands of euros	30.06.2016
(2) Restatement	
Other financial income and expenses paid or received reported	-
Restatement	(566)
Other financial income and expenses paid or received restated	**(566)**
Other financial income and expenses, non cash reported	1,121
Restatement	566
Other financial income and expenses, non cash restated	**1,687**

Note 8 Income tax

8.1 Deferred tax

8.1.1 TAX BREAKDOWN

The tax expense recognized in fiscal year income was €2,349 thousand, compared with an expense of €1,717 thousand in June 2016. This comprised:

In thousands of euros	06.30.2017	06.30.2016
Tax paid		
France	(917)	0
Abroad	(256)	(530)
Total tax paid	**(1,173)**	**(530)**
Deferred tax		
France	(1,398)	(835)
Abroad	222	(352)
Total deferred taxes	**(1,176)**	**(1,187)**
Total tax income recognized in the income statement	**(2,349)**	**(1,717)**

8.1.2 THERETICAL TAX EXPENSE AND RECOGNIZED TAX EXPENSE

The reconciliation between the theoretical tax expense for the Group and the tax expense effectively recognized is presented in the following table:

In thousands of euros		06.30.2017	06.30.2016
Net profit (loss) from continuing activities		(3,748)	(18,974)
Portion of income from companies accounted by equity method		(1,492)	(1,082)
Income taxes		2,349	1,717
Earnings before tax for consolidated companies	(a)	**(2,891)**	**(18,339)**
Of which French consolidated companies		*7,063*	*(12,296)*
Of which foreign consolidated companies		*(9,954)*	*(6,043)*
Standard tax rate in France	(b)	34,43%	34,43%
Theoretical tax expense	(c) = (a) x (b)	**995**	**6,314**
Impact of permanent differences		(510)	(789)
Impact of differences in tax rates on profits		1,395	2,167
Impact of differences in tax rates on capitalized losses		-	(662)
Uncapitalized tax on losses		(4,846)	(9,318)
Impact of tax credit		616	571
Tax expenses recognized in the income account		**(2,349)**	**(1,717)**
Effective tax rate		**n/a**	**n/a**

Standard tax rate in France: 34.43%

The main countries contributing to the impact of differences in tax rates on profits are:

In thousands of euros	06.30.2017
UK	1,112
Irland	132
Spain	105
Others	45
Total	**1,395**

8.1.3 DEFERRED TAX ASSETS AND LIABILITIES

Analysis by category of the temporal difference for the net deferred tax position recognized in the balance sheet (before compensation by fiscal entities for deferred tax assets and liabilities).

In thousands of euros	12.31.2016	Restate ment	Profit (loss)	Change in scope	Others change* Equity	Chnage in currency rate	06.30.2017
Tax loss carryforwards	**20,000**	-	(1,031)	-	-	-	**18,969**
Pension plan commitments	**6,469**	-	240	-	-	-	**6,709**
Non-deductible provisions	**2,671**	-	(313)	-	-	-	**2,358**
Updating to fair value of financial instruments	**688**	-	(105)	-	(78)	-	**505**
Cancellation of margin on inventory	**139**	-	31	-	-	-	**170**
Restatement of R& margin	**303**	-	215	-	-	-	**518**
Others	**366**	-	52	-	5	-	**423**
Total deferred tax assets	**30,637**	**-**	**(912**	**-**	**(73)**	**-**	**29,652**
Unrealized exchange gains/losses	**0**	-	(158)	-	-	158	**0**
Cancellation of accelerated depreciation	(566)	-	71	-	-	-	(495)
Cegelease restatement	**(484)**	-	(119)	-	-	-	**(603)**
Cancellation of depreciation on business goodwill	**(41)**	-	33	-	-	-	**(8)**
Updating to fair value of financial instruments	**1**	-	-	-	(82)	-	**(81)**
Finance lease	**(205)**	-	(39)	-	-	-	**(244)**
R&D capitalization	**(6,187)**	-	115	-	-	-	**(6,073)**
Restatement of the allowance for the R&D margin	**(18)**	-	(33)	-	-	-	**(51)**
Others	**(801)**	-	(138)	-	-	-	**(939)**
Total deferred tax liabilities	**(8,304)**	**-**	**(266)**	**-**	**(82)**	**158**	**(8,494)**
Net deferred tax	**22,333**	**-**	**(1,178)**	**-**	**(155)**	**158**	**21,158**

The change in deferred taxes recognized in the consolidated balance sheet after compensation by fiscal entities for deferred tax assets and liabilities can be verified in the following way:

In thousands of euros	Assets	Liabilities	Net
As at December 31, 2016	**28,784**	**(6,453)**	**22,332**
Impact of earnings for the period	(912)	(266)	(1,178)
Impact shareholders' equity	(73)	76	3
Impact of net presentation by fiscal entity	(480)	482	2
As at June 30, 2017	**27,320**	**(6,162)**	**21,158**

Tax corresponding to deferred taxes not activated from continuing activities as at June 30, 2017, amounts to €60,667 thousand for French companies and €15,471 thousand for foreign companies.

Note 9 Equity and earnings per share

9.1 Equity

As at June 30, 2017, the share capital was made up of 13,997,173 shares (including 53,011 treasury shares), each with a nominal value of 0.9528 euros, i.e. total share capital of 13,336,506 euros..

9.2 Treasury shares

ALLOCATION OF FREE SHARES

Following a resolution of the Extraordinary General Shareholders' Meeting of June 10, 2014, the Board of Directors, at its meeting of September 18, 2014, was authorized to award free shares in a total number not exceeding 10% of the total number of shares comprising the share capital to corporate officers and employees of the Cegedim Group.

Following a resolution of the Extraordinary General Shareholders' Meeting of November 16, 2015, the Board of Directors, at its meeting of January 28, 2016, was authorized to award free shares in a total number not exceeding 10% of the total number of shares comprising the share capital to corporate officers and employees of the Cegedim Group.

Following a resolution of the Extraordinary General Shareholders' Meeting of November 16, 2015, the Board of Directors, at its meeting of June 21, 2017, was authorized to award free shares in a total number not exceeding 10% of the total number of shares comprising the share capital to corporate officers and employees of the Cegedim Group.

The main characteristics of the plans are the following:

- The free shares awarded will confer the right to dividends, the distribution of which will be determined as of the award date.
- The plan dated September 18, 2014, authorized a maximum allocation of 19,280 free shares.
- The plan dated January 28, 2016, authorized a maximum allocation of 28,038 free shares.
- The plan dated June 21, 2017, authorized a maximum allocation of 19,540 free shares.

- For the 2014 plan the allocation of such shares to their beneficiaries will become final after a two-year vesting period for beneficiaries whose residence for tax purposes is in France as of the allocation date and four years for beneficiaries whose residence for tax purposes is not in France as of the allocation date.
- For the 2016 and 2017 plan the allocation of such shares to their beneficiaries will become final after a two-year vesting period for beneficiaries whose residence for tax purposes is in France as of the allocation date and three years for beneficiaries whose residence for tax purposes is not in France as of the allocation date
- The shares will be fully allocated to the beneficiaries on one condition: no resignation, dismissal or termination;
- Starting from the final award date, beneficiaries whose residence for tax purposes is in France as of the award date must keep said shares for a term of two years starting from the final award date.

In application to IFRS 2 standard, the expense measuring « the benefit » offered to employees is spread out on a linear basis over the beneficiaries vesting period

THE MAIN CHARACTERISTICS OF THE PLANS ARE THE FOLLOWING

	Plan of 09.18.2014	Plan of 01.28.2016	Plan of 06.21.2017
Date of the General Meeting	06.10.2014	11.16.2015	11.16.2015
Date of the Board of Directors meeting	09.18.2014	01.28.2016	06.21.2017
Date of plan opening	09.18.2014	01.28.2016	06.21.2017
Total number of shares than can be allocated	19,280 shares	28,038 shares	19,540 shares
Initial subscription price	€27.11	€30.50	€29.02
Date of availability of free shares			
France	09.17.2016	01.28.2018	06.21.2019
Foreign	09.17.2018	01.28.2019	06.21.2020

POSITION OF PLANS AS AT JUNE 30, 2017

	Plan of 09.18.2014	Plan of 01.28.2016	Plan of 06.21.2017
Total number of shares allocated	7,355 shares	17,116 shares	19,540 shares
Total number of shares left to be acquired after recorded exercising of options and canceled options	0	16,965 shares	19,540 shares
Adjusted acquisition price of free share allotments			
France	€26,31	€29,61	€28.17
Foreign	€23,04	€25,93	€24.67

Note 10 Others disclosures

10.1 Seasonality

The business activities of the Group are marked by certain seasonality effects due to its Software Publishing activity.

The operating profit of the Second and Fourth Quarters is generally better than that of the other two quarters and, on the whole, the operating profit of the second half is better than the first. This is largely due to the seasonal nature of the decision-making processes of Cegedim's customers. In particular, the *Health Insurance, HR & e-services* and *Healthcare Professionals* divisions are characterized by a certain seasonality effect, as some customers invest in the Group's end-of-year offers in order to spend their annual budgets.

10.2 Period highlights

Apart from the items cited below, to the best of the company's knowledge, there were no events or changes during the period that would materially alter the Group's financial situation.

NON-RECOURSE FACTORING AGREEMEN

On May 22, 2017, the Group signed a factoring agreement with a French bank. The non-recourse agreement covers aggregated total receivables of €38.0 million. The operating units involved in the arrangement are Cegedim SA, Cegedim Activ, Cegedim SRH and CETIP. The factoring agreement is open-ended, but either party may terminate it at any time, subject to a three-month notice period.

It applies to trade receivables denominated in euros payable by clients located in France. The amount of trade receivables sold under the agreement came to €18.8 million at June 30, 2017.

PARTIAL INTEREST RATE HEDGING

To hedge part of its exposure to euro interest rate fluctuations arising from its RCF, the Group carried out an interest rate swap on February 17, 2017. Under the zero-premium swap agreement, Cegedim receives the 1-month Euribor rate if it exceeds 0%, receives nothing otherwise, and pays a fixed rate of 0.2680% for a notional amount of €50 million, starting on February 28, 2017, and maturing February 26, 2021.

To hedge part of its exposure to euro interest rate fluctuations arising from its RCF, the Group carried out an interest rate swap on May 11, 2017. Under the zero-premium swap agreement, Cegedim receives the 1-month Euribor rate if it exceeds 0%, receives nothing otherwise, and pays a fixed rate of 0.2750% for a notional amount of €30 million, starting on May 31, 2017, and maturing December 31, 2020.

GIE ISIAKLÉ

As part of the BPO contract Cegedim signed with the Klesia group in September 2016, the two companies created an economic interest group (GIE), held 50/50. In January 2017, Cegedim lent Isiaklé €9 million for a period of 10 years at an interest rate of 1m Euribor plus a margin of 1.1%. Isiaklé will use the loan to purchase from Klesia a €9 million software package necessary for it to perform its services. The GIE is accounted for in Cegedim's consolidated accounts using the equity method.

TESSI LITIGATION

On February 10, 2017, Cegedim was ordered to pay €4,636,000 to the Tessi company for failing to meet certain obligations with respect to an asset sale made on July 2, 2007.

Cegedim has decided to appeal this decision.

ACQUISITION OF B.B.M. SYSTEMS IN THE UK

On February 23, 2017, Cegedim acquired UK company B.B.M. Systems through its Alliadis Europe Ltd subsidiary. The deal strengthens the Group's expertise in developing cloud-based products for general practitioners.

B.B.M. Systems had 2016 revenues of around €0.7 million and earned a profit. It contributes to the Group’s scope of consolidation from March 1, 2017.

ACQUISITION OF ADAPTIVE APPS IN THE UK

On May 3, 2017, Cegedim acquired UK company Adaptive Apps through its In Practice Systems Limited subsidiary. The deal strengthens the Group's expertise in developing cloud-based and mobile products for healthcare professionals.

Adaptive Apps had 2016 revenues of around €1.5 million and earned a profit. It contributes to the Group’s scope of consolidation from May, 2017.

CHANGES TO CEGEDIM SA’S BOARD OF DIRECTORS

In March 2017, in keeping with the wishes of Bpifrance, Ms. Anne-Sophie Hérelle has been appointed to replace Ms. Valérie Raoul-Desprez on the Board of Directors. The permanent representative of Bpifrance, is now Ms. Marie Artaud-Dewitte, Deputy Head of Legal Affairs at Bpifrance Investissements. She replaces Ms. Anne-Sophie Hérelle.

EURIS LITIGATION

Cegedim, jointly with IMS Health, is being sued by Euris for unfair competition. *Cegedim* has filed a motion claiming that IMS Health should be the sole defendant. After consulting with its external legal counsel, the Group has decided not to record any provisions

10.3 Significant post-closing transactions and events

To the best of the company’s knowledge, apart from the items cited below, there were no events or changes after the accounts were closed that would materially alter the Group’s financial situation.

TESSI LITIGATION

On July 21, 2017, *Cegedim* paid €4,636,000 to the Tessi company to comply with a court ruling of February 10, 2017.

Cegedim has decided to appeal this decision. The appeal is currently under way

CEGELEASE CONTEMPLATED DISPOSAL

As part of the business model transformation plan that the Group initiated in fall 2015, Cegedim is contemplating divestment of its *Cegelease* and *Eurofarmat* subsidiaries. These subsidiaries operate principally in the financial domain, are highly valued, and require additional resources to continue pursuing and accelerating their development for the benefit of their clients and employees.

The two businesses have 24 employees in France. In 2016 they contributed €5.4 million to Group consolidated EBITDA. The subsidiaries’ standalone EBITDA amounted to €18.1 million in 2016.

If the Group receives satisfactory offers and is able to obtain the necessary approvals, it plans to close the deal in the second half of 2017. The Group in no way guarantees that a deal will be carried out.

A successful sale would give the Group a portfolio of businesses that fit well together and generate strong synergies. Cegedim is not planning any further divestments.

Assisting Cegedim on this transaction are the consulting firm of Ohana & Co and the law firm of Freshfields Bruckhaus Deringer.

10.4 Off-balance sheet commitments

Existing guarantees at December 31, 2016, did not change significantly during the first six months of 2017.

Note 11 Accounting principles and methods

11.1 Consolidated methods

Subsidiaries and equity investments are included in the consolidation scope on the date on which control is effectively transferred to the Group, while subsidiaries and equity investments sold are excluded from the consolidation scope on the date on which control is lost.

Subsidiaries over which the Group exercises exclusive control are consolidated using the full consolidation method, even if the percentage held is less than 50%. Exclusive control is deemed to exist if the parent company directly or indirectly has the power to dictate the financial and operational policies of a company so as to benefit from its activities.

- The full consolidation method used is the method by which the assets, liabilities, income and expenses are fully consolidated. The share in net assets and net earnings attributable to the minority shareholders is presented separately as minority interests in the consolidated balance sheet and the consolidated income statement.
- Equity investments over which the Group exercises joint control with a limited number of other shareholders, such as joint ventures, are consolidated using the proportional consolidation method.
- Equity investments over which the Group exercises significant influence are consolidated using the equity method. Significant influence is presumed if the Group holds a percentage of voting rights greater than or equal to 20%. According to this method, the Group records the “share of the net profit (loss) of companies consolidated using the equity method” on a specific line of the consolidated net income statement.

The list of consolidated companies is set out in note 2. Some companies, insignificant from the Group’s perspective, are not consolidated.

11.2 Business combinations (IFRS 3)

Business combinations are accounted for using the acquisition method in accordance with the provisions of the IFRS 3 – “Business Combinations” standard.

The identifiable assets, liabilities and contingent liabilities of the entity acquired are accounted for at their fair value.

The difference between the acquisition price and the Group’s interest in the net fair value of assets, liabilities and contingent liabilities of the acquired entity at the acquisition date is recorded as goodwill. In general, the acquisitions made by the Group correspond to acquisitions of market shares leading to limited allocations of acquisition goodwill. If the acquisition price is less than the fair value of the identified assets, liabilities and contingent liabilities acquired, the difference is immediately recognized as negative goodwill in the income statement.

Goodwill on acquisition is recorded in the functional currency of the entity acquired. Standard IAS 21 (§ 47) requires that goodwill on acquisition in foreign currencies be recognized at the closing rate on each accounting closing date and not at the historical cost.

Goodwill on acquisition is not depreciated and is subject, in accordance with revised standard IAS 36, to impairment testing when an impairment indicator is identified and at least once a year (see § “Impairment of Assets”). If necessary, impairments are recorded as “Other non-recurring income and expenses from operations.”

If the recoverable value of goodwill is less than the net book value, the difference in value is recorded on the income statement.

The recoverable amount is defined as the higher of fair value of assets less costs of sell and value in use of the assets (the sum of discounted cash flows expected by the company for this asset estimated based on the present and future profitability of the division concerned.

11.3 Intangible assets (IAS 38)

INTANGIBLE ASSETS ACQUIRED SEPARATELY OR IN CONNECTION WITH A BUSINESS COMBINATION

The intangible assets acquired separately (primarily software) are recorded initially at their historical cost. They are recognized at asset when (i) it is probable that future economic benefits attributable to them will go to the Group and (ii) their cost can be measured reliably.

Intangible assets acquired in connection with business combinations are recorded at their fair value on the acquisition date.

Intangible assets of which the useful life is over are then assessed and recognized according to the cost model.

Intangible assets, with the exception of business assets, are depreciated using the straight-line method over their useful life (excluding goods with an indefinite life span). The value of depreciated intangible assets is tested if an impairment indicator is identified. If applicable, impairments are recorded as “Other non-recurring income and expenses from operations.”

The useful life of intangible assets is reviewed periodically. If necessary, resulting changes are recognized.

RESEARCH AND DEVELOPMENT, INTERNALLY DEVELOPED SOFTWARE

Research costs are recorded as expenses for the fiscal year during which they were incurred.

Development costs for new internal projects are capitalized if the following criteria are fully satisfied in accordance with IAS 38:

- the project is clearly identified and the related costs are separable and tracked reliably;
- the technical feasibility of the project has been demonstrated, and the Group has the intention and the financial capacity to complete the project and use or sell the products resulting from the project;
- it is probable that the developed project will generate future economic benefits that will flow to the Group.

Otherwise, the development costs are recorded as expenses for the fiscal year during which they were incurred.

Once in use, an asset whose development is complete is removed from the development costs item and recognized under the corresponding asset item (generally software).

Depreciation is calculated as of the moment the fixed asset is in use and is calculated over its foreseeable useful life. Project typology depends on life cycle and is as follows:

Project type	Duration	Mode	Number of projects
Structuring projects	15 years	Straight-line	Very limited number of projects
Strategic projects	8-10 years	Straight-line	Limited number
Current developments	5 years	Straight-line	Major part of projects
Targeted projects	2-4 years	Straight-line	Limited number

11.4 Tangible assets (IAS 16)

Tangible assets consist primarily of computer hardware and industrial equipment and are recorded at their acquisition cost, less accumulated depreciation and impairment losses.

Tangible assets are depreciated straight-line over their economically useful life, the depreciable basis used being the acquisition cost less any estimated residual value, if applicable

The useful lives of the fixed assets are revised periodically. If necessary, resulting changes are recognized.

Tangible assets are subject to impairment testing if an impairment indicator is identified.

If necessary, additional impairment is recorded in the income statement as “Other non-recurring income and expenses from operations”.

The following depreciation modalities (period and method) are used:

Project type	Duration	Mode
Computer hardware		
Microcomputers for office use	3-4 years	Straight-line
Server systems	5 years	Straight-line
Industrial equipment		
Printing equipment	8-10 years	Straight-line
Industrial equipment and machinery	5-8 years	Straight-line
Fixtures and facilities	8 years	Straight-line
Transportation equipment	4 years	Straight-line
Office equipment	4 years	Straight-line
Moveable property	8 years	Straight-line

Additionally, IAS 16 prescribes the separate component approach for assets that can be broken down into elements that each have different uses or offer economic benefits at a different rate. In the Cegedim Group, this involves buildings consisting of administrative offices and industrial facilities (workshops, warehouses, storage areas, etc.) for which separate depreciation plans have been established based on the useful life of the various components (structure, facades and waterproofing, general and technical facilities, fixtures, layout).

11.5 Finance leases (IAS 17)

A finance lease is a lease agreement that transfers almost all risks and benefits of ownership of an asset to the lessee.

Assets used for lease agreements are capitalized at their fair value and offset against a financial debt if such lease agreements effectively transfer virtually all the risks and benefits inherent in ownership of this property to the Group. Lease payments are broken down into financial expense (recorded as “Cost of net financial debt”) and debt retirement.

Assets that are the object of financial leases are depreciated over the same periods as owned property of the same category..

11.6 Impairment of assets (IAS 36)

The Group evaluates the recoverability of its long-term assets as follows::

- amortized intangible assets (software, databases);
- although these intangible assets are amortized, they are individually monitored. This monitoring is done using indicators that will let any loss of value be identified, including the anticipated productivity of the asset or business opportunities. If a loss of value has occurred, the Group carries out an impairment test that may result in the recognition of additional impairment;
- unamortized intangible assets (trademarks, goodwill on acquisition).

Once a year, the Group performs impairment tests to assess the possible loss of value for these assets.

Impairment tests are performed on the Cash Generating Units (CGUs) to which these assets may be allocated.

The recoverable amount of a CGU is the higher of its fair value less costs to sell and value in use.

An impairment loss is recognized if the recoverable value of an asset or of a CGU is less than its book value. If the CGU tested includes goodwill on acquisition, the impairment is first allocated to this goodwill.

Impairment is recognized under "Other non-recurring income and expenses from operations" and is clearly explained in the notes to the consolidated financial statements.

Sensitivity tests are conducted on various parameters, namely by varying the assumptions used for the discount rate, the perpetuity growth rate, the performance in term of EBITDA before special items margin and Free Cash Flow growth.

CASH GENERATING UNITS (CGU)

The CGU is the smallest identifiable group of assets that generates cash flows which are largely independent of the cash inflows generated by other assets or groups of assets. CGUs generally correspond to a set of entities contributing to the same sector of activity (type of services) and using the same tools.

CGUs follow the divisions of the Group's main sectors of activity, which are further divided themselves into separate industry components if they are relevant to the definition of the cash flows. Business activities were first separated into CGUs in 2007 with the assistance of an independent consulting firm. The separation was reviewed in the first half of 2013 and at end of 2015, with the same firm.

The Cegedim Group has 2 CGUs, corresponding to the first two sector of activities plus a «Activities not allocated» division that was not intended to include operating activities.

The sectors of activity and CGUs are as follows:

- Health Insurance, HR and e-services: this sector is a CGU in itself. It brings together the know-how needed to develop services for insurance companies, mutuals and other organizations involved in the processing chain of healthcare flows as well as clients from the pharmaceutical industry or from multi-industry.
- Healthcare Professionals: this sector is a CGU in itself and includes all services provided to medical professionals: physicians, pharmacists and paramedics.

For impairment testing purposes, as of the acquisition date, goodwill acquired within a business combination is allocated to the CGU that is likely to benefit from the synergies of the combination. Such allocation is also consistent with the manner in which the Group's management monitors the performance of operations.

VALUE IN USE

The value in use of a CGU is determined using the discounted cash flows (DCF) method. Business plans are constructed by making five-year forecasts under the assumptions used by the Group's different operating managers in their strategic plans. These are reviewed by the Audit Committee and approved by the Board of Directors. The expected cash flows beyond the fifth year of the plan are represented by a terminal value, which is determined using a margin projected from the average margin appearing in the business plans and in the near historical years.

DISCOUNT RATE

The Group uses a single discount rate for all CGUs. The skills center, the R&D developments or the databases used to support to Group services are centralized and the distribution is local.

To comply with the requirements of paragraphs 55 and 56 of IAS 36, the discount rate used is calculated from a business segment's weighted average cost of capital before taxes. The rate is applied to operating cash flows before income taxes. The Group engages an independent firm of experts to calculate this discount rate. The calculations make use of sample comparable stocks and of benchmark indexes to determine Cegedim's specific risk premium and beta coefficient, as well as a target debt ratio applicable to the industry in which the Group competes. The formula is updated as market conditions require and at least once per year.

PERPETUAL GROWTH RATE

The perpetual growth rate chosen is based on economic data that is weighted so as to reflect the specificities of the Cegedim Group.

11.7 Financial assets (IAS 32/IAS 39)

Equity investments in non-consolidated companies are classified as securities available for sale. They are initially recorded at the acquisition cost, and then subsequently valued at their fair value, if this fair value can be determined reliably.

Changes in fair value are accounted for in a separate item of shareholders' equity until the securities are effectively sold, at which time the transaction is recognized in the income statement.

Furthermore, where an identifiable loss of value is considered to be durable with regard to the circumstances, it is recognized in financial earnings.

Loans granted are accounted for at their amortized cost and are recorded as impaired if there is an objective indication they may be impaired. Long-term financial receivables are discounted if the effect of discounting is deemed significant.

11.8 Deferred taxes (IAS 12)

Deferred taxes are calculated using the variable tax rate method for all temporal differences between the book value entered in the consolidated financial statements and the tax basis of the Group's assets and liabilities. Deferred tax assets and liabilities are valued at the tax rate expected to be applied for the fiscal year during which the asset will be realized or the liability paid, based on the tax rates approved on the closing date.

Deferred tax assets on deductible temporal differences and on unused tax losses carried forward are recognized to the extent that it is likely that future taxable profits will be offset by as yet unused tax losses.

Deferred tax assets and liabilities are not discounted. They are offset when (1) the entity has a legally enforceable right to offset tax assets and liabilities, (2) they relate to income taxes levied by the same taxation authority on the same taxable entity.

11.9 Inventories of goods and services in progress (IAS 2)

INVENTORIES OF GOODS

Inventories of goods are valued using the weighted average cost method. The gross value of goods and supplies includes the purchase price and ancillary expenses.

Impairment is recorded if the book value is less than the inventory value (net realizable value).

SERVICES IN PROGRESS

The inventory value consists solely of the direct costs recorded on contracts in progress. An impairment is recorded when future billings for work in progress will not cover the corresponding direct costs.

11.10 Accounts receivable and other operating receivables

ACCOUNTS RECEIVABLE

Accounts receivable are initially valued at fair value then at amortized cost and are individually monitored. An impairment is established when the inventory value is less than the recorded value based on the probability of recovery.

OTHER RECEIVABLES

Receivables are accounted for at their discounted amount if they are payable in more than one year and if the effects of discounting are significant.

The trade receivables sold to third parties under a factoring arrangement are derecognized from Group Assets when both the risks and the income associated with them are materially transferred to those third parties, and if the factor assumes all risks related to the credit, interest rates and the collection period.

Risk related to credit relates to the non-collection of trade receivables risk. In the case of the Group entities contracts that are derecognized from assets, the credit risk is supported by the factor. This means that the Group is no longer exposed to the collection risk. Thus the disposal of trade receivables is considered as on a Non-recourse basis.

11.11 Cash and cash equivalents

Cash equivalents are valued at their market value on the closing date. Differences in value are recorded as financial earnings.

11.12 Treasury shares (IAS 32)

In accordance with IAS 32, treasury shares are accounted for at their purchase cost and are recorded against consolidated shareholders' equity.

Gains (losses) arising from sales of treasury shares are added to (deducted from) consolidated reserves at their amount net of tax effects.

Sales of treasury shares are accounted for using the FIFO method.

11.13 Provisions and contingent liabilities (IAS 37)

A provision is recorded if the Group has an obligation resulting from past events, whose settlement should correspond to an outflow with an economic benefit and whose amount can be reasonably measured. The provision ranking is maintained as long as the due date and the amount of the outflow of resources have not been precisely determined.

Provisions are estimated on a case by case basis or based on statistics when they include a lot of items. They are discounted when they are due in more than one year. Cegedim Group's main commitments (excluding retirement compensation) are intended to cover employee, client and supplier litigation.

11.14 Retirement benefits (IAS 19)

DEFINED CONTRIBUTION PLANS

Defined contribution plans are post-employment benefit plans under which an entity makes defined contributions to a separate entity (a fund) and shall have no legal or implied obligation to pay additional contributions if the fund has insufficient assets to provide all the benefits corresponding to the services rendered by employees during current and prior periods. These contributions are recorded as expenses for the period in which they are due with no liability recognized in the balance sheet.

DEFINED BENEFIT PLANS

The defined benefit plans designate post-employment benefits other than defined contribution plans.

They primarily involve retirement obligations. If these obligations are assumed directly by the Group's companies, the corresponding actuarial liabilities are covered by a provision in the balance sheet.

Since 2011, the Group has applied the IAS 19, as amended, allowing the recognition directly in equity of actuarial gains and losses arising from changes in the assumptions in the calculation of such liabilities.

Cegedim SA applies the measures of ANC recommendation No. 2013-02 dated November 7, 2013, which regulates the valuation of retirement obligations and similar benefits.

In accordance with this recommendation, the unrecognized prior service cost unamortized as at December 31, 2012 has been amortized by shareholders' equity as at January 1, 2014.

Actuarial liabilities are calculated using the projected credit units method and are based on valuations specific to each country and to each company of the Group; these valuations include, in particular, assumptions concerning wage increases, inflation, life expectancy and employee turnover. The discount rate applied to retirement obligations is determined using the closing benchmark market rate based on first-class bonds. In countries where this type of market is not active, the Group uses the closing rate of government bonds.

Additionally, the impact of changes to the collective bargaining agreements on the valuation of the provision for retirement is spread over the residual length of the employees' working life.

Finally, if this obligation is partially or completely covered by funds paid by the companies of the Group to financial agencies, the amounts of these dedicated investments are deducted from the liability on the balance sheet.

The calculation method adopted by the Group for the half-year accounts tie in half of the projected changes for the full year 2017 i.e. €1.1 million.

11.15 Financial liabilities (IAS 32/IAS 39)

Share premiums and issue costs impact the value (fair value) at the recognition of financial liabilities, and are included in the calculation of the EIR (Effective Interest Rate) in compliance with IAS standards 32 and 39. Loans and other financial liabilities which carry interest are valued according to the depreciated cost method using the effective interest rate for the loan. The costs are thus spread out over the loan's life cycle via the EIR.

In the event of financial liabilities arising from finance leases, the financial liability recorded to offset the tangible asset is initially recorded at the fair value of the leased asset or, if latter value should be lower, at the present value of the minimum lease payments.

11.16 Derivatives and hedging instruments

Financial instruments are recognized at fair value and subsequent changes in the fair value of the instrument are recognized according to whether or not the instrument is a hedging instrument and, if so, the nature of the item hedged.

The Group's use of derivatives such as interest rate swaps, caps or other equivalent term contracts, is intended to hedge risks associated with fluctuations in interest rates.

These derivative instruments are recorded in the balance sheet at market value. Changes in market value are recognized in the income statement excluding transactions that qualify as cash flow hedges (flows related to a variable interest rate debt) for which changes in value are recorded under equity.

From the outset of the transaction, the Group documents the relationship between the hedging instrument and the hedged item, as well as its risk management objectives and hedging policy.

The financial elements covered by derivatives follow hedging accounting principles which are of two types:

- fair value hedges;
- cash flow hedges.

For fair value hedges, the underlying financial liability of the derivative is revalued in the balance sheet under the hedged risk (risk relating to interest rate fluctuations). Changes in value are recorded in the income statement (as financial expenses) and offset changes in the value of the derivative allocated to the underlying for the hedged portion.

For cash flow hedges, the financial liability is recorded in the balance sheet at the amortized cost. Changes in the value of the derivative are recorded in shareholders' equity. As the financial expenses or income of the hedged element impact on the income statement for a given period, the financial expenses or income recorded under shareholders' equity in relation to the derivative for the same period are transferred to the income statement.

When a derivative does not meet the criteria for hedge accounting principles, changes in fair value are recognized in the income statement (other operating profit/losse).

11.17 Revenue recognition (IAS 18

Cegedim Group's revenues consist primarily of services, software sales and, to a lesser extent, hardware sales.

SERVICE REVENUE

The main categories of services and the methods of revenue recognition are as follows:

- data processing performed for clients is recorded when the service is provided;
- support services (assistance, maintenance, etc.) are covered by a contract (generally annual) calculated on a lump sum basis in relation to the costs and resources committed by Cegedim to provide these services. Income from these contracts is recorded on a prorated basis over the duration of the contract and results, in this case, in the recognition of deferred income;
- access to the Group's databases is generally realized by subscription with periodic billing (monthly or yearly); sales revenues are then recognized on a prorated basis according to elapsed time;
- standard and specific studies supplied by the Group are recorded when they are delivered to clients.

SOFTWARE AND HARDWARE SALES

These sales are recorded upon delivery, concurrent with installation at the professional's site. Any discounts and rebates are recorded as a subtraction from sales.

Revenue from new software licenses with fixed or open-ended terms is entered into the accounts (under the condition that the Group does not have any other obligations to fulfill) if there is an agreement with the client, if delivery and acceptance are completed, if the amount of revenue and the related costs can be measured reliably, and if the economic benefit connected to the transaction will come back to the Group.

If one of these four criteria is not fulfilled, the recognition of sales arising from the software license is deferred until all of these criteria are fulfilled.

11.18 Methods for translating items into foreign currencies (IAS 21)

TRANSACTIONS IN FOREIGN CURRENCIES

Transactions in foreign currencies are recorded using the exchange rate applicable on the date the transactions are recorded. On the closing date, accounts payable or receivable denominated in foreign currencies are converted into euros at the closing exchange rate.

Translation differences for transactions in foreign currencies are recorded as financial earnings. Such transactions are very limited in number. Therefore, there is no specific management of the exchange risk. The Group is also not covered for amortization of liabilities in dollars, given the Group's revenues in that currency.

FINANCIAL STATEMENTS OF FOREIGN ENTITIES

The currency used to prepare consolidated financial statements is the euro.

The financial statements of foreign entities using a different functional currency are converted into euro using:

- the official closing rate for assets and liabilities;
- the average rate for the fiscal year ended for items of the income statement and the cash flow statement;
- the historic cost for shareholders' equity.

Translation gains or losses resulting from this treatment and those resulting from the translation of the shareholders' equity of subsidiaries at the beginning of the fiscal year based on the closing rates are included as "Group translation gains and losses" under consolidated shareholders' equity.

Translation gains or losses on intra-Group loans are neutralized via the Group translation gains or losses (in reserves) in order to smooth out fluctuations in exchange rates because these loans are long term (their settlement is neither planned nor likely in the foreseeable future) and may be, if applicable, transformed into capital increases.

11.19 Cash flow statement (IAS 7)

In accordance with the option offered by the IAS 7 "Statement of cash flows" standard, the consolidated cash flow statement is prepared by using the indirect method.

This shows the reconciliation of the net profit (loss) with the net cash generated by the transactions of the fiscal year. The opening and closing cash positions include cash and cash equivalents which are made up of investment instruments less overdrafts.

11.20 Segment reporting (IFRS 8)

Segment reporting is prepared according to the accounting methods used for the preparation and presentation of consolidated financial statements.

In application of the provisions in IFRS 8, the segment reporting presents operating segments that are comparable to the activity sectors previously identified according to IAS 14.

The segment reporting corresponds to the organization of the Group's internal reporting, which leads to the development of the management tools used by the Group's management. This is also the main line used for financial communication.

The Group's activities are divided into two operating sectors and one "Activities not allocated" non-operational sector:

- Health Insurance, HR and e-Services. which brings together the know-how needed to develop services for insurance companies, mutuals and other organizations involved in the processing chain of healthcare flows as well as clients from the pharmaceutical industry or from multi-industry;
- Healthcare Professionals, which includes activities for medical professionals: physicians, pharmacists and paramedics;
- Activities not allocated, combining activities inherent in the headquarters of a publicly traded corporation and support functions for the Group's two operating segments.

The Group continues to publish information by geographic area, which shows the France/outside France dichotomy. This analysis is refined for consolidated revenue in order to show the Group's exposure to the different currencies, to the extent this information is significant.

Intra-Group transfer prices are relative to standard agreements signed under normal terms.

3.7 Statutory auditors' review report on the interim financia information

CEGEDIM
For the period from January 1st 2017 to June 30th, 2017.

To the Shareholders,

In compliance with the assignment entrusted to us by your general shareholders' meeting and in accordance with the requirements of article L.451-1-2 III of the French monetary and financial code, we hereby report to you on:

- the limited review of the accompanying condensed half-yearly consolidated financial statements of CEGEDIM, for the period from January 1 to June 30, 2017, and
- the verification of the information contained in the interim management report.

These condensed half-yearly consolidated financial statements were drawn up under the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our limited review.

1. Conclusion on the financial statements

We conducted our limited review in accordance with professional standards applicable in France. A limited review mainly consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our limited review, nothing has come to our attention that causes us to believe that the condensed half-yearly consolidated financial statements are not prepared in all material respects in accordance with IAS 34 – standard of the IFRSs as adopted by the European Union applicable to interim financial information.

2. Specific verification

We have also verified the information presented in the interim management report in respect of the condensed half-yearly financial statements subject to our limited review.

We have no matters to report as to its fair presentation and its consistency with the condensed half-yearly financial statements.

French original signed at Neuilly-sur-Seine and Courbevoie on September 15, 2016

The Auditors

Grant Thornton French Member of Grant Thornton International	Mazars
Solange Aïache	Jean-Phlippe Mathorez
Partner	Partner

4 Additional information

4.1 Statement by the company officer responsible for the interim financial report

I hereby certify that, to the best of my knowledge, the condensed interim consolidated statements for the six first months ended June 30, 2017 have been prepared in accordance with applicable accounting standards and provide a true and fair view of the assets, financial position and profit or loss of the parent company and of all consolidated companies, and that the Interim Management Report gives a true and fair picture of the significant events during the first six months of the fiscal year and their impact on the financial statements, of the main related party transactions, as well as a description of the main risks and uncertainties for the remaining six months of the fiscal year.

Boulogne-Billancourt, September 21, 2017.

Jean-Claude Labrune

Président Directeur Général

Cegedim S.A.

4.2 Contacts

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