2015 - 2016

REGISTRATION DOCUMENT AS OF JUNE 30, 2016

Including the annual financial report

Avanquest®

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Items in the annual financial report are identified in the contents using the AFR symbol. AFR

REGISTRATION DOCUMENT AS OF JUNE 30, 2016

Including the annual financial report

2015 2016

The English language version of this report is a free translation from the original, which was prepared in French. Only the French version of the Registration Document has been submitted to the AMF. It is therefore the only version that is binding in law.

Items in the annual financial report are identified in the contents using the AFR symbol.

This Registration Document was filed with the *Autorité des marchés financiers* (AMF) on October 28, 2016 in accordance with Article 212-13 of the AMF General Regulation. It may be used in support of a financial transaction when accompanied by a securities note approved by the AMF. This document was drawn up by the issuer and is binding on its signatories.

This Registration Document constitutes the financial report for the fiscal year ended June 30, 2016, as required by Article L. 451-1-2 of the French Monetary and Financial Code and Article 222-3 of the AMF General Regulation.

Pursuant to Article 28 of Regulation (EC) No. 809/2004, the following information is incorporated by reference in this Registration Document:

- Avanquest's consolidated financial statements for 2013-2014, prepared in accordance with IFRS, and the Statutory Auditors' report thereon, contained in sections 20.1 and 20.1.6, respectively, of the Registration Document filed with the AMF on May 6, 2015 (R.15-033);
- Avanquest's consolidated financial statements for 2014-2015, prepared in accordance with IFRS, and the Statutory Auditors' report thereon, contained in sections 20.2.1 and 20.2.1.3, respectively, of the Registration Document filed with the AMF on June 24, 2016 (R.16-059).

Copies of this Registration Document are available free of charge from Avanquest (89-91, boulevard National – 92257 La Garenne-Colombes Cedex – France) and on its website (http://www.avanquest-group.com), as well as on the AMF website (http://www.amf-france.org).

In this Registration Document, the word **“Group”** refers to the Avanquest company and its subsidiaries, while the terms **“Avanquest”** and **“Company”** refer to the Avanquest company.

This Registration Document contains information about the Company’s objectives and development focuses. Such information may be identified by the use of the future and conditional tenses and by forward-looking words such as “consider”, “envisage”, “think”, “target”, “expect”, “intend”, “should”, “aim”, “deem”, “believe”, “wish” and “may” or, in certain cases, the negative form of these terms, or any other alternative or similar terminology.

The reader’s attention is drawn to the fact that these objectives and development focuses depend on circumstances or events which may or may not materialize.

These objectives and development focuses are not historical data and should not be interpreted as guarantees that the stated events and data will materialize or that the assumptions will be verified or that the objectives will be attained. By their nature, it is possible that these objectives will not be achieved and the statements and information provided in this Registration Document may prove erroneous, without the Company being required in any way to provide an update, subject to applicable regulations, in particular the AMF General Regulation.

This Registration Document also contains information about the Company’s business and the market and industry in which it operates. This information notably stems from studies conducted by internal and external sources (analysts’ reports, specialized studies, segment publications, and any other information published by firms doing research into markets, companies and government agencies). The Company considers that this information gives a true and fair image of the market and industry in which it operates and accurately reflects its competitive position. However, while this information is considered to be reliable, it has not been independently verified by the Company.

1

PERSONS RESPONSIBLE

1.1 PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

Pierre Cesarini, Chairman of the Management Board
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1.2 DECLARATION BY THE PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

I hereby certify, having taken all reasonable measures in this respect, that the information contained in the Registration Document is, to the best of my knowledge, true to fact and does not contain any omissions likely to affect its import.

I hereby declare that, to the best of my knowledge, the financial statements have been prepared in accordance with the applicable accounting principles and give a true image of the assets, financial position and results of the Company and all of its consolidated subsidiaries, and that the management report presented in section 26.1 of this document paints an accurate picture of the business development, results and financial position of the Company and all of its consolidated subsidiaries, as well as the main risks and uncertainties facing them.

I have obtained an end-of-mission statement from the Statutory Auditors indicating that they have verified the information concerning the financial position and financial statements presented in this Registration Document and have read the entire document. The historical financial information presented in the Registration Document has been the subject of Statutory Auditors' reports, presented in sections 20.2.2 and 26.2.5 of this document. They include one reservation and two observations on the consolidated financial statements for the fiscal year ended June 30, 2015, and one reservation and one observation on the consolidated financial statements for the fiscal year ended June 30, 2016.

Concerning the consolidated financial statements for the fiscal year ended June 30, 2016, the Statutory Auditors issued the following reservation:

"In our report on the consolidated financial statements to June 30, 2015, we had expressed a reservation on the impossibility of assessing the assumptions used in the measurement of goodwill and capitalized development costs. As stated in sections 3.5.4.1 and 3.5.4.2 of the notes, the documents prepared by the Company and translating the decisions taken by management in terms of allocation of resources and the delay in the marketing of agreements for the myDevices platform, during the second half of the year, support the recognition of an impairment loss of €4.8 million on the goodwill and €1.1 million on intangible assets at June 30, 2016, reducing these assets to zero. The evidence sent to us supports the year-end asset valuation. However, we have to express a reservation solely with regard to the level of earnings, as we are unable to assess whether this impairment should have been recorded in whole or in part in previous years."

Concerning the consolidated financial statements for the fiscal year ended June 30, 2016, the Statutory Auditors made the following observation:

"Without calling into question the opinion expressed above, we draw your attention to the correction of the error regarding the presentation of the statement of cash flow at June 30, 2015, set out following the consolidated statement of cash flow in section 3.3 of the notes to the financial statements."

Concerning the consolidated financial statements for the fiscal year ended June 30, 2015, the Statutory Auditors issued the following reservation:

"The "Impairment of assets" note under Part 3 ("Accounting principles, rules and methods") of the notes to the consolidated financial statements for the year ended June 30, 2015 describes the principles used by the Company to evaluate assets including goodwill and development costs. In accordance with these principles and as described in Note 4.1 to the consolidated financial statements for the year ended June 30, 2015, the goodwill and non-current assets allocated to the Group were tested for impairment. The impairment test was based on three-year budget assumptions and plans – updated from the assumptions made for the financial statements to June 30, 2014 – as well as a flat discount rate of 30% versus 20% at June 30, 2014. No impairment of assets was recorded following the implementation of this test.

In our report of February 2, 2015 concerning the fiscal year ended June 30, 2014, we had formulated a reservation pertaining to the impossibility of estimating the assumptions for growth and profitability and the flat capitalization rate used by management in the framework of the implementation of the impairment test of goodwill and of non-current assets. For the same reasons, we are unable to assess the net value of the goodwill, which was €4.8 million at June 30, 2015. Likewise, we are unable to assess the net value of the capitalized development costs, which amounted to €6.8 million at June 30, 2015. "

Concerning the consolidated financial statements for the year ended June 30, 2015, the Statutory Auditors made observations relating to the following points:

- the correction of the error concerning the allocation of the goodwill impairment losses recorded during the fiscal years ended June 30, 2013 and 2014 between the Group share and the share attributable to minority interests, set out after the Statement of Change in Equity;
- the correction of the error concerning 2013-2014 revenue in the amount of €700 thousand presented in Note 6.1.2 to the consolidated financial statements for the year ended June 30, 2015.

The 2013-2014 financial report, included for reference purposes, contained one reservation and one observation on the consolidated financial statements for the year ended June 30, 2014. The reservation on the consolidated financial statements was the following:

"The "Impairment of assets" note under Part 3 ("Accounting principles, rules and methods") of the notes to the consolidated financial statements for the year ended June 30, 2014 describes the principles used by the Company to evaluate assets including goodwill and development costs. In accordance with these principles and as described in Note 4.1 to the consolidated financial statements for the year ended June 30, 2014, after having allocated part of the BtoC CGU's goodwill to the new WtP CGU, prorated to the relative values of the two CGUs, the Group recognized goodwill impairment losses, allocated to the BtoC and WtP CGUs in the amounts of €31.2 million and €0.7 million, respectively.

The five-year budgets and plans established by management for the allocation of goodwill and calculation of the impairment of non-current assets rests on assumptions of growth and profitability that we are unable to corroborate with industry data and/or levels achieved over previous years. Moreover, the test was conducted using a flat discount rate of 20%. Consequently, we are unable to assess the impairment recognized during the fiscal year in the amount of €31.9 million, nor the net value of the goodwill of the BtoC CGU (excluding Arvixe) and WtP CGU, which amount to €0 and €3.9 million, respectively. Likewise, we are unable to estimate the net value of the capitalized development costs of the BtoC CGU and WtP CGU, which amount to €4.6 million and €1.3 million, respectively."

The observation concerned the following point: *"Without calling into question the opinion expressed above, we wish to draw your attention to Notes 5.3 and 7.1 to the financial statements for the year ending June 30, 2014, which describe the Group's debt and the assumptions used by management for the assessment of the liquidity risk and application of the going concern principle."*

La Garenne-Colombes, October 27, 2016

Pierre Cesarini

Chairman of the Management Board

1.3 PERSONS RESPONSIBLE FOR THE FINANCIAL INFORMATION

Pierre Cesarini*,
Chairman of the Management Board

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Sébastien Martin*,
Group Chief Finance Officer

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* *Pierre Cesarini and Sébastien Martin were appointed members of the Management Board with effect from January 1, 2016, at the Supervisory Board meeting of January 12, 2016.*

2

STATUTORY AUDITORS

2.1 PRINCIPAL STATUTORY AUDITORS

2.1.1 ERNST & YOUNG et Autres

Tour First. 1/2, place des Saisons – 92400 Courbevoie.

On expiry of the tenure of ERNST & YOUNG Audit, the General Shareholders' Meeting of November 29, 2012 appointed ERNST & YOUNG et Autres for a term of six fiscal years ending at the close of the General Shareholders' Meeting convened to approve the financial statements for the year ending June 30, 2018.

ERNST & YOUNG et Autres is represented by Franck Sebag. The company is a member of the Compagnie Régionale des Commissaires aux Comptes de Versailles.

2.1.2 Aplitec

Les patios Saint-Jacques. 4-14, rue Ferrus – 75014 Paris.

Appointed on February 12, 1998 for a term of six fiscal years. Aplitec's appointment was initially renewed for an additional six-year term by the General Shareholders' Meeting of May 27, 2004. It was further renewed for an additional six-year term by the General Shareholders' Meeting of July 28, 2010, *i.e.* until the close of the General Shareholders' Meeting convened to approve the financial statements for the year ended June 30, 2016.

Aplitec is represented by Pierre Laot. The company is a member of the Compagnie Régionale des Commissaires aux Comptes de Paris.

2.2 ALTERNATE STATUTORY AUDITORS

2.2.1 Auditex

Tour First. 1/2, place des Saisons – 92400 Courbevoie.

Appointed on May 30, 2006 for a term of six fiscal years. Auditex's appointment was renewed for an additional six-year term by the General Shareholders' Meeting of November 29, 2012, *i.e.* until the close of the General Shareholders' Meeting convened to approve the financial statements for the year ended June 30, 2018.

2.2.2 Jean-Pierre Larroze

Les patios Saint-Jacques. 4-14, rue Ferrus – 75014 Paris.

Appointed on May 27, 2004 for a term of six fiscal years. Jean-Pierre Larroze's appointment was renewed for an additional six-year term by the General Shareholders' Meeting of July 28, 2010, *i.e.* until the close of the General Shareholders' Meeting convened to approve the financial statements for the year ended June 30, 2016.

2.3 FEES PAID TO THE STATUTORY AUDITORS

	Aplitec				ERNST & YOUNG et Autres			
	Amount in €		*%*		*Amount in €*		*%*	
	2015-2016	2014-2015	2015-2016	2014-2015	**2015-2016**	2014-2015	2015-2016	2014-2015
Audit								
Auditor's office, review and certification of the individual and consolidated financial statements								
▪ Issuer	140,000	163,900	84%	98%	100,000	115,000	39%	44%
▪ Fully consolidated subsidiaries	6,000	4,000	4%	2%	107,745	144,626	42%	56%
Ancillary assignments								
▪ Issuer	20,000	0	12%	0%	49,500	0	19%	0%
▪ Fully consolidated subsidiaries	0	0	0%	0%		0	0%	0%
SUB-TOTAL	**166,000**	**167,900**	**100%**	**100%**	**257,245**	**259,626**	**100%**	**100%**
Other services								
SUB-TOTAL								
TOTAL	**166,000**	**167,900**	**100%**	**100%**	**257,245**	**259,626**	**100%**	**100%**

2.4 STATUTORY AUDITORS HAVING RESIGNED OR HAVING BEEN DISMISSED DURING THE PERIOD COVERED BY THE HISTORICAL FINANCIAL INFORMATION

None.

3

SELECTED FINANCIAL INFORMATION

3.1 FISCAL YEAR ENDED JUNE 30, 2016

Consolidated data *(in € million)*	**2015-2016 fiscal year**	2014-2015 fiscal year	2013-2014 fiscal year[3]
Revenue[2]	**117.4**	**93.1**	**85.7**
Recurring operating income	(16.1)	(11.4)	(5.9)
Operating income[4]	(26.1)	4.2	(39.4)
Adjusted EBITDA[5]	**(11.3)**	**(11.5)**	**(6.2)**
Pre-tax profit/loss and net income of companies accounted for using the equity method	(27.8)	5.2	(40.8)
Net income, Group share	(28.6)	(6.5)	(42.6)
Earnings per share *(in €)*	(0.1)	(0.1)	(2.0)
Equity, Group share[1]	2.1	29.3	1.3
Borrowings and other financial liabilities	1.3	6.6	28.5
Available cash	11.1	30.5	10.6
Ratio net financial liabilities/equity	(4.7)	(0.8)	7.0
Cash flow from operations[6]	(11.4)	(10.2)	(2.8)
Cash flow from investments	(1.2)	6.5	(0.1)
Cash flow from financing activities	(6.6)	23.9	8.0

(1) Restated to correct the error pertaining to the EMME sub-group (breakdown of impairment of goodwill) between the Group share and the share of non-controlling interests for €0.4 million in 2013-2014. The increase in equity, Group share is due to the €34.5 million in funds raised in June 2015.
(2) Restatement of Support revenue.
(3) In application of IFRS 5, the activity of ProcessFlows Ltd has been restated from the consolidated figures for the fiscal years analyzed, and its results are presented on a separate line of the income statement, "Net income from discontinued operations".
(4) Of which impairment of goodwill for €31.9 million in 2013-2014 and €4.8 million in 2015-2016.
(5) Adjusted EBITDA = Recurring operating income before the impact of depreciation and provisions, capitalized R&D and IFRS restatements.
(6) The deterioration in cash flow from operations during fiscal year 2014-2015 is mainly due to the change in adjusted EBITDA.

In parallel with its debt restructuring, the Company also carried out a capital increase on June 16, 2015 for €34.5 million. For this reason, equity, Group share, increased between the 2013-2014 fiscal year and the 2014-2015 fiscal year.

RISK FACTORS

Investors are advised to take into consideration all of the information contained in this Registration Document, including the risk factors described in this section.

As of the date of this Registration Document, the Company has carried out a review of the risks which could have an adverse impact on its business, its outlook, its financial position or its results and considers that there are no significant risks other than the ones presented hereunder.

Investors' attention is drawn to the fact that the Company may be exposed to other risks, either currently unknown or not considered, at the date of this Registration Document, as likely to have an adverse impact on the Company, its business, its outlook, its financial position or its results.

The risk factors presented in this section cover the risks borne by Avanquest – the parent company – as well as those borne by the Group. Unless otherwise specified, the risks apply to all Group companies.

4.1 OPERATIONAL RISKS

4.1.1 Staff management risks

Like its competitors, Avanquest is extremely dependent on its teams of highly skilled professionals, and often on very specific skills and positions. The Group's ability to grow largely depends on its ability to attract, motivate and retain highly qualified staff with the necessary skills and experience.

To attract and retain employees, the Group's management offers some executives and employees profit-sharing in the form of a bonus share plan.

The Group's compensation policy is consistent with market practice. General increases may be granted each year, accompanied by individual increases related to changes in duties, the attainment of targets or to reward performance.

4.1.2 Risks related to competition

Avanquest operates in a competitive market characterized by rapidly changing technology, as well as by the frequent launch of new products and services.

In this context, some of Avanquest's competitors could have better technical, development and marketing resources than the Company. For example, in the PlanetArt business, competitors established in the Web-to-Print segment, such as Shutterfly or Vistaprint, have the means to compete with the Mobile-to-Print activity with significant marketing and technical investments, as no barriers to entry exist in this market. The arrival of new competitors in the same markets as the Company could also adversely affect Avanquest's market share, and therefore reduce repeat business, since some customers might switch to competing offers.

For the myDevices business, the Group is faced with a number of major players (PTC, ATOS, IBM, *etc.*) who are looking to position themselves in this emerging market, each with a different approach (customization, services, *etc.*) and with considerable financial resources.

Furthermore, the Company must anticipate the technological developments likely to be demanded by the market and be able to ensure its ability to innovate to maintain and develop its business and growth.

To address these risks, the Company is redoubling its efforts in terms of development and R&D spend, with a particular focus on innovation and the introduction of new business models.

4.1.3 Risks related to suppliers and partners

Most of the products Avanquest sells are developed externally. The termination of a contract with the developers and publishers who supply these products could therefore impact negatively on the Group's revenue. However, this risk is fairly diluted due to the size and diversity of the product portfolio (over 500 products). The disposal of Avanquest Software Publishing Ltd, a subsidiary distributing video games, on April 30, reduces the risk associated with the loss of a supplier contract.

Like Web-to-Print, Avanquest Software does most of its business online. These activities are closely related to buying traffic, notably *via* Google. The same applies for the Mobile-to-Print business with Facebook. Changes in regulations or in Google/Facebook practices *vis-à-vis* Avanquest could adversely affect these activities. Given the lack of players similar to Google/Facebook, no real strategy can be envisaged to address this risk, except for the diversification of traffic sources, which has been the Company's strategy for several years.

The Group works with a number of partners, technology and service providers (order processing, production and logistics, payments management, data hosting, *etc.*), for all its businesses. At present, the Company does not consider itself overly dependent on these partners, and therefore believes itself to be shielded from this risk. Nevertheless, a breakdown in trade relations with one or more partners could have an adverse impact on the business during a transition period.

4.1.4 Customer risks

As Avanquest conducts most of its business with retail customers, customer risk is not considered significant.

However, it should be noted that part of the Software division's business is managed by an external partner. Avanquest does not consider itself to be heavily dependent on this partner, since the activity could be managed in-house. Nevertheless, a breakdown in relations with this partner could have adverse impacts on the business during a transition period.

At June 30, 2016, revenue from the top 10 customers totaled €23.9 million, representing 20.4% of consolidated revenue (compared with 20.7% in the previous year). During the 2015-2016 fiscal year, the revenue generated with the Group's biggest customer represented 3.2% of consolidated revenue, while the second customer accounted for 2.9%, the third 2.9%, and the fourth 2.7%.

The Group's strategy of developing different business segments and expanding its geographical footprint enables it to accentuate the diversification of its customer base. As a precaution, provisions are systematically set aside for all default risks according to the information available at the reporting date.

4.1.5 Technological risks

Furthermore, due to its activity, the Company is permanently exposed to security risks and the potential piracy of its applications and software. The Company takes all necessary precautions to ensure that its products are secure. However, it cannot completely rule out that they might be faulty or pirated, which could have an adverse impact on its operations.

Another technological risk identified by the Company is the safeguarding and preservation of data. To guard against this risk, the Company has set up regular backup policies for internally stored data, and pays particular attention to the reliability of subcontractors who manage their outsourced datacenters.

4.1.6 Risks linked to innovation and new business launches

Avanquest positions itself as a major player in the digital industry, and is therefore extremely focused on innovation and the development of new business models.

For example, the Avanquest Software division has developed new offerings based on different business models, while the PlanetArt division has launched products like FreePrints and Photobooks. Similarly, Avanquest has set up its myDevices division, which, through its management platform for connected objects, or other products such as Cayenne, brings innovative technologies to a high-growth market.

The development of new innovative activities presents a risk due to the absence of a track record or immature markets or technologies. To address this risk, Avanquest conducts extensive tests before launching certain products. It also analyzes and monitors specific performance indicators and implements financial models for the operational monitoring of its businesses. Despite these efforts, the risk associated with the launch of these activities cannot be completely ruled out.

4.1.7 Risk of impairment of intangible assets

Apart from the impact on profitability, any failure to achieve new business development targets (a risk described in section 4.1.6) could also lead to an impairment of the Group's intangible assets (mainly consisting of capitalized R&D costs).

Following the impairment of goodwill and the impairment and accelerated amortization of a significant portion of the capitalized development costs, the net value of intangible assets has fallen significantly, which greatly reduces this risk.

4.1.8 Risk of defective products

Although the Company believes that its products are reliable enough to be marketed, its latest products have not undergone large-scale reliability studies. More generally, the risk of malfunction of the Company's software could force it to recall or redevelop some of its products, with the attendant risk of additional costs and delays.

In addition, some customers could claim compensation for damage caused by using these faulty products and services and the resulting impact on the development of their business. This type of lawsuit against the Company, even if unsuccessful, could be lengthy and expensive and have a negative impact on the Company's image and financial position. Although the sale and service agreements entered into by the Company generally contain clauses limiting its liability for defective products and services, the effectiveness of such clauses may be limited by certain legal provisions or by case law.

The Company's business, financial position, earnings, development and outlook in the medium and long term could be significantly affected. These losses are covered by insurance (see section 4.5 for more details).

On June 28, 2016, consumer safety concerns were raised over the Avanquest "Smart Power" product. As a precaution, Avanquest and its European subsidiaries took immediate steps to withdraw the defective products in the interest of safety, even though no incidents had been reported. The Company initiated a product recall procedure, which is currently ongoing. Consumers can return defective products to Avanquest free of charge and receive a refund within three months of the Company receiving the products. The health risk is considered to be low since consumers have been informed. The Company also considers the legal risk to be low. The total cost of the product recall operation is also limited and does not put the Company at risk financially.

4.2 FINANCIAL RISKS

4.2.1 Liquidity risk

Prudent management of liquidity risk involves maintaining sufficient liquidity and financial resources through the appropriate credit facilities.

The financial restructuring completed in June 2015 enabled the Group to recapitalize itself (by raising €34.5 million in capital) and to improve its financial position (by repaying nearly all of its bank debt). Cash used in fiscal year 2015-2016 was in line with forecasts.

The Group's cash position at June 30, 2016 was €11.1 million. Borrowings and other financial liabilities amounted to €1.3 million, therefore net cash totaled €9.8 million.

The Group conducted a specific review of its liquidity risk by generating 12-month cash flow forecasts. These forecasts are derived from the business plan prepared by the management. The Group considers that these forecasts do not impact its ability to continue as a going concern.

The repayment schedule for financial liabilities can be found in the notes to the consolidated financial statements at June 30, 2016 (section 20.2.1.5.5).

4.2.2 Counterparty risk

The Company has bank accounts with a variety of leading banks. Therefore, counterparty risk is not considered significant.

4.2.3 Dilution risk

As part of a policy to motivate its directors and officers, employees and consultants, the Company has, since its creation, regularly issued and awarded stock options and bonus shares.

As of June 30, 2016, the exercise of all instruments convertible to equity and issued or to be issued by the Company would result in the subscription of 915,000 new shares and dilution of 0.24%. The exercise of outstanding instruments convertible to equity, as well as any new awards or issues, would result in dilution for shareholders.

Note, however, that 100% of the bonus shares will only be exercised if certain stock price growth objectives or profitability objectives are attained.

Assuming that all rights attached to options, bonus shares, authorized subscription warrants and convertible bonds become exercisable and are exercised, Avanquest's share capital would increase by €91,500.

The share capital would therefore increase from €37,531,856 to €37,623,356, or 0.27%, spread over the period between 2016 and 2018. Note, however, that 100% of the bonus shares will only be definitively awarded if certain stock price growth objectives or profitability objectives are attained.

4.3 MARKET RISKS

4.3.1 Exchange rate risk

The Group mainly carries on its business outside the euro zone. However, since revenues and costs are denominated in the same currency, exposure to currency risk is limited to earnings. No systematic policy of hedging currency risk has therefore been implemented within the Group.

An estimate of the impact of currency movements on earnings for the half-year ended June 30, 2016 is given below:

Year ended June 30, 2016	**Impact on recurring operating income**		Impact on equity	
(in € million)	↘ 10%	↗ 10%	↘ 10%	↗ 10%
USD	1.3	(1.3)	1.8	(1.8)
GBP	(0.3)	0.3	0.5	(0.5)
TOTAL	**1.0**	**(1.0)**	**2.3**	**(2.3)**

4.3.2 Interest rate risk

The loan taken out by the Avanquest North America subsidiary (€1.18 million outstanding as of June 30, 2016) has a floating interest rate based on the US Prime Rate. Given the low level of debt, a change in interest rates would have little impact on the Group's earnings. No new hedges were put in place during fiscal year 2015-2016 and no hedging currently exists.

4.3.3 Equity risk

The Company's cash is primarily invested in risk-free monetary investments.

On March 8, 2016, the Company bought back a block of shares at €0.1097 per share for a total of €2.6 million. The Company also purchased an additional 300,000 shares on the market at a nominal price of €0.10. Accordingly, at June 30, 2016, the Company held 26,844,791 treasury shares, equal to approximately 7.15% of the capital, for which there is a volatility risk.

4.4 LEGAL RISKS

4.4.1 Intellectual property risks

In terms of intellectual property on its software, and particularly the creations of its employees, Avanquest benefits from the provisions of Article L. 113-9 of the French Intellectual Property Code and section 201 of the United States Code. Under these provisions, all economic intellectual property rights pertaining to creations by the Company's employees in the course of their work are assigned to the employer. When negotiating and drafting customer agreements, Avanquest also takes particular care to protect its rights, for example by making limited concessions of intellectual property rights.

Avanquest's software is registered with the *Agence de protection des programmes* (APP), the European body for digital rights protection, in order to protect its rights and combat software piracy. Software designed or published in the United States is also filed with the Copyright Office. Like all software industry players, Avanquest is exposed to the problems of software piracy. To mitigate this risk, Avanquest has put in place various technical solutions: technical protection measures (copy protection) on some physical software media, particularly for published products, an activation system with a unique code and/or a combination of these methods together or with other works' protection methods.

In terms of industrial property, Avanquest has around 140 registered trademarks and 860 domain names. The trademarks considered most important are registered throughout Europe and in the United States. Given its significant international expansion, Avanquest routinely registers its key trademarks in the major countries where its products are sold. Avanquest has set up a monitoring system for certain key trademarks and regularly opposes the registration of trademarks that it believes infringe its rights. In addition, Avanquest keeps a close watch on the registration of domain names that may contain signs belonging to it. Avanquest regularly audits its portfolio and recently introduced a policy to optimize the management of its intellectual property assets within the Group (trademarks, domain names, aids).

Avanquest is not exposed to specific legal risks apart from those related to intellectual property and to its contractual, civil and criminal liability in general.

4.4.2 Regulatory risk

4.4.2.1 US REGULATORY ENVIRONMENT FOR TRADE

Talks on a "Transatlantic Trade and Investment Partnership" between the European Union and the United States began in July 2013. This treaty could significantly change the framework for trade between Europe and the United States on intellectual property, data flow and taxation of operations in the digital sector. The Company remains attentive to developments in the negotiations conducted by US and European representatives.

4.4.2.2 EUROPEAN REGULATORY ENVIRONMENT

Regulations applicable to the protection of personal data

On April 14, 2016, the European Parliament adopted the General Data Protection Regulation, repealing the 1995 Directive and reframing the issue of personal data. While maintaining the obligations already imposed on companies for data protection and privacy in general, the Regulation introduces a new system of self-regulation, replacing the system of *a priori* declaration to the French data protection agency (CNIL). It also defines how companies will implement this self-regulation (impact assessments and record-keeping). The Company is keen to organize the transition to the new forms of protection required under the Regulation before it comes into force on May 25, 2018.

Regulations on net neutrality

As a consequence of the concept of universal access to all content under the same conditions, the issue of net neutrality raises the issue of the sharing of revenue between the creators of content, technical operators tasked with allowing access to this content, and intermediaries who are responsible for its use. Challenging the neutrality principle could allow the introduction of a discriminatory business model and access to certain content for which the creators or intermediaries have not concluded agreements with technical operators. In September 2012, the Regulatory Authority on Electronic Communications and Postal Services (ARCEP) submitted a report on net neutrality to the French Parliament and Government. On February 28, 2013, the Government, in its digital roadmap, declared itself in favor of legislation on net neutrality, subject to approval from the French Digital Council. Avanquest remains attentive to possible changes in the legislation on net neutrality.

Regulations applicable to the taxation of the digital sector

On January 18, 2013, a report on the taxation of the digital sector (COLIN-COLLIN report) was submitted to the French Minister for Economic Affairs and Finance, the Minister for Industrial Recovery, the Secretary of State for the Budget, and the Secretary of State for Small and Medium-Sized Enterprises, Innovation and the Digital Economy. The report notably raises the question of the introduction of a "data tax". Any such regulatory changes would have to be taken into account by the Company. However, no developments seem likely until a decision is taken at the European level.

4.4.3 Litigation risk

Except for the two tax audits which took place during the period in France and Germany, and the product recall mentioned in section 4.1.8, there are no governmental, legal or arbitration proceedings, including any procedure of which the Company is aware, which are pending or threatened, or likely to have or having had in the last 12 months a significant impact on the financial position or profitability of the Company and/or the Group.

The Group does not consider this risk material since the German tax audit did not result in an adjustment of its tax liability. Furthermore, the adjustment recorded by Avanquest, which the Company was informed of after the reporting date, is less than the accounting provision at June 30, 2016.

A reserve of €45 thousand was established to cover the cost of recalling defective products in the Smart Power case.

4.4.4 Industrial and environment-related risks

Given the nature of its business, the Company has little or no exposure to such risks.

4.5 INSURANCE AND RISK COVERAGE

The Company has insurance policies which the Group's management deems adequate. These policies and their suitability are reviewed regularly and at least once a year. Avanquest has taken out policies covering operating losses, property damage and civil liability (of the Company and its corporate officers). These policies are approved by the Group's Management Committee.

The amount of coverage for Avanquest operating losses is €2.5 million (with a deductible of three days of operating losses). The amount of coverage for property damage is capped at €0.6 million (with a deductible ranging from €0 to €3 thousand, depending on the claim). The Company's civil liability risks are covered in the amount of €10 million (with a deductible ranging from €0 to €50 thousand, depending on the claim). The directors' and officers' liability insurance covers all corporate officers of Avanquest and its subsidiaries worldwide for up to €5 million. The total premium for these policies is around €33 thousand.

Each of the Group's subsidiaries takes out insurance policies locally which are appropriate to its needs and consistent with local legal requirements.

5

INFORMATION ON THE ISSUER

5.1 HISTORY AND DEVELOPMENT OF THE COMPANY

5.1.1 Corporate name and trading name, head office

The Company has been called “Avanquest” since the change voted in its 23rd resolution by the Combined General Shareholders’ Meeting of March 12, 2015 (it was previously Avanquest Software).

Avanquest’s head office located is at:

Immeuble Vision Défense

89/91, boulevard National

92257 La Garenne-Colombes Cedex

France

Telephone: +33 1 41 27 19 70

5.1.2 Legal form

Incorporated company with a Management Board and Supervisory Board with capital of €37,531,855.50, governed by the provisions of Book II of the legislative and regulatory sections of the French Commercial Code relating to commercial companies and economic interest groups.

5.1.3 Trade and Companies Register – activity code

The Company is registered in the Nanterre Trade and Companies Register under number 329 764 625. The Company’s activity code is 5829C.

5.1.4 Date of incorporation and term

The Company was incorporated on May 28, 1984 for a term of 60 years, until May 28, 2044.

5.1.5 Fiscal year

Each fiscal year has a term of one year starting on July 1 and ending on June 30.

5.1.6 Corporate purpose (Article 2 of the Articles of Association)

Article 2 of the Articles of Association defines the purpose of the Company as follows:

- the creation, development and sale of software;
- the manufacture and sale of all electronic, IT and telecommunications equipment;
- the provision of all services related to the aforementioned activities;
- the participation of the Company, by any means, whether direct or indirect, in any transactions that relate to its purpose through the creation of new companies, contributions, the subscription or purchase of securities or ownership interests, mergers or other, the creation, acquisition, leasing, lease-management of any business or establishment; the takeover, acquisition, operation or disposal of any processes or patents relating to these activities;
- and generally, any industrial, commercial, financial, civil, property or real estate transactions that may directly or indirectly relate to the corporate purpose or any similar or connected purpose.

5.1.7 Important events in the development of the Company's activities and strategy

Created in 1984 under the name BVRP Software, the Avanquest group was historically a software publisher which sold its products through three main channels:

- the sale of software to the general public *via* large retailers (Retail);
- the sale of software to the general public on the Internet (Web) developed since 2004-2005; and
- the sale of software to companies such as Sony Ericsson, Motorola, Earthlink, *etc.* (BtoB), which combined them with the equipment sold to their customers.

The Avanquest group continues to sell software. A small part of the software (approximately 25%) is developed internally and the majority is developed by third parties with whom the Group has signed license agreements. The software can be classified into the following four groups:

- utilitarian (optimization of PC operation);
- graphics and print (computer-assisted design and publishing);
- communication (applications for mobile devices, synchronization software); and
- games (essentially developed by third parties).

Since the Company's historic activity was in decline in terms of revenue and profitability, a new CEO, Pierre Cesarini, decided, in agreement with the Board of Directors, to undertake a strategic repositioning of the Company, capitalizing on the Group's resources to position it on profitable markets. The aim of this strategic repositioning, presented in December 2013, was to:

- refocus the Group on its growing businesses and prioritize their organic growth;
- focus future developments on significant strategic markets;
- re-establish a product culture within the Group, based on innovation and differentiation; and
- capitalize on the Company's assets: innovation, international reach and a multi-channel distribution network.

A new organization was implemented throughout the entire Avanquest group worldwide in order to support these strategic decisions. This resulted in a major reallocation of resources to three divisions corresponding to the Group's priority markets:

- the PlanetArt division with Web-to-Print and Mobile-to-Print in particular.

  The PlanetArt division manages the photo printing business, both on its Internet sites and, especially, *via* its smartphone products. In just a few years, PlanetArt has become the leader in smartphone photo printing *via* its FreePrints application and, more recently, thanks to the successful launch of FreePrints Photobooks;
- the myDevices division with its connected objects management platform in particular.

  myDevices is focused on the management of connected objects. It is the leading global platform for managing the Internet of Things (IoT), which enables large companies, regardless of their business sector, to rapidly develop and deploy IoT solutions for their customers. This division also includes historic mobility activities. myDevices launched Cayenne at the start of 2016. This is a simple and intuitive tool to develop connected object projects. It is aimed at developers and has created the leading global community in the IoT field;
- the Avanquest Software division, which combines the Group's software publishing and distribution activities.

  Avanquest Software brings together the historic activities of software publishing and distribution in their totality. Avanquest Software is the leading player in online and offline sales. Every year it sells over a million software packages through its websites and its points of sale around the world.

In July 2015, a new Board of Directors was constituted with the appointments of Marc Goldberg, Frédéric Paul, Marie-Christine Levet and Luisa Munaretto.

The Combined General Shareholders' Meeting of November 30, 2015, in its 15th resolution, decided to modify the mode of administration and management of the Company, through the adoption of the form of a French *société anonyme* with a Management Board and Supervisory Board *(Directoire* and *Conseil de surveillance),* effective as of January 1, 2016. This mode of governance has been in place since that time. The Supervisory Board consists of Marc Goldberg (Chairman), Marie-Christine Levet, Luisa Munaretto and RE Finance Consulting SA (represented by Frédéric Paul).

The Management Board consists of Sébastien Martin and Pierre Cesarini. The Supervisory Board also unanimously decided to appoint Pierre Cesarini as the Chairman of the Management Board.

On March 10, 2016, the Group announced the resignation of RE Finance Consulting SA, represented by Frédéric Paul, from the Supervisory Board following the disposal of its shares in Avanquest.

On April 22, 2016, the Group announced the appointment of Caroline Bouraine Le Bigot to the Supervisory Board to replace RE Finance Consulting SA. Caroline Bouraine Le Bigot also joined the Audit Committee and the Appointments and Compensation Committee.

On April 22, 2016, the Group announced the resignation of Marie-Christine Levet from the Supervisory Board and the Appointments and Compensation Committee.

During the meeting of the Supervisory Board on June 3, 2016, Jean-Loup Rousseau was appointed as member of the Supervisory Board. Following this appointment, the Supervisory Board appointed Caroline Bouraine Le Bigot as Chairwoman of this management body. She took over from Marc Goldberg, who asked to retire from the Supervisory Board in order to concentrate on the Company's external growth operations.

5.2 INVESTMENTS

5.2.1 Main investments carried out

The Company has not acquired equity interests in any companies since the acquisition in November 2011 of 50% of the capital of the American company Arvixe LLC. This equity interest was sold in October 2014 to help improve the financial structure and restructure the Company's balance sheet.

Likewise, the only subsidiary created over the last three fiscal years was the company EMME SAS, which was created to acquire the operational activities and assets held by EMME SA on March 31, 2015.

The main investments made over the last three fiscal years relate to research and development and marketing expenditure.

The Avanquest group has continued its development efforts over the last few years. In 2015-2016, R&D expenditure amounted to €1.4 million at Avanquest SA (compared to €1.3 million for the 2014-2015 fiscal year and €1.2 million for the 2013-2014 fiscal year) and $5.6 million in the US subsidiaries (compared to $6.2 million in 2014-2015 and $5.5 million in 2013-2014).

Gross capitalized development costs amounted to €0.5 million in the US subsidiaries. There were no capitalized development costs at Avanquest SA for the fiscal year.

These investments were financed by the Group's available cash.

Marketing expenses for PlanetArt represent medium-term investments which will allow the company to generate business over the coming years. In 2015-2016, these expenses were up €4.5 million compared to 2014-2015.

5.2.2 Main current investments

The previously described investments will continue in 2016-2017 both for PlanetArt (acquisition of new customers, development of new applications with the launch of Photobooks) and myDevices with the development of new functionality. The Group will also continue its efforts to ensure its commercial development.

5.2.3 Main investments planned

The main investments planned are in line with the three-year plan presented in June 2015 at the time of the Company's financial restructuring. As a reminder, this plan included marketing and R&D expenses of €17 million for the 2015-2016 fiscal year for the PlanetArt and myDevices businesses. It should be noted that planned investments do not constitute firm commitments and that they are assessed on a daily basis in light of acquisition costs observed in the market and their estimated future profitability based on internal indicators.

6

OVERVIEW OF ACTIVITIES

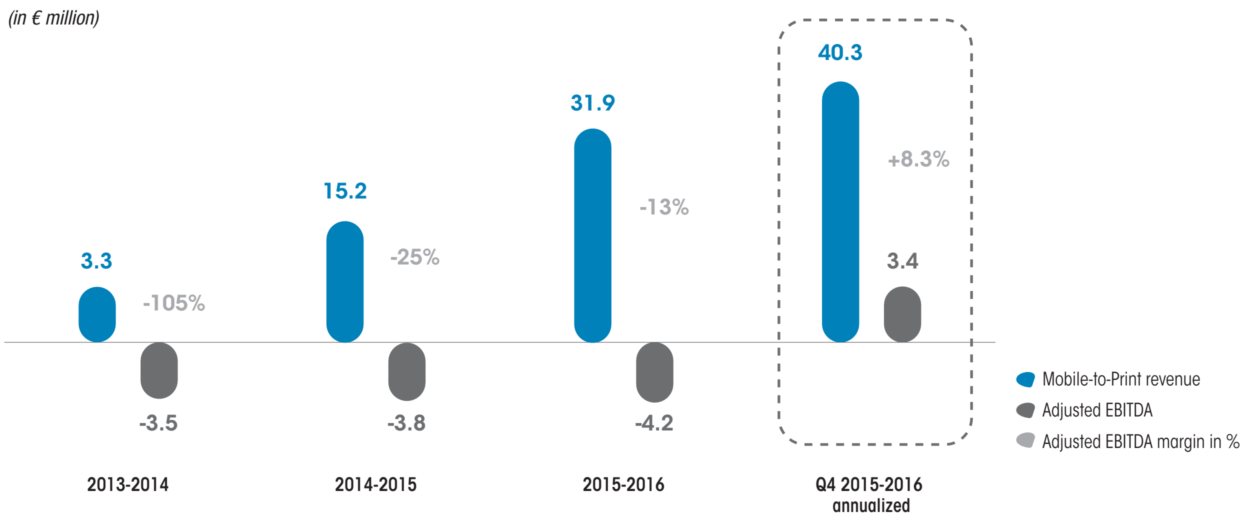
A global Internet and mobile player, Avanquest is one of the few French companies in this sector to post sales of over €100 million[1], more than half of which are generated in the United States. Inspired by CEO Pierre Cesarini, Avanquest has undertaken a strategic reorientation focused on three areas of business – digital printing through the Group's new PlanetArt division, management of the Internet of Things (IoT) *via* the myDevices division and e-commerce business through the Avanquest Software division:

- PlanetArt: the world leader in mobile device printing, specifically *via* the FreePrints product, the least expensive and simplest way in the world to print photos from a smartphone – FreePrints is already a must-have for over 3.7 million customers, a figure that has more than doubled in one year;
- myDevices: a global platform for IoT management, enabling major corporations, regardless of business sector, to quickly develop and roll out IoT solutions for their customers;
- Avanquest Software: the world's #1 distributor of third-party software. Each year, Avanquest Software sells over a million software products *via* websites and sales outlets worldwide.

6.1 PLANETART: A WINNING STRATEGY

Launched three years ago, and the first to anticipate the transfer of photo printing from web to mobile, PlanetArt this year confirmed its position as world leader in Mobile-to-Print with revenue of €56.4 million, up 71%.

The FreePrints mobile application – the simplest and least expensive solution in the world to print photos from smartphones – alone exceeded €31 million for the 2015-2016 fiscal year (up 109% compared to the previous fiscal year). This business achieved profitability for the first time (positive adjusted EBITDA) during the last quarter of the fiscal year, illustrating the virtuous circle of its business model, without slowing growth.



Note: The annualized base is given for information only and does not guarantee future results.

From the start, the FreePrints' business model was based on the development of a very attractive photo printing offering from smartphones. The aim was to rapidly build a significant loyal customer base. The quality and attractiveness of this product have been confirmed as most of its revenue now comes from returning customers, with over 3.7 million FreePrints customers in June 2016.

The strategy was then to monetize this base by attracting customers to new, high value-added offers that considerably accelerate profitability. In this context, PlanetArt launched a new application in the United States and the United Kingdom at the beginning of 2016: FreePrints Photobooks, which offers its customers the option of rapidly printing photos stored on smartphones in the form of high quality photo books at very competitive prices. FreePrints Photobooks was launched in France in October 2016.

Like FreePrints, FreePrints Photobooks is already popular with customers, with over 800,000 installations in eight months and a five-star ranking in all App Stores. FreePrints Photobooks has already generated revenue exceeding €5 million since its launch. This new application makes up over 20% of the monthly revenue for the Mobile-to-Print business, with gross margins over twice those of FreePrints, and this without major marketing investments, as most of the customers ordering Photobooks come from the FreePrints customer base.

The successful launch of FreePrints Photobooks, combined with an improvement in the average FreePrints basket, have enabled a significant increase in the rate of return on customer acquisition investments. Therefore, the acquisition cost for a FreePrints customer is now amortized in less than nine months.

(1) Before IFRS 5 restatement.

6.2 MYDEVICES: A GROWING INTEREST IN THE INTERNET OF THINGS

In a young market that will without a doubt be the next major technological revolution, the myDevices platform allows major companies worldwide, in all sectors of activity, to rapidly roll-out IoT solutions for their customers.

Carrefour, a major group and leading global retailer, has chosen the myDevices technology to provide its customers with a new platform in the near future that will enable them to manage connected objects *via* a seamless, unified Carrefour solution.

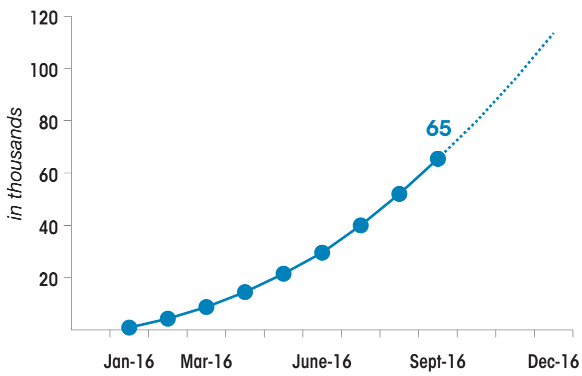
To complement the myDevices offer, Avanquest launched Cayenne at the start of 2016. It is a simplified, intuitive tool for the development and creation of connected objects projects. This tool, based on a "freemium"-type offer, allows professional developers to rapidly design their connected object management projects. Cayenne has generated considerable interest. Over 65,000 developers are already connected to the platform after only eight months' existence.

While it does not generate revenue for the moment, Cayenne is a formidable evangelization tool that allows developer communities to appropriate the myDevices technology. Major IoT players such as Semtech/Lora, Sigfox and Arduino, have already signed partnerships with myDevices.

The ramp up of this developer community and the roll-out of the Cayenne ecosystem will enable Avanquest to position the tool as the benchmark for the IoT.

Avanquest aims to create the leading worldwide IoT developer community with additional monetization opportunities over time.

NUMBER OF CAYENNE DEVELOPERS



6.3 AVANQUEST SOFTWARE

The Group's historical software business has been largely restructured, simplified and streamlined, and is now profitable. The division is continuing its transition to exit retail (with the disposal of Avanquest Software Publishing Ltd and a reduction in its Retail activities in Europe) and develop its Internet-based products.

This transformation is marked by the ongoing increase in the share of revenue from Online activities, which should continue in the coming years. The change is naturally accompanied by an increase in gross margins and a reduction in working capital requirements.

During the 2015-2016 fiscal year, the Avanquest group carried out the disposal of Avanquest Software Publishing Ltd. It also studied several other opportunities for disposals and acquisitions, but none took place during the fiscal year. Avanquest group will continue its disposals and acquisitions strategy during the coming fiscal year. Its priority will be to seize opportunities that will allow it to improve the profitability of this software activity.

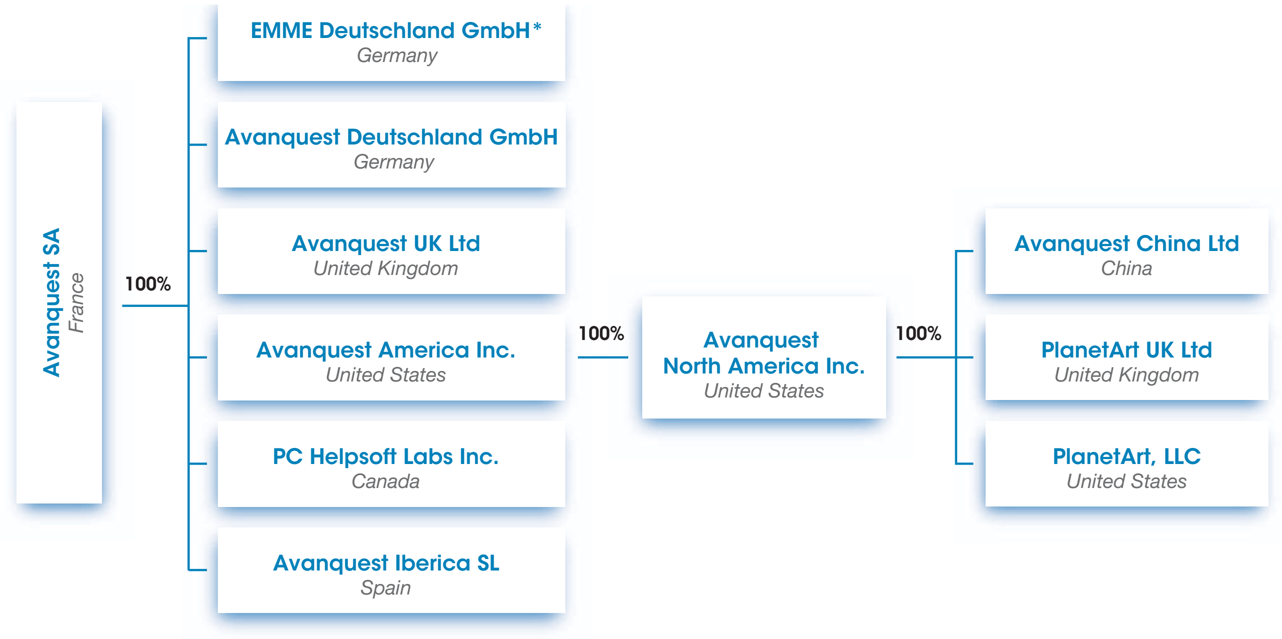
For more details on business development during the 2015-2016 fiscal year, please refer to section 26.1.1.1. of the management report.

7

ORGANIZATION

7.1 LEGAL STRUCTURE AS OF JUNE 30, 2016

The percentages below indicate the share of equity and voting rights held by the main subsidiaries.



* *EMME Deutschland GmbH is in the process of being dissolved.*

The Group disposed of the following non-strategic assets during the 2015-2016 fiscal year:

- Avanquest Software Publishing Ltd (a United Kingdom subsidiary specializing in games distribution) on April 30, 2016 for £3.4 million (€4.3 million) with a deferred payment of £0.9 million (of which £0.6 million at less than one year).

The Group also continued simplifying its legal structure with the universal transfer of assets and liabilities from EMME SAS to Avanquest SA on May 16, 2016.

7.2 LIST OF SUBSIDIARIES

Avanquest SA is the Group's parent company. In addition to directly or indirectly holding equity interests in all of the Group's subsidiaries, Avanquest fulfills a number of operational functions that benefit the entire Group (executive management, R&D, e-commerce, OEM sales and offline sales).

Various Group entities are responsible for research & development. Some products are developed by the parent company, Avanquest.

Subsidiaries that sell products developed by Avanquest pay royalties to the parent company in proportion to sales volumes. More generally, software is owned by the entity that develops it, with the other subsidiaries paying it royalties according to sales volumes.

Certain multiregional software publishing contracts are managed by Avanquest, which declares and pays royalties to the publisher in question on behalf of its subsidiaries.

7.2.1 France

Avanquest SA acts as the Group holding company. It oversees part of the Software operations in Europe and part of the myDevices operation with certain R&D teams. Avanquest SA is also home to the Group's Corporate decision-making functions, including Executive Management and Financial Management.

7.2.2 United Kingdom

The Company holds direct and indirect equity interests in two entities in the United Kingdom.

Avanquest UK Ltd manages the technical aspects of the electronic commerce platform.

PlanetArt Ltd hosts PlanetArt's business operations in Europe.

7.2.3 United States

The Company holds direct and indirect equity interests in three entities in the US.

Avanquest America Inc. is a holding company and owns the equity shares of Avanquest North America.

Avanquest North America Inc. was formed from the merger of eight entities acquired or created in the United States since 2000. It is based in California and manages part of the Software operations in the US, the PlanetArt operations in the US, and the myDevices operations.

Avanquest North America Inc. also owns the equity shares of PlanetArt Ltd, Avanquest China and PlanetArt US LLC.

PlanetArt US LLC was formed to eventually host PlanetArt's operations in the United States. It is not active at the moment.

The managers of Avanquest North America, Roger Bloxberg and Todd Helfstein, have a call option for 20% of the equity of PlanetArt US LLC.

7.2.4 China

The Company holds an indirect equity interest in an entity in China.

Avanquest China Ltd is based in Shanghai and is one of the Group's R&D centers focusing on the PlanetArt and myDevices operations.

7.2.5 Germany

The Company holds direct and indirect equity interests in two entities in Germany.

Avanquest Deutschland GmbH oversees Retail operations in Germany.

EMME Deutschland is inactive and in the process of being dissolved.

7.2.6 Canada

The Company holds direct equity interests in an entity in Canada.

PC Helpsoft Inc. was acquired in 2011 and hosts part of the Software operations in North America.

7.2.7 Spain

The Company holds direct equity interests in an entity in Spain.

Avanquest Ibérica SL is inactive and is due to be dissolved by the end of the 2016-2017 fiscal year.

One or more members of the Avanquest management team sit on the Board of Directors of each subsidiary.

8

PROPERTY, PLANT AND EQUIPMENT

8.1 PROPERTY, PLANT AND EQUIPMENT

The only property, plant and equipment owned by the Group are various fittings, facilities, office equipment and hardware.

The Company and its subsidiaries rent all their premises. The only expenses incurred are rent and service charges.

8.2 ENVIRONMENTAL ISSUES

Avanquest's business operations are by their nature not subject to environmental constraints. Environmental constraints therefore do not affect the use of the Company's property, plant and equipment, which are in any case too insignificant to warrant environmental concerns.

9

FINANCIAL POSITION AND RESULTS

9.1 HIGHLIGHTS

9.1.1 Finalization of the Group's reorganization

As of June 30, 2015, Avanquest group finalized its financial restructuring plan, with its bank debt in France reduced to €1.6 million. This residual bank debt was paid back at the time of receipt of the deferred price for Arvixe in November 2015. This sum of €1.6 million had already been paid into an escrow account opened at *Caisse des dépôts et consignations,* in such a way that the repayments did not negatively impact the cash position. Therefore, as of June 30, 2016, the Group is almost fully debt-free.

The disposal of the ProcessFlows subsidiary, initiated on May 29, 2015, was finalized. Inter-company liabilities and receivables that existed at the time of disposal were written off, generating income of €0.6 million for the Group. In June 2016, the Group signed an agreement with ProcessFlows shareholders, leading to the payment of a definitive earn-out of €0.9 million (of which €0.35 million had been recorded in receivables at the time of disposal), adding to the initial disposal price of €4 million already received by Avanquest, and settling the disposal.

On April 30, 2016, the Group also disposed of its United Kingdom subsidiary, Avanquest Software Publishing Ltd (specializing in games distribution) for £3.4 million (€4.3 million), with a deferred payment of £0.9 million (of which £0.6 million at less than one year).

Building on these operations, the Group also continued simplifying its legal structure with the universal transfer of assets and liabilities from the EMME SAS subsidiary to Avanquest SA on May 16, 2016.

9.1.2 Change in governance

In July 2015, a new Board of Directors was constituted, with the appointments of Marc Goldberg, Frédéric Paul, Marie-Christine Levet and Luisa Munaretto.

The Combined General Shareholders' Meeting of November 30, 2015, in its 15th resolution, decided to modify the mode of administration and management of the Company, through the adoption of the form of a French *société anonyme* with a Management Board and Supervisory Board *(Directoire* and *Conseil de surveillance),* effective as of January 1, 2016. This mode of governance has been in place since that time. The Supervisory Board was formed with the appointment of Marc Goldberg, Chairman, Marie-Christine Levet, Luisa Munaretto and RE Finance Consulting SA, represented by Frédéric Paul. As of the date of this Registration Document, the Supervisory Board members are Caroline Bouraine Le Bigot, Chairwoman, Luisa Munaretto and Jean-Loup Rousseau.

The Management Board consists of Sébastien Martin and Pierre Cesarini. The Supervisory Board also unanimously decided to appoint Pierre Cesarini as the Chairman of the Management Board.

9.1.3 Buyback of a block of shares

On March 10, 2016, the Group announced the partial implementation of its share buyback program, in accordance with the authority delegated by the General Shareholders' Meeting of November 30, 2015 in its 14th resolution. Accordingly, it repurchased a block of 23,629,791 of its own shares off-exchange, representing 6.30% of its capital, and formerly held by FPB Invest.

In addition, considering that the current share price does not represent the Group's development potential, Avanquest continued to implement its share buyback program, by purchasing 3,000,000 shares on the market on May 25, 2016.

As of June 30, 2016, Avanquest holds 26,844,791 of its own shares, *i.e.* 7.15% of its capital.

Avanquest will use the shares acquired as part of its buyback program in accordance with the intended purpose, *i.e.:* to stimulate the market, cancel shares, grant shares to employees as part of company savings plans or other shareholder savings plans, and exchange, pay or otherwise transfer shares for acquisitions, mergers, demergers or contributions.

9.1.4 Changes in the composition of the Supervisory Board and its Committees

On March 10, 2016, the Group announced the resignation of RE Finance Consulting SA, represented by Frédéric Paul, as a member of the Supervisory Board, following the disposal of its shares in Avanquest.

On April 22, 2016, the Group announced the appointment of Caroline Bouraine Le Bigot to the Supervisory Board to replace RE Finance Consulting SA. Caroline Bouraine Le Bigot also joined the Audit Committee and the Appointments and Compensation Committee.

On April 22, 2016, the Group announced the resignation of Marie-Christine Levet as member of the Supervisory Board and Appointments and Compensation Committee.

At the Supervisory Board meeting on June 3, 2016, Jean-Loup Rousseau was co-opted as member of the Supervisory Board and Caroline Bouraine Le Bigot was appointed as its Chairwoman. She takes over from Marc Goldberg, who asked to step down from the Supervisory Board so that he could concentrate on the Company's merger/acquisition operations.

9.2 GROUP RESULTS

9.2.1 Fiscal year ended June 30, 2016

(in € million)	**2015-2016**	2014-2015
Net revenues	**117.4**	**93.1**
Recurring operating income	(16.1)	(11.4)
Operating income	(26.1)	4.2
Adjusted EBITDA*	**(11.3)**	**(11.5)**
Net financial	(1.7)	1.1
Net income	**(28.6)**	**1.5**
Net income, Group share	(28.6)	(6.5)
Net earnings per share, Group share *(in €)*	(0.08)	(0.11)

* *Adjusted EBITDA = Recurring operating income before the impact of depreciation and provisions, capitalized R&D and IFRS restatements.*

For the 2015-2016 fiscal year, the Group generated revenue of €117.4 million, up 26% from €93.1 million the previous year, mainly due to the continued roll-out of the commercial strategy of the PlanetArt division.

Recurring operating income (ROC) was negative at -€16.1 million compared with a negative ROC of -€11.4 million for the previous fiscal year. This is mainly due to the impact of management decisions on capitalized development costs, notably:

- the reduction in the amount of capitalized development costs: €0.5 million in 2015-2016 compared with €4 million the previous fiscal year;
- the higher depreciation of development costs compared with the previous fiscal year (€4.6 million against €3.9 million for 2014-2015), as well as the depreciation of part of the capitalized projects for myDevices (for €0.6 million).

The Group's adjusted EBITDA improved slightly from -€11.5 million in 2014-2015 to -€11.3 million in 2015-2016, despite significant investments to develop the Group's new strategic businesses (PlanetArt and myDevices).

Operating income was a loss of €26.1 million in 2015-2016. This is mainly due to:

- the recording of €4.8 million in depreciation corresponding to goodwill for PlanetArt;
- the recording of €1.1 million in depreciation corresponding to the capitalized development costs for PlanetArt and myDevices;
- the loss of €4.3 million on the disposal of Avanquest Software Publishing mainly impacted by the recycling in profit/loss of the historical exchange rate differentials (for -€3.9 million) associated with the goodwill of said divested entity;
- other operating income and expenses for +€0.2 million.

Net financial income shows a loss of €1.7 million of which €1.2 million is due to unrealized unfavorable net exchange rate differentials on inter-company current accounts and of which €0.5 million is due to net borrowing costs.

Net income showed a loss of €28.6 million, while comprehensive income stood at -€24.6 million.

9.2.1.1 REVENUE AND EBITDA BY BUSINESS

(in € million)	**2015-2016**	2014-2015	Δ
Avanquest Software	39.7	43.7	-9%
PlanetArt	56.4	33.0	71%
myDevices	3.7	5.5	-33%
Revenue at constant scope	**99.8**	**82.2**	**21%**
Other*	17.7	10.9	62%
Published revenue	**117.4**	**93.1**	**26%**

* *Arvixe and Avanquest Software Publishing Ltd.*

In the 2015-2016 fiscal year, the Group saw revenue rise by 21% to €99.8 million compared with €82.2 million in 2014-2015 at equivalent scope (excluding Arvixe and Avanquest Software Publishing Ltd, which were sold in 2014-2015 and 2015-2016 respectively).

(in € million)	**2015-2016**	**% of Revenue**	2014-2015	% of Revenue
Avanquest Software	1.1	3%	(1.4)	-3%
PlanetArt	(9.3)	-17%	(9.5)	-29%
myDevices	(3.0)	-83%	(0.5)	-9%
Adjusted EBITDA*	**(11.3)**	**-11%**	**(11.4)**	**-14%**

* *After impact of corporate expenses.*

PlanetArt, which specializes in Digital Printing, realized revenue of €56.4 million, up 71% from the 2014-2015 fiscal year. This excellent performance was in line with its growth strategy and carried by significant investments. The EBITDA margin improved from -29% the previous fiscal year to -17% in spite of substantial marketing investments of €13.3 million in 2015-2016. This improvement is largely due to the growth in the FreePrints customer base thanks to previous marketing investments.

myDevices, which groups together the connected objects management business (which has a high potential) and the historical mobility business, posted revenue of €3.7 million for the 2015-2016 fiscal year, down 33% due to the programmed end of embedded software sales combined with a delay in the implementation of contracts signed for activities associated with the connected objects management platform. The adjusted EBIDTA margin declined strongly as significant investments to develop the platform were carried out in line with the strategic plan, without significant revenue being generated at this stage.

Avanquest Software, which groups together the software publishing and distribution businesses, saw revenue rise by 31% from the previous fiscal year to €57.3 million (€39.7 million excluding divested entities). This division benefited from good sales at the end of the year, with, in particular, the success of the Minecraft Story Mode game distributed by its former Avanquest Software Publishing Ltd subsidiary. At constant scope, Avanquest Software posted a limited decline of 9% due to the planned reduction in physical distribution activities in Europe and the focus on online sales activities for increased profitability.

9.2.1.2 FINANCIAL POSITION

(in € million)	**6/30/2016**	6/30/2015	12/31/2014	6/30/2014
Goodwill	0.0	4.8	11.5	22.8
Other non-current assets	3.0	10.9	10.6	8.4
Current assets	14.4	17.6	26.9	23.3
Cash and cash equivalents	11.1	30.5	10.3	10.6
TOTAL ASSETS	**28.5**	**63.7**	**59.2**	**65.1**

(in € million)	**6/30/2016**	6/30/2015	12/31/2014	6/30/2014
Equity	2.1	29.3	(0.9)	2.6
Non-current liabilities	1.1	2.4	3.9	3.9
Current liabilities	25.3	32.0	56.3	58.6
TOTAL LIABILITIES	**28.5**	**63.7**	**59.2**	**65.1**

As of June 30, 2015, goodwill amounted to €4.8 million. This amount was entirely related to the historical Web-to-Print operations, independently of Mobile-to-Print operations. Due to usual resource allocation constraints, a choice was made to allocate resources in favor of Mobile-to-Print at the expense of Web-to-Print. As a result, the entirety of the €4.8 million of goodwill related to the Web-to-Print operations was depreciated. For more information, see the paragraph on goodwill, section 20.2.1.5.4, in the notes to the consolidated financial statements ended June 30, 2016 in this document.

An assessment of ongoing development projects in the three businesses was carried out during the 2015-2016 fiscal year. This assessment led to the lower capitalization of development projects as well as accelerated depreciation and amortization and the depreciation of certain capitalized projects. This explains the substantial reduction of non-current assets as of June 30, 2016 compared with the previous fiscal year.

The change in current liabilities was due to the reduction in financial liabilities from €6.6 million to €1.3 million following the repayment of most of the remaining debt during the fiscal year. As of June 30, 2016, Group net cash amounted to €9.8 million.

CASH AND EQUITY

10.1 EQUITY, GROUP SHARE

(in € million)	**6/30/2016**	6/30/2015	12/31/2014	6/30/2014
Equity, Group share	2.1	29.3	(1.1)	1.3
Net debt	(9.8)	(23.9)	13.8	18.0

Changes in equity are mainly related to the deduction of net losses.

For more details on changes in equity, see the paragraph on equity, section 20.2.1.5, in the notes to the consolidated financial statements ended June 30, 2016 in this document.

10.2 CASH FLOW SOURCES AND AMOUNTS

In the 2015-2016 fiscal year, cash flow from operations amounted to an outflow of €11.4 million compared with an outflow of €10.2 million the previous fiscal year, therefore remaining stable.

Net cash flow related to investment came to an outflow of €1.2 million compared with an inflow of €6.5 million in 2014-2015 (of which €10.8 million came from the sale of Arvixe, EMME and ProcessFlows).

In June 2015, the Group raised €34.5 million by issuing new shares with preferential subscription rights as part of a capital increase which accounted for a net cash flow of €31.2 million. This enabled it to settle almost all of its financial liabilities by repaying €7.2 million in June 2015 and recording a debt write-off of €10.6 million. The Company had also redeemed €1.3 million in convertible bonds in February 2015. Cash flow related to financing therefore amounted to €21.9 million for the fiscal year ended June 30, 2015 compared with €8 million the previous fiscal year.

Cash flow related to financing was negative for the 2015-2016 fiscal year, due, among other reasons, to the share buyback of €2.9 million and disbursements related to borrowings of €3.6 million.

10.3 BORROWING CONDITIONS AND FINANCING STRUCTURE

(in € million)	**6/30/2016**	6/30/2015	12/31/2014	6/30/2014
Bank debt	1.2	6.1	18.1	20.5
Convertible bonds			4.0	4.0
Other financial liabilities	0.1	0.5	1.4	3.6
Accrued interest	0.0	0.1	0.6	0.5
Total financial liabilities	**1.3**	**6.6**	**24.1**	**28.5**
Available unsecured cash flow	11.1	30.5	10.3	10.6
Net debt	**(9.8)**	**(23.9)**	**13.8**	**18.0**

As of June 30, 2016, the Group's indebtedness amounted to €1.3 million, and the Group's exposure to interest rate risk is consequently very limited.

10.4 RESTRICTIONS ON THE USE OF CAPITAL RESOURCES

No restrictions on the use of the Group's capital resources have or could have a direct or indirect material impact on the Group's operations.

10.5 EXPECTED SOURCES OF FINANCING

At present, the Company deems itself able to finance organic growth by reinvesting its earnings.

11

R&D, PATENTS AND LICENSES

11.1 RESEARCH AND DEVELOPMENT

The Avanquest group has continued its development efforts over the last few years. In 2015-2016, R&D expenditure amounted to €1.4 million at Avanquest SA (compared to €1.3 million for the 2014-2015 fiscal year and €1.2 million for the 2013-2014 fiscal year) and $5.6 million in the US subsidiaries (compared to $6.2 million in 2014-2015 and $5.5 million in 2013-2014). With over one hundred employees, the R&D headcount has remained stable over the last two fiscal years.

The R&D teams are principally focused on the following projects:

- PlanetArt division: R&D projects have mainly concerned improvements to the FreePrints application, with the development of the new Photobooks application launched at the start of 2016 in the United States and the United Kingdom on both iOS and Android;
- myDevices division: the R&D teams have continued their efforts on the myDevices platform to enrich it with new functionality and above all to develop a new tool, Cayenne, that offers professional developers an aid in the design of connected objects projects. Cayenne was launched at the start of 2016, and has already generated considerable interest within the IoT developer community.

For the 2015-2016 fiscal year, gross capitalized development costs amounted to $0.5 million in the US subsidiaries. At Avanquest SA, there were no capitalized development costs for the fiscal year.

As a comparison, in 2014-2015, capitalized R&D amounted to €4 million compared to €3.0 million in 2013-2014.

This reduction is the consequence of an assessment of capitalized R&D projects carried out during the fiscal year. The impacts on the Group's different businesses are summarized below.

PlanetArt

As of June 30, 2016, the future profitability analysis for R&D projects led to the depreciation of capitalized development costs for the Web-to-Print business, considering that the criteria to maintain assets according to IAS 38 were no longer met at June 30, 2016. Therefore, for this business, depreciation of €0.4 million was recorded in other operating income and expenses. No development costs were capitalized during the fiscal year for the Web-to-Print business.

myDevices

The myDevices platform has generated strong interest from numerous industrial customers in different sectors. However, the sales processes are complex, and can extend over long periods, particularly as the market is still new and Avanquest is a pioneer in this sector. In this context, the Company has noted significant delays in the negotiation and signature of contracts for the myDevices platform. For this reason, and without calling into question the true potential of this business, the Group no longer has sufficient visibility with regard to the time period for achieving profitability.

Consequently, the criteria to maintain these assets are no longer met according to IAS 38.

For this reason, the net accounting value of capitalized projects associated with this activity at June 30, 2016 was fully impaired.

Avanquest Software

In the area of software publishing, it is clear that software life cycles (launch of new versions to replace previous versions on the market) are increasingly short. The life cycle estimate is now reduced to one year. Consequently, accelerated depreciation was recorded for €0.7 million.

12

INFORMATION ON TRENDS

12.1 MAIN TRENDS AFFECTING THE GROUP'S BUSINESS SINCE THE END OF THE LAST FISCAL YEAR

In the PlanetArt division, in January 2016, Avanquest launched FreePrints Photobooks, a mobile application designed to enable the creation of photo books from a smartphone. Building on the popularity of FreePrints, this higher value-added offer enables conversion of the existing customer base and significantly contributes to increasing the average basket and gross margin. Already available in the USA and United Kingdom, the first results for FreePrints Photobooks are particularly positive, with a strong increase in the average basket per customer for the Mobile-to-Print activity to €6.9 at the end of June 2016.

In a booming sector with significant interest from major market players, Avanquest has continued to roll-out its myDevices offer, one of the only platforms available enabling the management of all types of connected objects. The Group continued to improve the visibility of myDevices with the successful launch in January 2016 of Cayenne, a simplified development and creation tool for connected objects projects, that is presented as a mobile application to remotely configure, monitor and control objects. Cayenne is an additional tool to evangelize the technology and to enrich the myDevices platform while tangibly demonstrating the technology's technical capabilities, robustness and reliability.

The Avanquest Software division has developed new business models, in particular in the monetization of traffic both on mobiles, *via* its AQ Rewards application launched in September 2016 and *via* the Internet through the signature of a number of partnerships.

12.2 TRENDS IDENTIFIED FOR THE CURRENT FISCAL YEAR

Since July 1, 2016, the PlanetArt division has confirmed the good performance achieved during the last quarter of the 2015-2016 fiscal year, thanks notably to the development of Photobooks. It is, however, important to note that significant marketing investments were made during the quarter, from July to September, to acquire FreePrints customers. October 2016 also saw the launch of Photobooks in France. The successful launch of FreePrints Photobooks clearly validates the strategy initiated by PlanetArt with FreePrints, by providing it with a major monetization tool for its customer base, as over 80% of FreePrints Photobooks' customers are from the FreePrints customer base. This trend should continue for the coming fiscal year.

For the myDevices division, the significant growth of the Cayenne community is confirmed with the number of developers exceeding 65,000 at the end of September 2016. The Group expects the growth of this community to continue during the current fiscal year. The marketing of the myDevices platform is continuing and implementation of the contract signed with Carrefour is moving forward. Partnerships have already been signed with key sector actors (LoRa, Sigfox, Actility, *etc.*) and other significant contracts are currently under discussion, confirming the interest generated by myDevices.

For Avanquest Software, the Group's strategy is to capitalize on its internal expertise, particularly the significant experience in digital marketing and monetization, to develop new offers and new recurring revenue models. The Group remains attentive to disposal and/or acquisition opportunities in this business.

13

FORECASTS

The confirmation of the good performance of PlanetArt and the Mobile-to-Print business model over the last few months allows the Group to aim for a return to a balanced adjusted EBITDA during 2017.

14

ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND EXECUTIVE MANAGEMENT

14.1 MANAGEMENT BOARD AND SUPERVISORY BOARD

The Combined General Shareholders' Meeting of November 30, 2015, in its 15th resolution, decided to modify the Company's mode of administration from a French *société anonyme* with a Board of Directors, as it had been hitherto, to a French *société anonyme* with a Management Board and Supervisory Board, with effect from January 1, 2016. This new mode of governance has been in place at Avanquest since that time.

The creation of a Supervisory Board has enabled a transition from governance shared between the Chief Executive Officer and the Board of Directors to tighter governance based on a Management Board under the control of a Supervisory Board, for optimal management of the business.

Readers should refer to section 26.3.1 of this document for a detailed list of the terms of office and posts held by directors at the time when the Company was governed by a Board of Directors.

14.1.1 Presentation of Management Board and Supervisory Board members

14.1.1.1 MANAGEMENT BOARD

The Management Board consists of Sébastien Martin and Pierre Cesarini. The Supervisory Board also unanimously decided to appoint Pierre Cesarini as the Chairman of the Management Board.

14.1.1.2 SUPERVISORY BOARD

On the date of filing this Registration Document, the Supervisory Board comprised the following members:

- Caroline Bouraine Le Bigot (Chairwoman);
- Luisa Munaretto; and
- Jean-Loup Rousseau.

14.1.1.3 BIOGRAPHIES OF CURRENT MANAGEMENT BOARD AND SUPERVISORY BOARD MEMBERS

Pierre Cesarini: Chairman of the Management Board and Group CEO

Upon joining Avanquest as Group CEO in May 2013, Pierre Cesarini's background as a serial entrepreneur and his solid experience in Internet and digital businesses proved perfectly suited to the Company's entrepreneurial spirit and ambition. He began his career at Apple, in the company's headquarters in Cupertino, California, where he spent 10 years working towards the creation of the PowerMac. In 1998 he founded TempoSoft, a supplier of Intranet applications for HR management and planning – a company purchased by Oracle in 2005. In 2007 Pierre Cesarini became Chairman and CEO of Atego, a world leader in embedded software. He has also been a professor of management at the École des Mines Paris Tech. Pierre Cesarini was appointed a member of the Management Board with effect from January 1, 2016, at the Supervisory Board meeting of January 12, 2016.

Sébastien Martin: Member of the Management Board and Group Chief Finance Officer

With 20 years experience in fast-growing technology companies, Sébastien Martin has led more than 20 business ventures, including startups, acquisitions and restructuring operations, achieved in very tight time frames. Sébastien Martin was appointed a member of the Management Board with effect from January 1, 2016, at the Supervisory Board meeting of January 12, 2016.

Luisa Munaretto: Member of the Supervisory Board, the Appointments and Compensation Committee and the Audit Committee

With decades of experience in private equity, Luisa Munaretto is a co-founder of IndEU Capital, an investment fund that has specialized in luxury brands with a strong focus on digital branding and innovation. Her experience in private equity also includes numerous investments in France and Italy through her position as Director of Strategy at 21 Partners, an investment company that is part of the Benetton family.

Caroline Bouraine Le Bigot: Chairwoman of the Supervisory Board, member of the Appointments and Compensation Committee and of the Audit Committee

A graduate of Sciences Po Paris and with an Executive MBA from Stanford, Caroline Bouraine Le Bigot has over 20 years' experience in international high tech. Having recently returned to France, she is currently assisting large French, US and Israeli companies in their development. Her passion for high-tech, for user interfaces, her knowledge of software and hardware environments and her expertise in complex international business project sales will help accelerate Avanquest's development.

Jean-Loup Rousseau: member of the Supervisory Board

In 2002, Jean-Loup Rousseau founded the independent consulting company Proveho Advisory, dedicated to industrial and technology companies. He had previously worked at the consulting firm KTH (Marsh & McLennan Group), Amkor Technology and Schlumberger Technologies. He has more than 30 years' experience in the technology industry, assisting a large number of companies in their development.

Currently only Pierre Cesarini and Sébastien Martin hold Executive Management positions.

To the Company's knowledge, the agreements described in section 19 are the only ones currently in existence.

The Supervisory Board does not have a member elected by employees, nor does it have a member representing employee shareholders. However, an employee representative attends the meetings of the Supervisory Board in an advisory capacity.

The Supervisory Board satisfies the provisions of Law No. 2011-103 of January 27, 2011, concerning the equal representation of women and men on corporate governance bodies. Women represent 67% of the Supervisory Board.

14.1.2 Information on members of the Management Board and of the Supervisory Board

List of terms of office and positions held by corporate officers

	Date of initial appointment	Expiry of term of office	Other terms of office and positions held in French companies	Terms of office and positions held in foreign companies	Other terms of office and positions held in other companies in the last five years but not held at the date of this Registration Document
Management Board					
Pierre Cesarini	6/23/2015 Chairman and CEO 1/1/2016 Chairman of the Management Board	12/31/2015 1/1/2022	**Chairman:** ▪ LCT Technologies SAS ▪ EMME SAS[4] **Manager:** ▪ Elendil Sarl ▪ Fangorn SCI	**Chairman of the Board of Directors:** ▪ Avanquest America[1] **Director:** ▪ Avanquest North America Inc.[1]	**Manager:** ▪ Anarion
Sébastien Martin	1/1/2016	1/1/2022	**Chairman:** ▪ InFusio Consulting	**Director:** ▪ Avanquest America[1] ▪ PC Helpsoft[1]	**Joint Manager:** ▪ IMV Management Partners **Chairman:** ▪ If Europe[2]
Members of the Supervisory Board					
Caroline Bouraine Le Bigot[3] Chairwoman of the Supervisory Board	4/1/2016	AGOA 2021	None	None	
Luisa Munaretto[3] Vice-Chairwoman of the Supervisory Board	7/22/2015	AGOA 2021	**Director:** ▪ IndEU Capital SAS	**Director:** ▪ IndEU India Luxury Holding Pte (Singapore) ▪ RockNShop.com (India) ▪ The LabelLife.com (India)	
Jean-Loup Rousseau[3] Member of the Supervisory Board	6/3/2016	AGOA 2021	**Chairman:** ▪ Proveho SAS **Director:** ▪ Porcher Industries SAS ▪ Ascometal SAS	None	None

(1) Group companies.
(2) Liquidated companies.
(3) Independent members in terms of recommendation No. 8 of the MiddleNext Corporate Governance Code.
(4) Company acquired by Avanquest SA through a merger by absorption, on May 16, 2016.

All correspondence for members of the Management Board and the Supervisory Board may be addressed to the head office of the Company at: Immeuble Vision Défense – 89/91, boulevard National – 92250 La Garenne-Colombes, France.

To the Company's knowledge, there are no family ties linking the members indicated in section 14.1.

14.1.3 Conflict of interest at Management Board and Supervisory Board level

To the Company's knowledge, there is no potential conflict between the duties, with regard to Avanquest, of the individuals indicated in section 14.1 and their private interests.

Having obtained the Supervisory Board's prior authorization, the Management Board of Avanquest, under the chairmanship of Pierre Cesarini, decided on March 8, 2016, to partially implement the share buyback program and proceeded to implement an off-market buyback of a block of 23,629,791 of the Company's shares, representing 6.30% of its equity. These shares, held by FPB Invest, whose manager, Frédéric Paul, was a member of the Company's Supervisory Board through RE Finance Consulting SA until March 10, 2016, were acquired for a total price of €2,592,928.97, or €0.1097 per share. The price, resulting from negotiations between Avanquest and FPB Invest, is broadly in line with the cost price of the shares for FPB Invest and is less than the market price on the day of the transaction.

14.1.4 Disclosures concerning members of the Management Board and of the Supervisory Board

During the last five years, no member of the Company's Supervisory Board or of its Management Board has:

- been convicted of fraud, charged with an offense or officially sanctioned by a legal or regulatory authority;
- been involved in any bankruptcy, receivership or liquidation proceedings as an executive or corporate officer, other than the liquidation proceedings referred to in section 14.1.2;
- been barred from acting as a member of an administrative, management or supervisory body, or from participating in the management of an issuer;
- been charged with an offense and/or officially sanctioned by a statutory or regulatory authority (including designated professional bodies).

14.1.5 Disclosures concerning the nature of family ties between members of the management bodies

None.

14.1.6 Disclosures concerning shareholdings in the Company

On the date of this Registration Document, Pierre Cesarini held 8,117,452 shares in the Company and Sébastien Martin held 330,500 shares in the Company. Together, these corporate officers hold 2.25% of the Company's share capital and 2.42% of the voting rights. No other member of the Company's management bodies holds shares in the Company.

15

COMPENSATION AND BENEFITS

15.1 COMPENSATION AND BENEFITS IN KIND

Tables 1, 2, 3 and 11 of the "AMF Position and Recommendations (2014-14) in relation to the Guide for the preparation of Registration Documents" are set forth here below. Tables 4, 5, 6, 7, 9 and 10 are not applicable and table 8, concerning the allocation of bonus shares, stock options and other instruments, is set out in section 21.4 and in the Appendix under "Report of the Management Board", set out in section 26.1.

The information related to total gross compensation and benefits of all kinds paid or due to each corporate officer in respect of the 2014-2015 and 2015-2016 fiscal years, from Avanquest itself and from companies controlled by it within the meaning of Article L. 233-16 of the French Commercial Code, is indicated below.

Summary of compensation and options/shares allocated to executive corporate officers

(in €)	**2015-2016**	2014-2015
Bruno Vanryb*		
Compensation due for the fiscal year		465,410
Value of options allocated in the fiscal year		-
Value of performance shares allocated in the fiscal year		-
TOTAL		**465,410**
Pierre Cesarini		
Compensation due for the fiscal year	508,817	727,500
Value of options allocated in the fiscal year	-	-
Value of performance shares allocated in the fiscal year	-	-
TOTAL	**508,817**	**727,500**
Sébastien Martin		
Compensation due for the fiscal year	322,575	
Value of options allocated in the fiscal year	-	
Value of performance shares allocated in the fiscal year	-	
TOTAL	**322,575**	

* *Bruno Vanryb resigned from his position as Chairman of the Board of Directors on June 23, 2015.*

The variable portions are paid upon the attainment of revenue, EBITDA and operating result targets, as well as individual targets that are confidential but agreed by the Appointments and Compensation Committee.

Table summarizing the compensation of each executive corporate officer

(in €)	2015-2016		2014-2015	
	Amount due	Amount paid	Amount due	Amount paid
Bruno Vanryb[(1)]				
Fixed compensation			45,833	45,833
Variable compensation			4,167	4,167
Fees[(2)]			410,000	232,000
Exceptional compensation			-	-
Directors' fees			4,000	4,000
Benefits in kind			1,410	1,410
TOTAL			**465,410**	**287,410**
Pierre Cesarini				
Fixed compensation	166,667	166,667	166,667	166,667
Variable compensation	-	-	-	-
Fees[(3)]	327,150	74,384	545,833	546,638
Exceptional compensation	-	-	-	-
Directors' fees	-	-	-	-
Benefits in kind	15,000	15,000	15,000	15,000
TOTAL	**508,817**	**256,051**	**727,500**	**728,305**
Sébastien Martin				
Fixed compensation	100,834	100,834		
Variable compensation	103,000	3,000		
Fees	118,741	118,741		
Exceptional compensation	-	-		
Directors' fees	-	-		
Benefits in kind	-	-		
TOTAL	**322,575**	**222,575**		

* *Bruno Vanryb resigned from his position as Chairman of the Board of Directors on June 23, 2015.*
(2) *Fees were paid in the 2014-2015 fiscal year for advisory services related to the Group's financial restructuring and the disposal of assets (see below).*
(3) *2014-2015 fiscal year: fees include exceptional compensation of €462,500 (see below), and services billed by Elendil to the Avanquest North America subsidiary for an amount equivalent to €83,333, in respect of strategic assignments. 2015-2016 fiscal year: fees include exceptional compensation of €253,000 (see below), and services billed by Elendil to the Avanquest North America subsidiary for an amount equivalent to €69,600.*

Salaries paid at Avanquest are within the average range for the market.

Variable portions are paid upon the attainment of operating result targets and individual targets.

Pierre Cesarini and Sébastien Martin both receive annual variable compensation in accordance with statutory requirements and with the applicable rules of good governance, according to the attainment of operating result targets and income targets.

The maximum annual variable compensation for Pierre Cesarini is €175 thousand.

However, in July 2016 Pierre Cesarini announced to the Supervisory Board that he would waive his variable compensation for the 2015-2016 fiscal year.

The maximum annual variable compensation for Sébastien Martin is 50% of his annual fixed compensation, which is €200 thousand. Sébastien Martin has been a salaried employee of the Company since January 1, 2016 and did not therefore receive any compensation during the 2014-2015 fiscal year. His variable compensation for the 2015-2016 fiscal year was calculated according to the criteria set forth below. The fees are related to advisory work carried out in the first six-month period.

The Appointments and Compensation Committee, which met on October 8, 2015, gave the following recommendation concerning executive compensation:

The variable portion of senior manager salaries is defined as follows:

- 1/3 based on a revenue criterion (achieving the budgeted revenue for the fiscal year);
- 1/3 based on an EBITDA criterion (achieving the budgeted EBITDA for the fiscal year);
- 1/3 at the discretion of the Chairman of the Management Board (qualitative criterion).

The calculation base is the average amount for the last three years.

Pierre Cesarini's bonus is based on the same criteria, but the qualitative third is set by the Supervisory Board.

The qualitative third is determined, as the case may be, by the Chairman of the Management Board or by the Supervisory Board, on a discretionary basis, on conclusion of the fiscal year in question.

The criteria applied to determine the variable compensation for the 2014-2015 fiscal year were the same.

Pierre Cesarini has a contract with provision for severance pay in the event that the Board of Directors were to decide to revoke or not renew his term of office as Chief Executive Officer. This severance pay, equal to eight months gross salary, is subject to various performance criteria. Pierre Cesarini is also bound by a non-competition clause for a period of one year from conclusion of his term of office, renewable once for an additional 12-month period.

The Supervisory Board meeting of July 8 approved the related-party agreement with Elendil, a company managed by Pierre Cesarini, concluded on January 20, 2016. This agreement relates to advisory services concerning structuring and arranging financing.

Table setting out directors' fees and other compensation due to non-executive corporate officers

(in €)	**2015-2016**	2014-2015
Roger Bloxberg[(1)(2)]		
Directors' fees		4,000
Other compensation	432,939	387,204
TOTAL	**432,939**	**391,204**
Todd Helfstein[(1)(2)]		
Directors' fees		4,000
Other compensation	447,639	389,661
TOTAL	**447,639**	**393,661**
Philippe Misteli[(1)(3)]		
Directors' fees		4,000
Other compensation	150,000	275,000
TOTAL	**150,000**	**279,000**
Amélie Faure[(1)]		
Directors' fees		13,000
TOTAL	**0**	**13,000**
Andrew Goldstein[(1)]		
Directors' fees		6,500
TOTAL	**0**	**6,500**
Ariane Gorin[(1)]		
Directors' fees		13,000
TOTAL	**0**	**13,000**
Olivier Hua[(1)]		
Directors' fees		13,000
TOTAL	**0**	**13,000**
Roger Tondeur[(1)]		
Directors' fees		11,000
TOTAL	**0**	**11,000**
Frédéric Paul[(1)]		
Directors' fees	6,000	
TOTAL	**6,000**	**0**
Marie-Christine Levet[(1)]		
Directors' fees	7,000	
TOTAL	**7,000**	**0**
Luisa Munaretto		
Directors' fees	16,000	
TOTAL	**16,000**	**0**
Caroline Bouraine Le Bigot		
Directors' fees	14,000	
TOTAL	**14,000**	**0**
Marc Goldberg[(1)]		
Directors' fees	14,000	
Other compensation	444,000	
TOTAL	**458,000**	**0**
Jean-Loup Rousseau		
Directors' fees	6,000	
TOTAL	**6,000**	**0**

(1) *Persons no longer holding a term of office on the date of this report. A new Board of Directors was set up in July 2015; for further details, please refer to section 14.1 of this Registration Document.*
(2) *The other compensation of Messrs Bloxberg and Helfstein consists of salary payments received as employees of the US subsidiary, Avanquest North America.*
(3) *The other compensation of Philippe Misteli consists of fees paid in respect of two related-party agreements, one with Philippe Misteli and the other with Philippe Misteli's company, 1050 Partners.*

Note: compensation paid in a currency other than the euro is converted at the average exchange rate for the fiscal year.

The General Shareholders' Meeting of November 30, 2015 set the amount of directors' fees to be allocated to the Supervisory Board members as a whole, for the 2015-2016 fiscal year, at €80 thousand.

At the Supervisory Board meeting of January 26, 2016, members decided on the following terms and conditions:

- each Board member is paid €12 thousand for physical attendance at two Supervisory Board meetings, in other words, €6 thousand per Supervisory Board meeting;
- in excess of two meetings, compensation of €2 thousand per Board meeting will be granted;
- Supervisory Board meetings that do not require physical presence are not remunerated;
- participation in the meetings of specific Committees is paid €1 thousand per quarter and per Committee.

The members of the Appointments and Compensation Committee were nominated at the same Supervisory Board meeting and the internal regulations of that Committee were approved; its composition and its mode of operation are described in section 16.3.2.

With regard to the variable compensation of Philippe Misteli, it should be noted that:

The Board of Directors' meeting of November 6, 2014 authorized the conclusion of a related-party agreement with 1050 Partners, controlled by Philippe Misteli, whose mission is to assist and develop Avanquest's business through the provision of advisory services in finance, administration, financial structuring and raising capital. Since the agreement ended on June 30, 2015, a new related-party agreement was authorized by the Board of Directors at its meeting of March 30, 2015, for a period running until June 30, 2016 at the latest. This agreement specifies a flat-rate fee of €12,500, exclusive of tax, per month. At June 30, 2016, amounts recognized during the fiscal year in respect of that agreement reached €150 thousand.

The table below summarizes the total gross compensation and benefits of all kinds due to each corporate officer, in respect of the 2015-2016 fiscal year, from both Avanquest itself and from companies controlled by it within the meaning of Article L. 233-16 of the French Commercial Code.

Gross compensation due in respect of 2015-2016

Granted *(in €)*	Fixed portion	Variable portion	Benefits in kind	Fees(2)	Allocation of equity or debt securities	Directors' fees	**Total**
Pierre Cesarini	166,667		15,000	327,150			508,817
Sébastien Martin	100,834	103,000		118,741(3)			322,575
Caroline Bouraine Le Bigot						14,000	14,000
Luisa Munaretto						16,000	16,000
Jean-Loup Rousseau						6,000	6,000
Marc Goldberg(1)				444,000		14,000	458,000
Marie-Christine Levet(1)						7,000	7,000
Frédéric Paul(1)						6,000	6,000
Philippe Misteli(1)				150,000			150,000
Roger Bloxberg(1)	270,222	146,370	16,347				432,939
Todd Helfstein(1)	270,222	146,370	31,047				447,639
	807,944	**395,740**	**62,394**	**1,039,891**	**0**	**63,000**	**2,368,969**

(1) *Persons whose term of office had ended as at the date this report was drafted.*
(2) *Elendil & Navendis €0.3 million, InFusio Consulting €0.1 million, Maslow Capital Partners €0.4 million, 1050 Partners €0.15 million.*
(3) *From July to December 2015.*

The Board of Directors of Avanquest has not yet taken a position with regard to compensation in terms of the practices outlined by the AFEP-MEDEF Code. Avanquest refers to the MiddleNext Corporate Governance Code for small and mid cap stocks, dated December 2009.

Details of the conditions governing compensation and other benefits granted to executive corporate officers

	Employment contract		Supplementary pension plan		Indemnities or benefits due, or likely to fall due, as a result of termination or change of duties		Indemnities related to a non-competition clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Pierre Cesarini	**X**			**X**	**X**		**X**	
CEO and Chairman of the Management Board								
Date of start of term of office as Chairman and CEO: 6/23/2015								
Date of start of term of office as Chairman of the Management Board: 1/1/2016								
Date of end of term of office: 1/1/2022								
Sébastien Martin*								
Group Chief Finance Officer and member of the Management Board	X			X		X		X
Date of start of term of office: 1/1/2016								
Date of end of term of office: 1/1/2022								

* *Sébastien Martin was appointed a member of the Management Board with effect from January 1, 2016, at the Supervisory Board meeting of January 12, 2016.*

15.2 AMOUNTS SET ASIDE AS PROVISIONS OR OTHERWISE RECOGNIZED BY THE ISSUER OR BY ITS SUBSIDIARIES FOR THE PAYMENT OF PENSIONS, RETIREMENT ANNUITIES OR OTHER BENEFITS

No amounts have been set aside or otherwise recognized by the Company for the payment of pensions, retirement annuities or benefits in favor of corporate officers of the Company.

The Company has not granted any joining or leaving bonus in favor of these persons.

15.3 BONUS SHARES, SUBSCRIPTION WARRANTS AND STOCK OPTIONS ALLOCATED TO CORPORATE OFFICERS

A detailed description of the terms of each plan is set out in section 26.1 *"Report of the Management Board"*, of the Appendix to this Registration Document. The figures indicated correspond to the number of shares that may be subscribed through the exercise of each subscription right or convertible security.

16

FUNCTIONING OF THE ADMINISTRATIVE AND MANAGEMENT BODIES

On January 1, 2016, the mode of governance of Avanquest SA changed from a *société anonyme* with a Board of Directors to that of a French *société anonyme* with a Management Board and Supervisory Board. Details of the functioning of the Company's previous management bodies and its internal control procedures are set out in section 26.3, "Chairperson's report", which forms part of the Appendix to this Registration Document. All information concerning related-party agreements is set out in section 26.5, in the special report of the Statutory Auditors on Related-party Agreements and Commitments, which forms part of the Appendix to this Registration Document. The functioning of the Supervisory Board is set out in detail in section 16.3 below.

16.1 TERMS OF OFFICE OF MEMBERS OF THE SUPERVISORY BOARD AND EXECUTIVES

The terms of office of members of the Supervisory Board and of executives of the Company are set out in detail in section 14.1.2 of this Registration Document.

16.2 SERVICE CONTRACTS GRANTING BENEFITS ON EXPIRY

Readers are referred to section 19 "Related-party transactions".

16.3 FUNCTIONING OF THE SUPERVISORY BOARD AND ITS COMMITTEES

16.3.1 Supervisory Board and Management Board

The Combined General Shareholders' Meeting of November 30, 2015, in its 15th resolution, decided to modify the mode of administration and management of the Company, through the adoption of the form of a French *société anonyme* with a Management Board and Supervisory Board *(Directoire* and *Conseil de surveillance),* effective as of January 1, 2016. This mode of governance has been in place since that time and the Management Board and Supervisory Board have been set up.

On the date of release of this Registration Document, the Supervisory Board comprised three members who are identified in the table set out in section 14.1.1.2. The members qualify as independent members since they satisfy the criteria established in that regard by the MiddleNext Corporate Governance Code. The Supervisory Board does not have a member elected by employees. A list of the terms of office and positions of each member of the administrative and management bodies of Avanquest, both in the Company and in other companies, appears in section 14 of this Registration Document.

On January 26, 2016, the Supervisory Board of Avanquest SA adopted a new set of internal regulations. The purpose of these regulations is to define, as part of good governance, the role and duties of members of the Supervisory Board including the obligation of confidentiality, duties of independence and of loyalty, the obligation of diligence, the duty of transparency and provision of information concerning the Company and, finally, the obligation of respect for stock market regulations, specifically that of abstinence from market participation when in possession of privileged information.

The Supervisory Board exercises permanent oversight over the Management Board's running of the Company. It may perform the verifications and checks it deems necessary at any time of year, and it may request from the Management Board any documents it deems useful for the performance of its mission. Supervision is carried out as follows:

- verifying the absence of any serious fault in the executive function, including the choice of strategic options that could compromise the Company's long-term performance;
- participating in successful governance by following the watch-points set out in the MiddleNext Corporate Governance Code;
- reporting to shareholders on their supervisory duty through the Board's report to the General Shareholders' Meeting to approve the annual financial statements and through the report of the Chairperson of the Supervisory Board on the conditions for the preparation and organization of the Board's work and on internal control and risk management, and assuming responsibility for them.

The Management Board is vested with the most extensive powers in order to act in the name of the Company under all circumstances, within the limits of the corporate purpose and subject to the limits expressly reserved for Shareholders' Meetings and for the Supervisory Board by law and by the Articles of Association. In its relations with third parties, the Company is committed by the actions of the Management Board even if they are not relevant to the corporate purpose, unless it can prove that the third party in question knew that the action exceeded this purpose or could not be unaware of this fact given the circumstances, with the exclusion that the publication of the Articles of Association alone shall not constitute sufficient proof. The members of the Management Board may, with the authorization of the Supervisory Board, distribute the management tasks among themselves. Nevertheless, under no circumstances may this distribution have the effect of removing from the Management Board its position as the entity that collectively ensures the overall management of the Company.

Each quarter, the Management Board presents a report to the Supervisory Board outlining the main actions or events concerning the Company's management, including all matters required to provide the Board with a clear view of the development of the Company's corporate activity, as well as a full report on business activity for the quarter.

Following the end of each fiscal year and within the statutory time frame, the Management Board presents the Supervisory Board with the Company's annual financial statements, the consolidated financial statements and its report to the General Shareholders' Meeting, for the purposes of verification and control.

Before each review of related-party agreements by the General Shareholders' Meeting, the Management Board draws up a statement of ongoing agreements and reviews the interests involved in each one, while specifying those which will fall under the Statutory Auditors' report and those which have not been changed. A presentation is then given to the Supervisory Board as part of the Management Board's report. If the Supervisory Board has any questions concerning these agreements, it may address them to the Management Board. If the Supervisory Board has any observations on the agreements, they will be detailed in its report to the General Shareholders' Meeting.

Prior to the conclusion of each related-party agreement, a draft agreement and a presentation of the Company's corresponding interest are submitted to the Supervisory Board for its authorization as part of the statutory audit.

The Board may decide to set up permanent or temporary Committees from among its members, intended to facilitate the Board's work and to contribute effectively to its decision-making. These Committees have a role in researching and preparing certain Board deliberations and they submit their opinions, proposals or recommendations to the Supervisory Board. On January 26, 2016, the Supervisory Board set up an Audit Committee and an Appointments and Compensation Committee.

The reader is referred to the Appendix under "Chairperson's report on internal control 2015-2016" in section 26.3 below concerning the powers of the management bodies.

16.3.2 Appointments and Compensation Committee

Avanquest SA has set up an **Appointments and Compensation Committee,** which is responsible for making proposals to the Board of Directors with regard to compensation and appointments.

Concerning appointments, the Committee is responsible for:

- presenting recommendations to the Supervisory Board on the composition of the Management Board, the Supervisory Board and its Committees;
- discussing the "independent member" status of each member of the Supervisory Board upon his/her nomination;
- presenting to the Supervisory Board, each year, a list of members who may qualify as "independent members" with regard to the rules and recommendations applicable in France and on the regulated markets where the Company's shares are admitted to trading and, in particular, with regard to the criteria established by the Code of Corporate Governance for small and mid cap stocks, as published by MiddleNext;
- establishing a succession plan for executive corporate officers to deal with unforeseen vacancies and to assist the Board in its consideration and selection of the Chairperson of the Supervisory Board, the members of the Supervisory Board and the members of the Management Board;
- organizing a procedure for the selection of future independent members of the Supervisory Board (particularly, carrying out research on potential candidates before approaching them in any way);
- preparing a list of people who may be considered suitable for membership of the Management Board or of the Supervisory Board;
- preparing a list of members of the Supervisory Board who may be considered suitable for membership of one of the Board's committees;
- discussing the industrial and financial skills and/or expertise of the members of the Supervisory Board nominated for the Audit Committee, and submitting their opinions to the Supervisory Board.

Concerning compensation, the Committee is responsible for:

- examining the main targets proposed by the Management Board in relation to the compensation of non-executive corporate officers of the Company and of the Group;
- examining the compensation of non-executive corporate officers;
- formulating recommendations and proposals, with the Board, concerning:
  - the compensation, pension and insurance protection plan, retirement supplements, benefits in kind and the various pecuniary rights of members of the Management Board,
  - the amount and structure of compensation of Management Board members and, in particular, the rules for fixing the variable portion, taking into account the strategy, targets and performance of the Company and of the Group, as well as market practice. It then monitors the application of those rules;
- examining the total amount of directors' fees and the system for distributing them among members of the Supervisory Board, as well as the conditions for reimbursing fees incurred by members of the Supervisory Board;
- preparing the corporate governance rules applicable to the Company and monitoring their implementation;
- proposing the procedures for evaluating the work of the Supervisory Board and of its Committees and ensuring their implementation;
- preparing and presenting the reports required according to the Supervisory Board's internal regulations;
- delivering all other recommendations that may be required from it, at any time, by the Supervisory Board or by the Management Board, with regard to compensation.

The role and work of the Committee is governed by internal regulations.

On the date of filing of this Registration Document, the Appointments and Compensation Committee consists of:

- Luisa Munaretto;
- Caroline Bouraine Le Bigot.

16.3.3 Audit Committee

On January 16, 2016, Avanquest SA set up an Audit Committee comprising two members.

Under the exclusive and collective responsibility of the members of the Supervisory Board, the Audit Committee ensures full monitoring of all matters related to the preparation and control of accounting and financial information. In particular, the Audit Committee is responsible for:

- monitoring the procedures for the preparation of financial information;
- monitoring the effectiveness of internal control and risk management systems;
- monitoring the statutory audit of the annual financial statements and, as the case may be, the consolidated financial statements, by the Statutory Auditors;
- issuing a recommendation on the Statutory Auditors put forward for appointment by the General Shareholders' Meeting and reviewing their payment terms and conditions;
- monitoring the independence of the Statutory Auditors;
- in general, providing any advice and making any appropriate recommendation in the above-mentioned areas.

The Audit Committee is a purely consultative body; it reports regularly to the Supervisory Board on its missions and informs it straightaway of any issues that may arise with regard to its duties.

On the date of this report, the Audit Committee consists of Luisa Munaretto and the Chairwoman, Caroline Bouraine Le Bigot, who both undertake these responsibilities for the entire duration of their terms of office within the Supervisory Board or until the aforesaid Board should decide otherwise.

The Audit Committee held its last meeting on September 28, 2016.

16.4 DISCLOSURE CONCERNING CORPORATE GOVERNANCE

Avanquest follows corporate governance principles and applies, in particular, those best suited to its size. Avanquest refers to the MiddleNext Corporate Governance Code for small and mid cap stocks, dated December 2009.

The Supervisory Board has also noted the watch-points of the MiddleNext Corporate Governance Code and considers that it adheres to all the recommendations specified therein, with the exception of recommendation No. 2, “Definition and transparency of the compensation of executive corporate officers”. As indicated in section 15.1 below, the qualitative third of the senior managers' variable compensation is not determined in advance but at the end of the fiscal year in question. The Company expects to comply with the recommendation as of the next fiscal year (2016-2017, ending June 30, 2017).

On the date of this Registration Document, the Company's Supervisory Board has three independent members, that is, 100% of its members.

16.5 INDEPENDENT MEMBERS

The Company has three independent members: Luisa Munaretto, Jean-Loup Rousseau and Caroline Bouraine Le Bigot, all of whom, since their appointment, have satisfied the requirements of recommendation No. 8 of the MiddleNext Corporate Governance Code, namely:

- not being a salaried employee or executive corporate officer of the Company or of a company forming part of its Group, nor having been so within the last three years;
- not being a significant customer, supplier or banker of the Company or of its Group, or for whom the Company or its Group represents a significant proportion of its business;
- not being a major shareholder of the Company;
- not having any close family tie with a corporate officer or with a major shareholder of the Company; and
- not having been an auditor of the Company within the last three years.

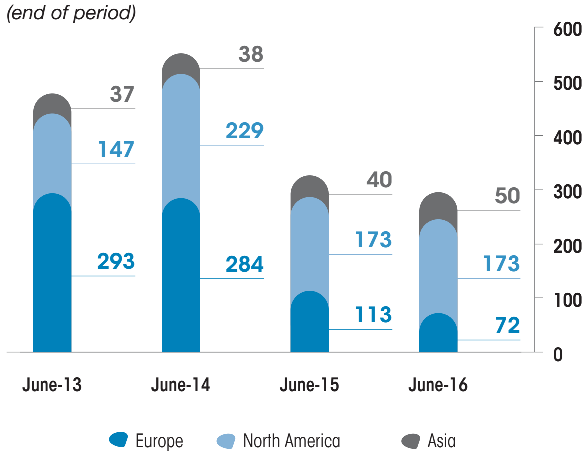
17

EMPLOYEES

17.1 HEADCOUNT AT JUNE 30, 2016

As of June 30, 2016, the Avanquest group had 295 employees, compared with 326 at June 30, 2015, 551 at June 30, 2014 and 477 at June 30, 2013. The change in the United States headcount between June 30, 2013 and June 30, 2016 is due to the growth of the FreePrints (PlanetArt) business and the development of the myDevices business. The decline in the European headcount is due to the disposal of ProcessFlows and Avanquest Software Publishing Ltd, subsidiaries which had substantial headcounts in Bulgaria and in the United Kingdom.

CHANGE OF HEADCOUNT
(end of period)



17.2 EQUITY INTERESTS AND EMPLOYEE SHARE OWNERSHIP

17.2.1 Stock options and bonus shares

Up to 2008, Avanquest SA granted share subscription options (hereinafter the **"Options"**) in preference to share purchase options. Since 2008, Avanquest has favored bonus share allocation plans **("bonus shares").**

Nevertheless, the Group has not authorized either a stock option plan or a bonus share plan since 2013.

On October 8, 2015, the Group issued 240,000 bonus shares to Thierry Bonnefoi, the former Group Chief Finance Officer, in respect of an agreement dating from November 6, 2014.

96,000 bonus shares were allocated to Company employees as part of the bonus share plan approved by the Board of Directors on June 27, 2014.

A detailed description of the terms of each plan is set out in section 26.1, "Management report", of this Registration Document. The figures indicated correspond to the number of shares that may be subscribed through the exercise of each right or convertible security.

17.2.2 Profit sharing and incentive agreements

Employees of Avanquest benefit from the statutory provisions with regard to incentive agreements. No payments were made in respect of incentive or profit sharing plans in the 2015-2016 fiscal year.

17.2.3 Employee share ownership agreements

Besides the stock option plans and the bonus share plans, there is no employee share ownership plan currently in operation.

17.3 SOCIAL AND ENVIRONMENTAL INFORMATION

The regulatory framework for the CSR report is set forth in Article R. 225-105-1 of the French Commercial Code. The information provided in the CSR report was verified by a certificate of inclusion issued by Bureau Veritas, covering the social, societal and environmental information. The CSR report is available in the 2015-2016 management report included as an Appendix to this Registration Document.

18

MAIN SHAREHOLDERS

18.1 SHAREHOLDER BASE OF THE COMPANY

The distribution of the Company's shareholder base, at June 30, 2016, was as follows:

Shareholders	Number of shares	% share capital	Number of voting rights	% of voting rights
Executives, managers and directors	18,115,667	4.83%	18,115,667	5.20%
Former managers & directors	15,001,110	4.00%	15,001,110	4.30%
Institutional funds	46,087,635	12.28%	46,087,635	13.23%
Floating	269,269,352	71.74%	269,269,352	77.27%
Treasury shares	26,844,791	7.15%		
TOTAL	**375,318,555**	**100.00%**	**348,473,764**	**100.00%**

To the Company's knowledge, there are no other shareholders directly or indirectly holding more than 5% of the share capital or voting rights.

The distribution of the Company's shareholder base has changed as follows since June 2014:

	June 30, 2016		June 30, 2015		June 30, 2014	
Shareholders	% share capital	% of voting rights	% share capital	% of voting rights	% share capital	% of voting rights
Executives, managers and directors	4.83%	5.20%	14.17%	14.17%	11.92%	11.96%
Former managers & directors	4.00%	4.30%				
Institutional funds	12.28%	13.23%	27.93%	27.94%	21.23%	21.30%
Floating	71.74%	77.27%	57.86%	57.88%	66.52%	66.74%
Treasury shares	7.15%	0.00%	0.04%		0.32%	
TOTAL	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

18.2 VOTING RIGHTS

The voting right attached to shares is proportional to the share capital represented by those shares. At Shareholders' Meetings, each share (excluding treasury stock) carries the right to one vote.

The General Shareholders' Meeting of March 12, 2015 decided, in accordance with Article L. 225-123 of the French Commercial Code, not to grant any double voting rights (i) to fully paid up Company shares for which registration in the name of the same shareholder could be documented for a minimum of two years, (ii) or to any registered Company shares allocated as bonus shares as part of a capital increase through capitalization of reserves, profits or issue premiums, to a shareholder.

For further information on voting rights, readers are referred to section 21.13.3.

18.3 CONTROL

On the date of filing this Registration Document, the Company is not controlled, either directly or indirectly, as defined by European regulations.

At the present time, no measures are taken by the Company to ensure that there is no abuse of control.

18.4 CROSSING OF THRESHOLDS

To the Company's knowledge, the following thresholds were declared crossed during the 2015-2016 fiscal year:

On March 10, 2016, Trends Finance SA declared that it had descended below the 5% thresholds of capital and voting rights of Avanquest on March 10, 2016, following an off-market disposal of shares. The Luxembourg company stated in a financial notice that it no longer held any of the software publisher's shares.

On March 22, 2016, the French *société par actions simplifiée* **Amiral Gestion,** acting on behalf of funds that it manages, declared that it had descended below the 10% thresholds of capital and voting rights of Avanquest on March 22, 2016, and therefore held, on behalf of the aforesaid funds, 36,537,179 Avanquest shares, representing 9.74% of the capital and voting rights, following a disposal of shares on the market.

On May 2, 2016, the French *société par actions simplifiée* **Amiral Gestion,** acting on behalf of funds that it manages, declared that it had descended below the 5% thresholds of capital and voting rights of Avanquest on May 2, 2016, and therefore held, on behalf of the aforesaid funds, 4.93% of the capital and voting rights, following a disposal of shares on the market.

19

RELATED-PARTY TRANSACTIONS

AGREEMENT CONCLUDED WITH ELENDIL

Interested party	Pierre Cesarini, Chairman of the Management Board and Manager of Elendil.
Effective date and period	From January 20, 2016 for the duration of the Indigo project, a project which cannot last longer than one year unless mutually agreed by the parties.
Retrospective authorization	Supervisory Board meeting of July 8, 2016. This agreement was not granted prior authorization by the Supervisory Board due to an oversight.
Subject	Provision of advisory services and support for the Indigo project.
Motive	The Board decided to authorize this agreement due to the specific need for advisory services to structure and arrange financing for the search for industrial and financial partners enabling the acquisition of Indigo.
Conditions	A flat fee of €250,000, exclusive of tax, plus €3,000, exclusive of tax, in sundry expenses payable upon completion of the project or upon its termination.
Amount	In accordance with the agreement, the Company recognized an expense of €253,000, exclusive of tax, in the financial statements for the fiscal year ended June 30, 2016.

AGREEMENT CONCLUDED WITH MASLOW CAPITAL PARTNERS

Interested party	Marc Goldberg, director, then Chairman of the Supervisory Board until June 3, 2016, and Chairman of Maslow Capital Partners.
Effective date and period	July 10, 2015 – Period: six months, renewable automatically by tacit agreement for successive six-month periods.
Retrospective authorization	Supervisory Board meeting of June 8, 2016. Since Marc Goldberg began his term of office on July 22, 2015, that is, after the date of signature of the agreement, the Board had initially considered that the agreement would not be treated as a related-party agreement, before subsequently reclassifying it and submitting it to the procedures set out in Article L. 225-86 of the French Commercial Code and referring it to members of the Board for authorization.
Subject	Agreement for the provision of financial advisory services. As part of the Raoul project, Avanquest concluded an agreement with the financial consultant Maslow Capital Partners to carry out a valuation of Avanquest assets while organizing, negotiating and structuring one or several merger/acquisition transactions.
Motive	The Board decided to authorize this agreement due to the context and the Company's need for advisory and support services with regard to mergers and acquisitions by an experienced and informed financial adviser.
Conditions	This agreement specifies a fixed fee of €10,000 per month, exclusive of tax. Furthermore, a 5% performance fee, plus an additional 2% at the discretion of the Company, is specified in the event of completion of specific merger/acquisition transactions.
Amount	In accordance with the agreement, the Company recognized an expense of €444,000, exclusive of tax, in the financial statements for the fiscal year ended June 30, 2016.

AGREEMENT CONCLUDED WITH FPB INVEST

Interested party	Frédéric Paul, manager of FPB Invest and representative of RE Finance Consulting SA, member of the Supervisory Board until March 8, 2016.
Effective date and period	February 29, 2016 until the date of completion and, at the latest, April 15, 2016.
Prior authorization	Supervisory Board meeting of March 7, 2016.
Subject	Off-market buyback of a block of shares.
Motive	Seeking to grant a request from a shareholder to sell its interest and withdraw capital, the Company implemented an off-market share buyback program.
Conditions	The Supervisory Board meeting of March 7, 2016 authorized the Company to enter into a related-party agreement with FPB Invest, setting out the terms and conditions for the disposal of a block of 23,629,791 shares in Avanquest, held by FPB Invest, and the buyback of the block of shares at the price and up to the limit specified in the share buyback program, the total price of the disposal amounting to €2,592,928.97.
Amount	The Company recognized marketable securities amounting to €2,592,928.97, exclusive of tax, under balance sheet assets in the financial statements for the fiscal year ended June 30, 2016.

AGREEMENT CONCLUDED WITH 1050 PARTNERS

Interested party	Philippe Misteli, director until December 31, 2015 and Chairman of 1050 Partners.
Effective date and period	Effective from April 1, 2015 and ending June 30, 2016 at the latest.
Prior authorization	Board of Directors' meeting of March 30, 2015.
Review	Supervisory Board meeting of September 30, 2016.
Subject	Mission to support and develop Avanquest's business. Provision of advisory services in finance, administration, financial structuring and raising capital.
Motive	The Board decided to authorize this agreement due to the context and the Company's need for assistance.
Conditions	Fixed monthly fee of €12,500, exclusive of tax.
Amount	At June 30, 2016, the amounts recognized as expenses during the fiscal year in respect of that agreement reached €150,000, exclusive of tax.

AGREEMENT CONCLUDED WITH PIERRE CESARINI

Interested party	Pierre Cesarini, Chairman of the Management Board
Effective date and period	May 14, 2013 until the termination of his office.
Prior authorization	Board of Directors' meeting of May 14, 2013.
Review	Board of Directors' meeting of October 18, 2015. Supervisory Board meeting of September 30, 2016.
Subject	Severance pay and non-competition indemnity.
Motive	This payment is compensation that will be paid to him by the Company in the event of termination of his position as Chief Executive Officer and in respect of the obligation of non-competition to which he will be bound.
Conditions	**1.** Severance pay: Unless he resigns or is found guilty of serious or gross misconduct, Pierre Cesarini will be paid severance pay, by the Company, equivalent to eight (8) months of his gross compensation, in the event of termination of his position as Chief Executive Officer prior to the end of his term of office or if his position in that office is not renewed. Either way, this severance pay shall be paid subject to the satisfaction of the following prior conditions, as ascertained by the Board of Directors: (x) ■ the Executive must have received at least 20% of his annual bonus (as defined below) during: – the fiscal year prior to the date of termination of his position as Chief Executive Officer, if this occurs before the end of the second year following his commencement of duties, – the two fiscal years prior to the date of termination of his position as Chief Executive Officer or non-renewal of that position; (y) ■ no significant unfavorable event affecting the business, the financial statements and/or the outlook of the Company and resulting from an executive management decision, may have been found to have occurred as at the date of termination of his position as Chief Executive Officer or non-renewal of that position. The gross annual bonus will be calculated according to the attainment of operating results targets and income targets which will be fixed each year by the Board of Directors of the Company. 40% of the bonus will be calculated based on operating results targets and 60% will be based on income targets, up to a combined maximum allowed amount of €175,000. In the absence of fixed performance targets and qualitative targets to be achieved during the fiscal year ended June 30, 2014, the Board of Directors' meeting of July 17, 2014 authorized the Appointments and Compensation Committee's proposal to allocate an amount of variable compensation to Pierre Cesarini equal to 75% of his maximum allowed amount. At its meeting of March 26, 2015, the Board of Directors noted Pierre Cesarini's waiver of the payment due to him amounting to €131,250 in respect of variable compensation for the 2013-2014 fiscal year. At its meeting of February 18, 2015, the Board of Directors noted the absence of any qualitative and performance targets in respect of the fiscal year ended June 30, 2015, in the context of negotiations with banks and the search for funding to accelerate the Group's new strategy. At its meeting of March 26, 2015, the Board of Directors noted Pierre Cesarini's advance waiver of any variable compensation that may fall due to him in respect of the 2014-2015 fiscal year. At its meeting of October 18, 2015, the Board of Directors indicated that the qualitative and performance targets in respect of the fiscal year ended June 30, 2016 would be fixed at a later date, following recommendations from the Appointments and Compensation Committee. The Supervisory Board meeting of July 8, 2016 noted Pierre Cesarini's waiver of any payment in respect of variable compensation that may fall due to him for the 2015-2016 fiscal year. **2.** Non-competition indemnity: For a period of 12 months following the termination of his term of office, Pierre Cesarini will be subject to an obligation of non-competition, for which the Company will pay him a monthly non-competition indemnity of €12,500, exclusive of tax. This obligation of non-competition is renewable once, for an additional 12-month period, subject to the conditions of notification specified in Clause 5.2 of the agreement.
Amount	This agreement did not prove applicable during the fiscal year ended June 30, 2016.

AGREEMENT CONCLUDED WITH NAVENDIS SAS

Interested party	Pierre Cesarini, Chairman of the Management Board and Chairman of Navendis.
Prior authorization	Board of Directors' meeting of September 25, 2013.
Review	Board of Directors' meeting of October 18, 2015. Supervisory Board meeting of September 30, 2016.
Subject	Agreement for the provision of transportation services for individual and business users.
Motive	The Board decided to authorize this agreement due to the Company's specific logistical needs and the favorable rates.
Conditions	Annual amount capped at €5,000, exclusive of tax.
Amount	In accordance with the agreement, the Company recognized an expense of €4,550.10, exclusive of tax, in the financial statements for the fiscal year ended June 30, 2016.

AGREEMENT CONCLUDED WITH ROGER BLOXBERG AND TODD HELFSTEIN

Interested parties	Roger Bloxberg and Todd Helfstein, directors until December 31, 2015.
Prior authorization	Board of Directors' meeting of November 8, 2012.
Review	Board of Directors' meeting of October 18, 2015. Supervisory Board meeting of September 30, 2016.
Subject	Introduction of a plan for share ownership of a subsidiary.
Conditions	As part of the development of the Web-to-Print and Mobile-to-Print business, an agreement was concluded between Avanquest, its subsidiary Avanquest North America, and Messrs Bloxberg and Helfstein, granting an option to purchase a shareholding in PlanetArt. Under this agreement, Messrs Bloxberg and Helfstein will have the possibility, subject to certain conditions, of acquiring a 10% interest in the company, once it is created, at a price equal to double the Company's investment in the US Web-to-Print and Mobile-to-Print business.
Amount	This agreement did not prove applicable during the fiscal year.

FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES

20.1 HISTORICAL FINANCIAL INFORMATION

Pursuant to Article 28 of Regulation (EC) No. 809/2004, the following information is incorporated by reference in this Registration Document:

- Avanquest's consolidated financial statements for 2013-2014, prepared in accordance with IFRS, and the Statutory Auditors' report thereon, contained in sections 20.1 and 20.1.6, respectively, of the Registration Document filed with the AMF on May 6, 2015 (R. 15-033);
- Avanquest's consolidated financial statements for 2014-2015, prepared in accordance with IFRS, and the Statutory Auditors' report thereon, contained in sections 20.2.1 and 20.2.1.3, respectively, of the Registration Document filed with the AMF on June 24, 2016 (R. 16-059).

All of these documents are available on the Company's website at www.avanquest-group.com.

20.2 FINANCIAL STATEMENTS

20.2.1 Consolidated financial statements as of June 30, 2016

20.2.1.1 STATEMENT OF COMPREHENSIVE INCOME

Comprehensive income of -€498 thousand may be reclassified subsequently under profit or loss.

(in € thousand)	Notes	**2015-2016**	2014-2015
Net revenues	**3.5.6.1**	**117,394**	**93,113**
Raw materials and purchases of goods		(44,667)	(31,282)
Other purchases and external expenses		(49,357)	(38,558)
Taxes, fees and similar payments		(177)	(176)
Employee expenses	3.5.6.4	(25,071)	(21,219)
Depreciation and provisions (net of reversals)		(5,441)	(2,920)
Other recurring operating income and expenses	3.5.6.6	(8,790)	(10,398)
Recurring operating income		**(16,110)**	**(11,439)**
Other operating income and expenses	3.5.6.7	(9,996)	15,599
Operating income		**(26,106)**	**4,160**
Net borrowing costs		(67)	(835)
Other financial expenses		(1,920)	(22)
Other financial income		288	1,926
Net financial income	**3.5.6.8**	**(1,699)**	**1,069**
Tax expense	3.5.6.9	(764)	(571)
Share of profit or loss of associates		(19)	41
Net income from continuing operations		**(28,588)**	**4,698**
Net income from discontinued operations	**3.5.6.13**		**(3,166)**
Net income		**(28,588)**	**1,533**
Share of equity owners of the parent company		(28,588)	(6,531)
Share of non-controlling interests		-	8,064

(in € thousand)	Notes	2015-2016	2014-2015
Earnings per share	**3.5.6.12**		
Net earnings per share, Group share *(in €)*		(0.08)	(0.11)
Net earnings per share, Group share, after potential dilution *(in €)*		(0.08)	(0.11)
Net earnings		**(28,588)**	**1,533**
Other items of comprehensive income			
Exchange rate differentials for foreign operations		4,365	534
Exchange rate differentials on net investments in foreign operations		33	708
Gains (Losses) on hedging transactions		-	(207)
Actuarial gains and losses on post-employment obligations		(10)	-
Total other items of comprehensive income		**4,388**	**1,035**
Comprehensive income		**(24,200)**	**2,568**
Share of equity owners of the parent company		(24,200)	(5,953)
Share of non-controlling interests		-	8,521

20.2.1.2 STATEMENT OF FINANCIAL POSITION

(in € thousand)	Notes	6/30/2016	6/30/2015
Goodwill	3.5.4.1	0	4,761
Intangible assets	3.5.4.2	1,497	7,263
Property, plant and equipment	3.5.4.3	458	588
Financial assets		451	738
Equity interests in associated entities		275	2,306
Other non-current receivables	3.5.4.7	363	
Deferred tax assets	3.5.6.11	0	27
NON-CURRENT ASSETS		**3,044**	**15,683**
Inventories and works-in-progress	3.5.4.5	5,007	5,911
Trade receivables	3.5.4.6	4,696	4,753
Current tax assets	3.5.4.7	777	1,330
Other current receivables	3.5.4.7	3,892	5,563
Cash and cash equivalents	3.5.4.8	11,086	30,461
CURRENT ASSETS		**25,457**	**48,018**
TOTAL ASSETS		**28,502**	**63,701**

(in € thousand)	Notes	6/30/2016	6/30/2015
Share capital		37,532	37,498
Share premium and consolidated reserves		(6,850)	(1,700)
Net income, Group share		**(28,588)**	**(6,531)**
EQUITY – SHARE OF EQUITY OWNERS OF THE PARENT COMPANY	**3.5.5.1**	**2,093**	**29,267**
Non-controlling interests		-	-
TOTAL EQUITY	**3.5.5.1**	**2,093**	**29,267**
Non-current financial liabilities	3.5.5.3	585	1,787
Non-current provisions	3.5.5.2	0	286
Other non-current liabilities	3.5.5.5	549	376
TOTAL NON-CURRENT LIABILITIES		**1,134**	**2,449**
Current provisions	3.5.5.2	747	1,282
Current financial liabilities	3.5.5.3	733	4,806
Trade payables		19,565	21,338
Current tax liabilities		1	263
Other current liabilities		4,229	4,297
CURRENT LIABILITIES		**25,275**	**31,985**
TOTAL LIABILITIES		**28,502**	**63,701**

20.2.1.3 CONSOLIDATED CASH FLOW STATEMENT

(in € thousand)	**2015-2016 12 months**	2014-2015 12 months[1]
Operating activities	**-**	**-**
Net income from continuing operations	(28,588)	4,699
Share of profit or loss of associates	19	(41)
Elimination of items without any impact on the cash position or not linked with operations:		
■ Net depreciation and provisions (excluding current provisions)[2]	10,816	4,043
■ Share-based payments (IFRS 2) and other restatements	81	24
■ Net borrowing costs recognized	76	836
■ Gains/(losses) on disposal[3]	3,362	(9,299)
■ Tax expense (including deferred taxes) recognized	764	325
■ Other items	-	(10,657)
Cash flow position	***(13,471)***	***(10,069)***
Changes in working capital requirements	2,497	432
Taxes paid	(332)	308
Net financial interest paid	(116)	(871)
Cash flow from operations	**(11,422)**	**(10,200)**
Investment transactions		
Acquisitions of intangible assets	(584)	(4,094)
Acquisitions of property, plant and equipment	(353)	(315)
Disposals of property, plant and equipment and intangible assets	54	-
Acquisitions of financial assets	(269)	(78)
Disposals of financial assets	412	144
Impact of changes in scope	(446)	10,818
Net cash flow related to investment	**(1,187)**	**6,475**
Financing transactions		
Capital increase[4]	(2,182)	33,231
Dividends received from companies accounted for using the equity method	2,023	-
Share buyback	(2,893)	-
Proceeds from borrowings	-	46,641
Disbursements related to borrowings	(3,577)	(55,953)
Net cash flow related to financing	**(6,629)**	**23,919**
Net cash from discontinued operations	**-**	**(436)**
Changes in cash position	***(19,238)***	***19,758***
Opening cash[5]	30,431	10,524
Impact from variation in exchange rates on cash and cash equivalents	(127)	149
Closing cash[6]	11,066	30,431

(1) Correction of error in the presentation of the statement of cash flow detailed below.
(2) Of which €4.8 million in goodwill amortization for the PlanetArt CGU.
(3) Loss on disposal of Avanquest Software Publishing Ltd. €366 thousand, reclassification of exchange rate differential on goodwill relating to Avanquest Software Publishing Ltd. -€3,594 thousand, disposal of fixed assets of Avanquest North America €38 thousand, proceeds from earn-out process flow unrecognized at June 30, 2015 €550 thousand.
(4) Capital increase €34 thousand following share issue, transaction costs recorded against the issue premium €2,216 thousand, of which €2,046 thousand had not been disbursed at June 30, 2015. These costs correspond mainly to the balance of the fees of the financial intermediaries in charge of the transaction.
(5) Cash and cash equivalents = €30,461 thousand – Bank account overdrafts = €30 thousand.
(6) Cash and cash equivalents = €11,086 thousand – Bank account overdrafts = €20 thousand.

The impact of changes in scope is analyzed below:

(in € thousand)	**2015-2016 12 months**	2014-2015 12 months
Cash impact resulting from the sale of Avanquest Publishing Ltd.	(1,346)	-
Proceeds from the sale of ProcessFlows Ltd. UK	900	3,916
Proceeds from the disposal of Arvixe assets, net of cash transferred	-	14,241
Amount distributed to the minority partner following the sale of Arvixe	-	*(7,641)*
Proceeds from the sale of EMME, net of cash transferred	-	344
Cash impact following the sale of Avanquest Italia	-	(32)
Proceeds from the sale of non-consolidated subsidiary	-	(10)
Impact of changes in scope, net of dividends paid to minority shareholders	**(446)**	**10,818**

Correction to the statement of cash flow at June 30, 2015:

(in € thousand)	2014-2015 12 months published	2014-2015 12 months restated
Net income from continuing operations(1)	**567**	**4,699**
Cash flow position	***(10,069)***	***(10,069)***
Changes in working capital requirements(2)	2,475	432
Taxes paid	308	308
Net financial interest paid	(871)	(871)
Cash flow from operations	**(8,157)**	**(10,200)**
Net cash flow related to investment	**6,475**	**6,475**
Capital increase(2)	31,186	33,231
Proceeds from borrowings	46,641	46,641
Disbursements related to borrowings	(55,953)	(55,953)
Net cash flow related to financing	**21,874**	**23,919**
Net cash from discontinued operations	**(436)**	**(436)**
Changes in cash position	***19,758***	***19,758***

(1) To ensure consistency with the income statement, the restated statement of cash flow uses net income from continuing operations.

(2) The costs relating to the capital increase and not disbursed at the previous year-end, or €2,046 thousand, were adjusted for the net amount of the capital increase and restated accordingly in the change in working capital at June 30, 2015.

20.2.1.4 STATEMENT OF CHANGE IN EQUITY

(in € thousand)	Capital	Issue premium	Translation reserves	Consolidated reserves	Profit/Loss	Group share	Non-controlling interests	Total
AS OF JUNE 30, 2014[(1)]	**27,354**	**124,140**	**(7,340)**	**(100,272)**	**(42,615)**	**1,267**	**1,291**	**2,558**
Exchange rate differentials			581			581	457	1,038
Other items of the comprehensive income	**0**	**0**	**581**	**0**	**0**	**581**	457	**1,038**
Net income for the period					(6,531)	(6,531)	8,064	1,533
Comprehensive income	**0**	**0**	**581**	**0**	**(6,531)**	**(5,950)**	8,521	**2,571**
Capital increase	10,144	(3,321)		26,984		33,807		33,807
Appropriation of retained earnings				(42,615)	42,615	0		0
Share-based payments				23		23		23
Changes in scope				120	0	120	(40)	80
Change in method						0	(2,131)	(2,131)
Distribution of dividends						0	(7,641)	(7,641)
AS OF JUNE 30, 2015	**37,498**	**120,819**	**(6,759)**	**(115,760)**	**(6,531)**	**29,267**	0	**29,267**
Treasury shares				(2,890)		(2,890)		(2,890)
Actuarial gains and losses on post-employment obligations				(10)		(10)		(10)
Exchange rate differentials			776			776		776
Other items of comprehensive income	**0**	**0**	**776**	**(2,900)**	**0**	**(2,124)**	0	**(2,124)**
Net income for the period					(28,588)	(28,588)		(28,588)
Comprehensive income	**0**	**0**	**776**	**(2,900)**	**(28,588)**	**(30,712)**	0	**(30,712)**
Capital increase[(2)(3)]	34	(170)				(136)		(136)
Appropriation of retained earnings				(6,531)	6,531	0		0
Share-based payments				81		81		81
Changes in scope			3,594			3,594		3,594
AS OF JUNE 30, 2016	**37,532**	**120,649**	**(2,389)**	**(125,110)**	**(28,588)**	**2,094**	**0**	**2,094**

(1) Correction of error pertaining to the breakdown non-controlling interests: equity at June 30, 2014 has been restated by a correction to the allocation of goodwill impairment between the Group share and the share of non-controlling interests. This correction increases the share of non-controlling interests and reduces the Group share of equity for a cumulative amount of €772 thousand.

(2) The change in share capital for a net amount of +€34 thousand is due to the creation of 336,000 shares following the allocation of bonus shares.

(3) €170 thousand has been recorded against the share premium. This represents residual transaction costs from the capital increase in June 2015. These costs correspond mainly to the balance of the fees of the financial intermediaries in charge of the transaction.

20.2.1.5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20.2.1.5.1 Highlights for the year

FINALIZATION OF THE GROUP'S REORGANIZATION

As of June 30, 2015, Avanquest group finalized its financial restructuring plan, with its bank debt in France reduced to €1.6 million. This residual bank debt was paid back at the time of receipt of the deferred price for Arvixe in November 2015. This sum of €1.6 million had already been paid into an escrow account opened at *Caisse des dépôts et consignations,* in such a way that the repayments did not negatively impact the cash position. Therefore, as of June 30, 2016, the Group is almost fully debt-free.

The disposal of the ProcessFlows subsidiary, initiated on May 29, 2015, was finalized. Inter-company liabilities and receivables that existed at the time of disposal were written off, generating income of €0.6 million for the Group. In June 2016, the Group signed an agreement with ProcessFlows shareholders, leading to the payment of a definitive earn-out of €0.9 million (of which €0.35 million had been recorded in receivables at the time of disposal), that added to the initial disposal price of €4 million already received by Avanquest, and settling the disposal.

On April 30, 2016, the Group also disposed of its United Kingdom subsidiary, Avanquest Software Publishing Ltd. (specializing in games distribution) for £3.4 million (€4.3 million), with a deferred payment of £0.9 million (of which £0.6 million at less than one year).

Building on these operations, the Group also continued simplifying its legal structure with the universal transfer of assets and liabilities from the EMME SAS subsidiary to Avanquest SA on May 16, 2016.

CHANGE IN GOVERNANCE

In July 2015, a new Board of Directors was constituted, with the appointments of Marc Goldberg, Frédéric Paul, Marie-Christine Levet and Luisa Munaretto.

The Combined General Shareholders' Meeting of November 30, 2015, in its 15th resolution, decided to modify the mode of administration and management of the Company, through the adoption of the form of a French *société anonyme* with a Management Board and Supervisory Board *(Directoire* and *Conseil de surveillance),* effective as of January 1, 2016. This mode of governance has been in place since that time.

The Supervisory Board was formed with the appointment of Marc Goldberg, Chairman, Marie-Christine Levet, Luisa Munaretto and RE Finance Consulting SA, represented by Frédéric Paul. As of June 30, 2016, the Supervisory Board members are Caroline Bouraine Le Bigot, Chairwoman, Luisa Munaretto and Jean-Loup Rousseau.

The Management Board consists of Sébastien Martin and Pierre Cesarini. The Supervisory Board also unanimously decided to appoint Pierre Cesarini as the Chairman of the Management Board.

BUYBACK OF A BLOCK OF SHARES

On March 10, 2016, the Group announced the partial implementation of its share buyback program in accordance with the authority delegated by the General Shareholders' Meeting of November 30, 2015 in its 14th resolution. Accordingly, it repurchased a block of 23,629,791 of its own shares off-exchange, representing 6.30% of its capital, and formerly held by FPB Invest.

Considering that the current share price does not represent the Group's development potential, Avanquest also continued to implement its share buyback program, by purchasing 3,000,000 shares on the market on May 25, 2016.

As of June 30, 2016, Avanquest holds 26,844,791 of its own shares, *i.e*. 7.15% of its capital.

Avanquest will use the shares acquired as part of its buyback program in accordance with the intended purpose, *i.e.:* to stimulate the market, cancel shares, grant shares to employees as part of company savings plans or other shareholder savings plans, and exchange, pay or otherwise transfer shares for acquisitions, mergers, demergers or contributions.

CHANGES IN THE COMPOSITION OF THE SUPERVISORY BOARD AND ITS COMMITTEES

On March 10, 2016, the Group announced the resignation of RE Finance Consulting SA, represented by Frédéric Paul, as member of the Supervisory Board following the disposal of its shares in Avanquest.

On April 22, 2016, the Group announced the appointment of Caroline Bouraine Le Bigot as a member of the Supervisory Board to replace RE Finance Consulting SA. Caroline Bouraine Le Bigot also joined the Audit Committee and the Appointments and Compensation Committee.

On April 22, 2016, the Group announced the resignation of Marie-Christine Levet as member of the Supervisory Board and Appointments and Compensation Committee.

At the Supervisory Board meeting on June 3, 2016, Jean-Loup Rousseau was co-opted as member of the Supervisory Board and Caroline Bouraine Le Bigot was appointed as its Chairwoman. She takes over from Marc Goldberg, who asked to step down from the Supervisory Board so that he could concentrate on the Company's merger/acquisition operations.

20.2.1.5.2 Scope of consolidation

Company	Country	% control	% interest	Consolidation method
Avanquest SA 89/91, boulevard National 92257 La Garenne-Colombes Cedex SIRET No. 329 764 625 00078	France			Parent company
Avanquest America Inc. 2711 Centerville Road, Suite 400 Wilmington, DE 19808	United States	100%	100%	Fully consolidated
Avanquest North America Inc. 23801 Calabasas Road, Suite 2005 Calabasas CA 91302-1547	United States	100%	100%	Fully consolidated
Avanquest Deutschland GmbH Lochhamer Str. 9 82152 Planegg b. München	Germany	100%	100%	Fully consolidated
Avanquest Ibérica SL Calle Peru 6, Edificios Twin Golf 28290 Las Matas, Madrid	Spain	100%	100%	Fully consolidated
Avanquest China Room 1201, Huitong Building 569# East Jin Ling Road Shanghai 200021	China	100%	100%	Fully consolidated
Avanquest Publishing Ltd Meadowlane St Ives, Huntingdonshire	United Kingdom	Fully sold on 4/30/2016	100%	Fully consolidated
EMME Deutschland Lochhamer Str. 9 82152 Planegg b. München	Germany	100% Being wound up	100%	Fully consolidated
Avanquest UK Ltd Sheridan House, 40-43 Jewry Street Winchester, Hampshire SO23 8RY	United Kingdom	100%	100%	Fully consolidated
PlanetArt US LLC 23801 Calabasas Road, Suite 2005 Calabasas CA 91302-1547	United States	100%	100%	Fully consolidated
PC Helpsoft 300-848 Courtney Street Victoria BC V8W 1C4	Canada	100%	100%	Fully consolidated
Arvixe LLC 2711 Centerville Road, Suite 400 Calabasas CA 91302-1547	United States	50%	50%	Equity method
Mediaclip 30 rue de Serres Terrebonne, QC, J6Y 1W3	Canada	22%	22%	Equity method
PlanetArt Ltd Meadowlane, St Ives, Huntingdonshire	United Kingdom	100%	100%	Fully consolidated
Arvixe Ltd Meadowlane, St Ives, Huntingdonshire	United Kingdom	50%	50%	Equity method

20.2.1.5.3 Accounting principles, rules and methods

The consolidated financial statements of the Avanquest group, as of June 30, 2016, include the company Avanquest SA and its subsidiaries (collectively, "the Group") and the Group's share in associates or joint ventures.

Avanquest is a French company listed on the Paris Bourse, whose registered office is situated at 89/91, boulevard National, 92250 La Garenne-Colombes.

The accounting principles used for the preparation of the consolidated financial statements are consistent with IFRS standards and interpretations as adopted by the European Union on June 30, 2016 and available from the website http://ec.europa.eu/internal_market/accounting/ias_fr.htm#adopted-commission.

These accounting policies are consistent with those used to prepare the annual consolidated financial statements for the year ended June 30, 2015, excluding the application of new standards and interpretations that are mandatory for periods beginning on or after July 1, 2015. These accounting principles concern in particular the historical cost convention, except for items recognized at fair value.

The new standards and interpretations which must be applied as of July 1, 2015 are the following:

- amended IAS 19, "Defined benefits plan: Employee contributions";
- annual improvements, 2010-2012 cycle;
- annual improvements, 2012-2014 cycle.

The application of these standards is without significant impact on the financial statements for the period.

The new standards and interpretations that are not mandatory as of July 1, 2015 have not been applied in advance as of June 30, 2016. These are:

- amendment to IAS 1, "Disclosure Initiative";
- amendment to IFRS 11, "Accounting for Acquisitions of Interests in Joint Operations";
- amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization";

No significant impact is expected from the application of these standards.

The new standards and interpretations and amendments already published by the IASB but not yet approved by the European Union are:

- amendments to IFRS 10, IFRS 12 and IAS 28, "Investment Entities: Applying the Consolidation Exception";
- amendments to IAS 7, "Disclosure Initiative";
- amendments to IAS 12, "Deferred Tax: Recovery of Underlying Assets".

The Group is conducting an analysis of the impact and practical consequences of applying these standards.

PRINCIPAL JUDGMENTS AND ESTIMATES FOR THE ANNUAL CLOSING

The 2015-2016 financial statements and notes were approved by the Management Board on September 30, 2016 and reviewed by the Supervisory Board on September 30, 2016.

The financial statements were prepared on a going-concern basis. The underlying principle is explained in Note 20.2.1.5.7 on liquidity risk.

The preparation of the Group's financial statements requires management to use judgments, estimates, and assumptions which have an impact on the amounts recognized in the financial statements as assets, liabilities, income and expenses, as well as disclosures concerning contingent liabilities.

The Group's management regularly reviews its estimates and assessments based on past experience, as well as other factors it considers reasonable, which constitute the basis for its assessments of the carrying amount of assets and liabilities. These estimates are made according to the information available at the time. The estimates can be revised if new information becomes available. Actual results may differ from these estimates if actual experience or conditions are different from the assumptions made.

The principal assumptions and estimates that impacted the preparation of the financial statements for the year ended June 30, 2016 concern the measurement of development costs and goodwill.

CONSOLIDATION METHODS

Scope of consolidation

The annual consolidated financial statements include the financial statements of Avanquest and its subsidiaries prepared to June 30 of each year. Subsidiaries are consolidated from the time the Group takes control and until the date on which such control is transferred outside the Group.

The consolidated financial statements reflect the financial position of the Company and its subsidiaries as well as the Group's interests in any associates and joint ventures.

Companies in which the Group directly or indirectly holds the majority of voting rights (subsidiaries) are fully consolidated. Companies in which the Group has a stake of less than 50% but over which it exercises significant influence (associates) are consolidated by the equity method.

The full list of companies included in the scope of consolidation and the related consolidation methods is given in Note 20.2.1.5.2.

Internal transactions within the Group

Intragroup transactions between consolidated companies are eliminated, as are any gains resulting from those transactions.

Foreign currency transactions

Foreign currency transactions are converted into the functional currency at the exchange rate prevailing on the transaction date. At the closing date, monetary assets and liabilities denominated in foreign currencies are translated at the closing exchange rate.

Exchange gains and losses are recognized in financial income.

Non-monetary assets and liabilities denominated in foreign currencies are recognized and maintained at the historical cost that applied on the transaction date.

Translation of the financial statements of foreign companies

The consolidated financial statements are prepared in euros.

The assets and liabilities of consolidated companies whose functional currency is not the euro are translated into euros at the fiscal year-end exchange rate.

The income, expenses and cash flows of these companies are translated into euros at the average exchange rate for the period.

All resulting translation differences are recognized as a separate component of equity ("Exchange rate differentials"). When a foreign entity leaves the Group, the accumulated translation differences are recognized in the income statement as a component of the gain or loss on disposal.

Any goodwill and fair value adjustment resulting from the acquisition of a foreign entity are recognized as an asset or liability of the acquiree. Therefore, they are denominated in the currency of the foreign operation and translated at the year-end exchange rate.

Net investment in a foreign operation

Receivables due from or payables due to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, a part of the entity's net investment in that foreign operation; the related translation differences are recorded initially in a separate component of equity and taken to profit or loss on disposal of the net investment.

Intangible assets and goodwill

Goodwill

Business combinations since July 1, 2011 are accounted for using the acquisition method. The acquisition cost is determined as the fair value of the consideration transferred at the acquisition date, plus non-controlling interests in the acquiree. For each acquisition, the Group measures non-controlling interests either at fair value or as a share of net identifiable assets. Acquisition-related costs are expensed.

Contingent consideration is recognized at fair value at the acquisition date. Subsequent changes in the fair value of contingent consideration classified as assets or liabilities are recognized in income.

At the acquisition date, the excess of the consideration transferred plus non-controlling interests over the fair value of the net assets acquired is recognized in goodwill.

Goodwill is subsequently measured at cost less any accumulated impairment losses. It is allocated to cash-generating units and is not amortized, but is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired.

If the goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and an operation within that unit is disposed of, the goodwill associated with that operation is included in the carrying amount of the operation when determining the gain or loss on disposal. The goodwill disposed of is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Research and development costs

Expenses related to research activities aimed at developing scientific knowledge and new techniques are recognized as expenses for the year. Product development costs are recognized when the following conditions are simultaneously met:

- the technical feasibility necessary for completing the intangible asset with a view to its commissioning or sale is established;
- the Group intends to complete the intangible asset and has the intent and the ability to use or sell it;
- it is probable that the intangible asset will generate future economic benefits. In the case of an asset to be used internally, its utility must be recognized;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset is guaranteed;
- the expenses attributable to the intangible asset during its development are measured reliably and separately.

Development costs that do not meet all of the above criteria are recognized as expenses for the period in which they are incurred.

Development costs are amortized over a period based on their useful life, or a maximum of five years from their effective commercialization.

Avanquest and its subsidiaries periodically assess the commercial prospects and useful life of each development. If these estimates are incorrect, the residual value of capitalized development costs is subjected to an impairment charge.

Other intangible assets

Purchased software and technology are measured at their acquisition cost and amortized on a straight-line basis over their useful life and for a maximum period of five years.

Property, plant and equipment

Valuation

Property, plant and equipment are measured at their acquisition cost (purchase price plus incidental expenses).

Depreciation

Economically justified depreciation is determined based on the estimated useful life. Depreciation commences from the in-service date of the asset. When property, plant and equipment have significant components with different useful lives, these are recognized separately.

Maintenance and repair costs are expensed during the period when they are incurred.

The depreciation periods used are the following:

	Depreciation	
Asset	Method	Period
Fixtures and fittings	Straight-line	10 years
Office furniture	Straight-line	10 years
Computer hardware	Straight-line	3, 4 and 5 years
Vehicles	Straight-line	4 years

Impairment is recognized in the event of loss of value or a change in useful life. In the event of a change in estimated useful life, the depreciation period is adjusted and the annual depreciation modified accordingly.

Investments in associates

Investments in companies in which Avanquest has a significant influence (associates) are measured according to the equity method: they are initially recorded at cost and then adjusted for changes in the Group's share in the net assets of these companies. The resulting amount is reported under balance sheet assets. Any change during the period is taken to the income statement (share of income of associates).

Financial assets

Financial assets are initially recognized at cost, which corresponds to the fair value of the price paid and which includes acquisition costs.

Available-for-sale assets

According to IAS 39, available-for-sale financial assets comprise financial assets other than loans and receivables issued by the Company (other financial assets), investments held to maturity or financial assets held for trading (investment securities). Securities held in non-consolidated companies are considered as such. After initial recognition, investments classified as "Assets available for sale" are recognized at fair value at the closing date. Changes in fair value are recognized in a separate section of equity until the effective disposal of the securities. However, unrealized capital losses are immediately recognized in the income statement if the impairment loss is permanent.

Unrealized gains or losses recognized in equity are taken to profit or loss on disposal of the investments. If the fair value cannot be determined reliably, equity investments in non-consolidated companies are recognized at cost.

Loans and deposits

Loans and deposits are recognized at amortized cost. If necessary, they may be subject to an impairment charge. The impairment corresponds to the difference between the net carrying amount and the recoverable amount and is recognized in the income statement. A provision may be reversed if there is a favorable change in the recoverable amount.

Held-for-trading assets

These are non-derivative financial assets with fixed and determinable payments and a fixed maturity, which the Group has the intent and the ability to hold to maturity. The disposal of a portion of these assets before maturity is remeasured at amortized cost.

Marketable securities are classified as held-for-trading financial assets and are therefore recognized at fair value. Gains and losses are recognized in income.

Impairment of assets

The carrying amounts of assets (finite life or indefinite life), other than inventories, deferred tax assets, assets arising from employee benefits and financial assets within the scope of IAS 32, are tested for impairment at each reporting date. When there is evidence of impairment, and at least once a year for goodwill and non-amortized assets, the recoverable amount of the asset is estimated.

In accordance with IAS 36, impairment is recognized when the carrying amount of the asset or the cash-generating unit to which it belongs exceeds its recoverable amount.

The recoverable amount of a cash-generating unit is the higher of its fair value (usually the market price), less costs of disposal, and its value in use.

This process requires key assumptions and judgments to be used to identify trends in the markets where the Group operates.

Impairment losses reduce the profit/loss for the period in which they are recorded. Except for goodwill, impairment losses recorded in previous years are reversed when there is a change in the estimates used.

The carrying amount of an asset increased by a reversal of an impairment loss may not exceed the carrying amount that would have been determined (net of depreciation, amortization or impairment) had no impairment loss been recognized for this asset in prior periods.

Inventories and works-in-progress

Inventories of raw materials and supplies are measured at their purchase price plus procurement costs. Raw materials and supplies are measured at the lower of purchase cost (according to the weighted average price method) and net realizable value.

Stock on hand is valued at the weighted average price. A provision for impairment is recognized when this cost price is higher than the estimated net realizable value.

Finished products and works-in-progress are measured at the lower of their production cost and net realizable value. Production costs include the direct costs of raw materials, labor, and a proportion of direct overhead, excluding general administrative expenses.

The net realizable value of raw materials and other inventories takes into account impairment due to the obsolescence of inventory with a low rate of turnover.

Trade and other operating receivables

Trade and other operating receivables are current assets recognized at nominal value. Where relevant, a provision for impairment is recognized to take account of collection difficulties that may arise.

Prepaid royalties

Where an advance on royalties is paid under a publishing or co-publishing contract, the amount is recorded in assets in the statement of financial position. The amount corresponding to royalties due on completed sales is then deducted from the prepaid royalties account and expensed for the year.

If sales forecasts suggest that prepaid royalties will not be fully utilized, a risk provision is recorded in liabilities.

Cash and cash equivalents

Cash comprises cash at bank and in hand.

Cash equivalents include money market securities and bonds and mutual fund units invested over a short-term investment horizon. They are recognized at fair value, while changes in fair value are taken to profit or loss.

For quoted instruments, the Company uses the closing price and the net asset value for cash assets invested in mutual funds.

Treasury shares

When treasury shares are purchased, irrespective of the reasons, the amount paid and the directly attributable transaction costs are recorded as a change in equity.

The shares acquired are deducted from total equity until their subsequent sale or cancellation.

The impact of any disposals is not taken into account in consolidated profit or loss but in changes in equity.

Revenues

The Group's consolidated revenue mainly derives from the operating segments Avanquest Software (software publishing and distribution), PlanetArt (Mobile-to-Print, *via* its FreePrints and Photobooks products and Web-to-Print), and myDevices (management of connected objects).

How revenue and associated costs are accounted for depends on the nature of the contracts signed with customers:

- software license fees are recognized as revenue when the risk is transferred to the customer. The transfer takes place when the product is shipped or downloaded from the Internet. When a software license includes a warranty period, the portion of revenue allocated to the warranty is recognized *pro rata* over the warranty period;
- revenue from maintenance and hosting services is recognized *pro rata* over the term of the contract;
- revenue from digital printing activities is recognized at the time of performance of the service or delivery.

Commission paid to business getters for certain customer support activities is recognized on the basis of the partner's monthly activity statements.

Other financial income and expenses

Other financial income and expenses mainly include exchange gains and losses and investment income.

Income tax

The Group computes its income taxes in accordance with tax legislation in force in the countries where the income is taxable.

Deferred taxes

In accordance with IAS 12, deferred tax is recognized for each reporting entity for temporary differences between the carrying amount of the assets and liabilities recorded and their corresponding tax base, depending on the tax legislation in each of the countries concerned.

Deferred tax assets are only recognized when it seems probable that future taxable profit will be available to the Group against which tax loss carry-forwards can be utilized. Tax assets are not generally recognized for companies that have made tax losses in previous fiscal years.

Research tax credit

The research tax credit is considered to be within the scope of IAS 20, "Accounting for Government Grants and Disclosure of Government Assistance". The portion of the research tax credit that can be allocated to development costs recognized as intangible assets is deducted from the asset and the amortization schedule modified accordingly. Income from the research tax credit relating to research costs and any development costs that do not meet the capitalization criteria is recognized as a deduction from employee expenses as and when the expenses are incurred.

Regional economic contribution

Corporate property tax (CFE) is recorded in operating expenses.

The value-added contribution for businesses (CVAE) is recognized in income tax.

Earnings per share

Undiluted earnings per share correspond to the Group share of net income divided by the weighted average number of ordinary shares outstanding during the period, excluding the average number of ordinary treasury shares held.

To calculate diluted earnings per share, the average number of shares outstanding is adjusted to take into account the dilutive effect of equity instruments issued by the Company, such as stock options or subscription warrants.

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event which will probably require an outflow of resources, the amount of which can be reliably estimated. The amount recognized as a provision should be the best estimate of the outflow necessary to settle the present obligation at the reporting date. It is discounted when the effect is material and the maturity is more than one year.

Provisions for restructuring costs are recognized when the Group has a detailed formal plan and the interested parties have been informed.

Current provisions are provisions that are directly related to the operating cycle of each business line, irrespective of their estimated term.

Non-current provisions are provisions not directly related to the operating cycle and whose term is greater than one year. They include provisions for litigation.

Off-balance sheet commitments

Avanquest has surveyed all of its subsidiaries on warranty commitments given and received.

Stock options and bonus shares

The fair value of options and bonus shares granted to employees is recognized in employee expenses over the vesting period.

The Black & Scholes options pricing model was used to estimate the fair value of the options and bonus shares granted. When these equity instruments have a mandatory holding period, their fair value takes into account the cost of the holding period. Where appropriate, the inability to collect dividends is also taken into account in the fair value calculation.

Borrowings

Borrowings are initially recorded at cost, which corresponds to the fair value of the amount received net of issuance costs. For convertible bonds, in accordance with IAS 32, the Company measures the "liability" component and the "equity" component of these borrowings.

After initial recognition, borrowings are measured at amortized cost using the effective interest rate method. This takes into account all issuance costs and any haircut or redemption premium.

Hedging instruments

The Group may use financial derivatives such as currency hedges. These financial derivatives are measured at fair value.

Once they qualify for hedge accounting, a distinction should be made between:

- fair value hedges, which hedge exposure to changes in fair value of a recognized asset or liability;
- cash flow hedges, which hedge exposure to variability in future cash flows.

For fair value hedges, any gain or loss on remeasurement of the hedge to fair value is recognized immediately in the income statement. At the same time, any gain or loss on the hedged item modifies the carrying amount of this item with a corresponding impact on the income statement.

For future cash flow hedges, the portion of the gain or loss realized on the hedging instrument which is determined as an effective hedge is recognized directly in equity. The ineffective portion is recognized immediately in profit or loss. Gains and losses that have been recognized in equity are reported in the income statement for the period in which the firm commitment hedged affects profit or loss.

For derivatives that do not qualify for hedge accounting, any gain or loss resulting from fluctuations in their fair value is recognized directly in the income statement for the period.

20.2.1.5.4 Additional information pertaining to balance sheet assets

GOODWILL RECOGNIZED AS ASSETS

In application of IFRS 8, "Operating segments", the information presented is based on internal reporting, used by the Group's Management to evaluate the performance of the various sectors. The income segment concerned is recurring operating income.

At June 30, 2015, the Group identified the following operating segments:

- **BtoC:** comprising the Avanquest Software and myDevices divisions;
- **Digital Printing:** corresponding to the PlanetArt division.

At June 30, 2016, the BtoC operating segment was divided into two CGUs: Avanquest Software and myDevices. Digital Printing was also renamed PlanetArt, to bring it into line with the Group's operating divisions and financial reporting.

Therefore, the Group's three operating segments at June 30, 2016 were:

- **PlanetArt** comprising the operations of Mobile-to-Print, and specifically the FreePrints product – the cheapest and simplest way in the world to print photos from a smartphone – and Web-to-Print, *via* its print sites for personalized photo products;
- **myDevices** comprising operations relating to its global management platform for the Internet of Things (IoT), as well as the Group's historical activities in the mobile segment;
- **Avanquest Software** corresponding to the Group's core business of third-party software distribution. Avanquest Software sells over a million software products *via* websites and sales outlets worldwide each year. Avanquest Software has also recently developed new offerings based around customer monetization and digital marketing.

As of June 30, 2016, the PlanetArt division was also split into two CGUs: Web-to-Print and Mobile-to-Print. Management has specifically monitored the two business channels separately since the second half of the year.

As of June 30, 2016, the Group's four cash-generating units are therefore:

- Web-to-Print: print sites for personalized photo products;
- Mobile-to-Print: FreePrints and Photobooks;
- myDevices;
- Avanquest Software.

(in € million)	Net goodwill as of 6/30/2015	Movements of the fiscal year	Exchange rate differential	Depreciation	**Net goodwill as of 6/30/2016**
Web-to-Print	4.761		37	(4.798)	-
TOTAL	**4.761**	**-**	**37**	**(4.798)**	**-**

At June 30, 2015, goodwill recognized in the Group's consolidated statement of financial position amounted to €4.8 million. The entire amount relates to the historical Web-to-Print business, *i.e.* the sale of personalized photo products online (sale of personalized items: canvas prints, smartphone cases, greetings cards, *etc.*). This is mostly carried out in the United States and is separate from the Mobile-to-Print business.

The Company believes this business has significant market and development potential. However, it appears that the Web-to-Print business model still requires large investments in customer acquisition (marketing) and upgrading of the relevant websites (R&D), to be able to generate sufficient profit to support the goodwill value.

In parallel, the Mobile-to-Print CGU demonstrated the relevance of its business model during the second half of fiscal year 2015-2016. This is a major growth driver, especially following the release of the Photobooks application, which is proving to be a real success and validates the strategy deployed for this business.

The normal constraints of resource allocation (particularly cash) between the different Web-to-Print and Mobile-to-Print activities and the scarcity following the significant investments made in fiscal year 2015-2016 (and as planned during the capital increase) meant that a trade-off had to be made regarding the allocation of resources at the expense of Web-to-Print.

It was therefore decided that the Web-to-Print goodwill, in the amount of €4.8 million, would be written off.

As of June 30, 2016, Avanquest therefore had zero net goodwill.

INTANGIBLE ASSETS

Intangible assets essentially consist of development costs and software.

The periodic evaluation of projects in development or already completed can lead Avanquest to question the commercial prospects of various projects.

An assessment of the divisions' ongoing development projects was carried out during the 2015-2016 fiscal year. The results of this assessment are presented below.

Web-to-Print

As of June 30, 2016, the analysis of the future profitability of R&D projects led to the amortization of capitalized development costs for the Web-to-Print business, since the criteria for maintaining the asset under IAS 38 were considered to be no longer fulfilled at that date. For this business, therefore, an impairment loss of €0.4 million was recognized in other operating income and expenses. No development costs were capitalized during the period for the Web-to-Print business.

Mobile-to-Print

For the Mobile-to-Print business, €0.5 million in development costs were capitalized and €0.6 million in amortization was recognized for the period as an addition to depreciation, amortization and provisions. The capitalized development costs for fiscal year 2015-2016 relate to Photobooks.

myDevices

The myDevices platform has generated strong interest from numerous industrial customers in different sectors. However, the sales processes are complex and can extend over long periods, particularly as the market is still new and Avanquest is a pioneer in this sector. In this context, the Company has encountered significant delays in negotiating and signing contracts for the myDevices platform. For this reason, and without calling into question the true potential of this business, the Group no longer has sufficient visibility with regard to the time period for achieving profitability.

Consequently, the criteria for maintaining these assets are no longer met according to IAS 38.

The net accounting value of capitalized projects associated with this activity at June 30, 2016 was fully depreciated, for an amount of €1.4 million.

Avanquest Software

In the software publishing segment, it is clear that software life cycles (launch of new versions to replace previous versions on the market) are increasingly short. Therefore, the estimated useful life has been reduced to one year. Consequently, accelerated depreciation was recorded for €0.7 million.

The change in intangible assets is as follows:

(in € thousand)	Gross June 2014	Acquisitions	Disposals/ Transfer between items	Change in scope/Changes in foreign exchange	Gross June 2015	Amort., depr. and provisions 6/30/2015	Net June 2015
Development costs and software	14,285	4,040	(1,258)	(322)	16,745	10,003	6,742
Customer portfolios	448	0	0	58	506	194	312
Deposits	12	0	0	(2)	10	0	10
Other	2,161	64	(20)	(368)	1,837	1,638	199
TOTAL	**16,906**	**4,104**	**(1,278)**	**(634)**	**19,099**	**11,836**	**7,263**

(in € thousand)	Gross June 2015	Acquisitions	Disposals/ Transfer between items	Change in scope/Changes in foreign exchange	Gross June 2016	Amort., depr. and provisions 6/30/2016	**Net June 2016**
Development costs and software	16,745	541	(2,068)	(4)	15,213	14,087	1,126
Customer portfolios	506	0	0	3	508	194	315
Deposits	10	0	0	0	10	0	10
Other	1,837	106	0	(843)	1,100	1,055	46
TOTAL	**19,099**	**647**	**(2,068)**	**(845)**	**16,833**	**15,336**	**1,497**

PROPERTY, PLANT AND EQUIPMENT

The change in property, plant and equipment is as follows:

(in € thousand)	Gross June 2014	Acquisitions	Disposals/ Transfer between items	Change in scope/Changes in foreign exchange	Gross June 2015	Amort., depr. and provisions 6/30/2015	Net June 2015
Fixtures improvements to land and facilities	1,657	248	(358)	(271)	1,276	929	347
Transportation equipment	152	0	0	19	171	77	94
Office and IT furniture and equipment	3,761	115	(43)	(1,931)	1,902	1,755	147
TOTAL	**5,570**	**363**	**(401)**	**(2,183)**	**3,349**	**2,761**	**588**

(in € thousand)	Gross June 2015	Acquisitions	Disposals/ Transfer between items	Change in scope/Changes in foreign exchange	Gross June 2016	Amort., depr. and provisions 6/30/2016	**Net June 2016**
Fixtures improvements to land and facilities	1,276	222	(297)	(244)	957	626	331
Transportation equipment	171	52	(45)	(178)	0	0	0
Office and IT furniture and equipment	1,902	79	(44)	(472)	1,465	1,338	127
TOTAL	**3,349**	**353**	**(386)**	**(894)**	**2,422**	**1,964**	**458**

DEPRECIATION AND AMORTIZATION

The change in depreciation and amortization as of June 30, 2015 and June 30, 2016 is as follows:

(in € thousand)	Accumulated depreciation and amortization at 6/30/2014	Amortization and depreciation for the period	Disposals/Transfer between items	Change in scope/ Changes in foreign exchange	Accumulated depreciation and amortization at 6/30/2015
Development costs and software	8,356	3,878	(1,364)	(867)	10,003
Customer portfolios	194	0	0	0	194
Other	1,820	263	(20)	(425)	1,638
Total intangible assets	**10,370**	**4,141**	**(1,384)**	**(1,292)**	**11,835**
Property, plant and equipment	**4,669**	**508**	**(395)**	**(2,021)**	**2,761**
TOTAL	**15,039**	**4,649**	**(1,779)**	**(3,313)**	**14,596**

(in € thousand)	Accumulated depreciation and amortization at 6/30/2015	Amortization and depreciation for the period	Disposals/ Transfer between items	Change in scope/ Changes in foreign exchange	Accumulated depreciation and amortization at 6/30/2016
Development costs and software	10,003	6,339	(2,177)	(39)	14,125
Customer portfolios	194	0	0	0	194
Other	1,638	168	0	(751)	1,055
Total intangible assets	**11,835**	**6,507**	**(2,177)**	**(790)**	**15,374**
Property, plant and equipment	**2,761**	**305**	**(383)**	**(719)**	**1,964**
TOTAL	**14,596**	**6,812**	**(2,560)**	**(1,509)**	**17,338**

INVENTORIES

At June 30, 2016, net inventories totaled €5 million, as against €5.9 million at June 30, 2015.

RECEIVABLES AGING

(in € thousand)	Trade receivables (gross values)	Not past due	Less than 90 days past due	More than 90 days past due	Impairment of past-due receivables
6/30/2016	**5,112**	**3,681**	**373**	**1,058**	**416**
6/30/2015	**5,358**	**4,236**	**764**	**358**	**605**

TAX ASSETS AND OTHER CURRENT RECEIVABLES

The main amounts recorded in current receivables are:

(in € thousand)	**6/30/2016**	6/30/2015
Prepaid royalties	600	895
Tax receivables(1)	1,474	1,466
Rent	244	296
Other(2)	1,573	2,907
TOTAL	**3,892**	**5,563**

(1) Tax receivables mainly consist of VAT.
(2) Other receivables mainly consist of receivables on asset disposals in the amount of €0.7 million (deferred portion of the price agreed for Avanquest Software Publishing Ltd. and current portion of the earn-out) and prepayments (€0.5 million as of June 30, 2016 and €0.7 million as of June 30, 2015).

CASH AND CASH EQUIVALENTS

Cash (€11.1 million as of June 30, 2016 and €30.5 million as of June 30, 2015) is made up of bank accounts and cash investments, the liquidation value of which is identical to the book value.

(in € thousand)	Cash as of 6/30/2015 (Euro)	Cash as of 6/30/2015 (Currency)
EUR	25,871	25,871
USD	2,394	2,679
GBP	2,098	1,493
RMB	10	69
CAD	89	123
TOTAL	**30,461**	

(in € thousand)	**Cash as of 6/30/2016 (Euro)**	**Cash as of 6/30/2016 (Currency)**
EUR	5,164	5,164
USD	2,092	2,317
GBP	2,605	1,955
RMB	156	1,109
CAD	1,069	1,563
TOTAL	**11,086**	

20.2.1.5.5 Additional information pertaining to balance sheet liabilities

EQUITIES

Share capital

As of June 30, 2016, the share capital of Avanquest SA was made up of 375,318,555 shares with a par value of €0.10, all in the same category. The principal objective of the Group in terms of management of the capital is to ensure the maintenance of sound ratios on the capital, in such a way as to facilitate its activity and development.

Change in the number of shares and share capital

During the period, the number of shares changed as follows:

	Units	Amount (in €)
As of June 30, 2015	**374,982,555**	**37,498,256**
Creation of shares following the allocation of bonus shares(1)	240,000	24,000
Creation of shares following the allocation of bonus shares(2)	96,000	9,600
As of June 30, 2016	**375,318,555**	**37,531,856**

(1) Allocation of 240,000 bonus shares to Thierry Bonnefoi by a decision of the Board of Directors on November 6, 2014, giving rise to the issuance of 240,000 new shares with a par value of €0.10, recorded by the Board of Directors at its meeting of October 8, 2015.
(2) The allocation of 96,000 bonus shares to Company employees under the bonus share plan approved by the Board of Directors at its meeting of June 27, 2014.

The change in share capital by a net amount of €33.6 thousand for the fiscal year is due to the issuance of 336,000 shares.

Other securities giving access to capital

The following table, prepared at June 30, 2016, summarizes the features of the bonus share plans still in effect.

Beneficiaries	Avanquest group employees	Avanquest group employees	Avanquest group employees
Date of Shareholders' Meeting	7/28/2010	11/29/2012	12/10/2013
Number of shares authorized	500,000	900,000	500,000
Date of Board of Director's meeting	11/4/2010	7/25/2013	6/27/2014
Number of shares allocated at 6/30/2016	374,500	900,000	390,000
Number of beneficiaries	16	5	81
Of which directors and officers	0	5	1
Vesting period	2-4 years	2-4 years	2-4 years
Vesting conditions	1/2 per year of employment or based on share performance	Based on operating targets or share price	1/2 per year of employment or based on share performance
Rights vested at 6/30/2016	118,250	240,000	96,000
Shares issued at 6/30/2016	118,250	240,000	96,000
Maximum potential number of securities*	245,000	400,000	270,000

* *Taking into account lost or canceled bonus shares.*

Assuming that all rights attached to options, bonus shares, authorized subscription warrants and convertible bonds become exercisable and are exercised, Avanquest's share capital would increase by €91,500.

The share capital would therefore increase from €37,531,856 to €37,623,356, or an increase of 0.24%, spread over the period between 2016 and 2018. Note however that 100% of the bonus shares would only be definitively awarded on meeting certain share price and profitability targets.

PROVISIONS

Provisions changed as follows during fiscal years 2014-2015 and 2015-2016:

(in € thousand)	Provisions at 6/30/2014	Change in scope	Additions	Reversals	Other additions	Other reversals	Provisions at 6/30/2015
Provisions	1,702	0	36	(110)	783	(843)	1,568

(in € thousand)	Provisions at 6/30/2015	Change in scope	Additions	Reversals	Other additions	Other reversals	**Provisions at 6/30/2016**
Provisions	1,568	0	50	(41)	306	(1,136)	746

As of June 30, 2016, funded liabilities and charges mainly concerned certain advances on royalties (€404 thousand), restructuring costs (€147 thousand), a provision for a tax audit (€99 thousand), and a provision for product returns (€45 thousand) in connection with the Smart Power dispute. 76% of reversals of provisions correspond to provisions used during the period.

FINANCIAL LIABILITIES

Over the last two years, financial liabilities have changed as follows:

(in € thousand)	6/30/2014	Increases	Repayments	Change in scope/ Changes in foreign exchange	Other changes[1]	6/30/2015
Bonds	3,990	0	(1,276)	(28)	(2,685)	0
Borrowings	20,468	46,641	(53,517)	958	(8,476)	6,074
Credit facilities	1,849	0	(333)	0	0	1,516
Other financial liabilities	3,503	0	(1,130)	0	(1,950)	423
Bank account overdrafts	68	0	(30)	(8)		30
Financial instruments – liabilities	2	0	0	0		2
Accrued interest not yet due	515	0	0	0	(451)	64
TOTAL	**28,546**	**46,641**	**(55,953)**	**922**	**(13,563)**	**6,593**

(in € thousand)	6/30/2015	Increases	Repayments	Change in scope/ Changes in foreign exchange	Other changes[1]	**6/30/2016**
Borrowings	4,558	0	(3,332)	(47)		1,180
Credit facilities	1,516	0	(1,516)	0		0
Other financial liabilities	423	1	(330)	0		94
Bank account overdrafts	30	0	(10)	0		20
Financial instruments – liabilities	2	0	(2)	0		0
Accrued interest not yet due	64	0	(40)	0		24
TOTAL	**6,593**	**1**	**(5,229)**	**(46)**	**0**	**1,318**

(1) Other changes from the previous fiscal year mainly relate to debt write-offs (for €10,656 thousand) and the capitalization of debt (for €2,622 thousand), restated under repayments of borrowings in the statement of cash flow.

At June 30, 2016, the Group's total debt therefore stood at €1.3 million (*versus* €6.6 million at June 30, 2015 and €28.6 million at June 30, 2014).

The maturity date for the financial liabilities is as follows:

(in € thousand)	Total	Less than one year	From one to five years	More than five years
Borrowings	1,180	594	585	-
Credit facilities	-	-	-	-
Other financial liabilities	94	94	0	-
Bank account overdrafts	20	20	0	-
Accrued interest not yet due	24	24	0	-
TOTAL	**1,318**	**733**	**585**	**-**

Bonds

As of June 30, 2015, there are no convertible bonds.

Borrowings

Borrowings have dropped by €4,558 thousand to €1,180 thousand. The change can be explained as follows:

- Avanquest SA had bank debt of €1.6 million which was paid back on receipt of the deferred price for Arvixe in November 2015. This sum of €1.6 million had already been paid into an escrow account opened at *Caisse des dépôts et consignations,* in such a way that the repayments did not negatively impact the cash position;
- as of June 30, 2015, Avanquest China had a loan guaranteed by Cathay Bank with Avanquest North America for RMB 8.4 million, or €1.2 million. This loan was fully paid back in late August 2015;
- in May 2015, Avanquest North America arranged a long-term loan for $2 million at a variable rate of 5.25% with Cathay Bank. Funding used at June 30, 2016 totaled $1,310 thousand, or €1,180 thousand. Repayments for the year totaled $691 thousand (€622 thousand).

Therefore, as part of its financial restructuring, the Group has continued to improve its financial position and has repaid almost all of its debt.

Credit facilities

In late June 2015, Avanquest North America had a credit facility of $3 million, of which $1.65 million (€1.515 million) had been used. The contract ended in late September, and the credit facility was fully repaid.

Other financial liabilities

The other financial liabilities of €94 thousand consist of the balance of the Oséo Innovation loan, for an amount of €53 thousand and current accounts of shareholders, for an amount of €41 thousand.

Financial instruments

The financial instruments recorded in the statement of financial position are as follows:

	6/30/2016		Breakdown by category of instrument			
(in € thousand)	Carrying amount	Fair value	Fair value through profit or loss	Loans, receivables and other debts	Debt at amortized cost	Derivative instruments(2)
Available-for-sale assets	0	0				
Other financial assets	451	451		451		
Other non-current assets	0	0				
Trade receivables	4,696	4,696		4,696		
Other current assets	5,032	5,032		5,032		
Cash and cash equivalents(1)	11,086	11,086	11,086			
TOTAL ASSETS	**21,264**	**21,264**	**11,086**	**10,178**	**0**	**0**
Borrowings and financial liabilities (>1 year)	585	585			585	
Other non-current liabilities	549	549	549			
Borrowings and financial liabilities (<1 year)	733	733			733	0
Trade payables	19,565	19,565		19,565		
Other current liabilities	4,230	4,230		4,230		
TOTAL LIABILITIES	**25,662**	**25,662**	**549**	**23,795**	**1,318**	**0**

	6/30/2015		Breakdown by category of instrument			
(in € thousand)	Carrying amount	Fair value	Fair value through profit or loss	Loans, receivables and other debts	Debt at amortized cost	Derivative instruments(2)
Available-for-sale assets	0	0				
Other financial assets	738	738		738		
Other non-current assets	0	0				
Trade receivables	4,753	4,753		4,753		
Other current assets	6,893	6,893		6,893		
Cash and cash equivalents(1)	30,461	30,461	30,461			
TOTAL ASSETS	**42,845**	**42,845**	**30,461**	**12,384**	**0**	**0**
Borrowings and financial liabilities (>1 year)	1,787	1,787			1,787	
Other non-current liabilities	376	376	376			
Borrowings and financial liabilities (<1 year)	4,806	4,806			4,804	2
Trade payables	21,338	21,338		21,338		
Other current liabilities	4,556	4,556		4,556		
TOTAL LIABILITIES	**32,864**	**32,864**	**376**	**25,895**	**591**	**2**

(1) The measurement of the fair value of these financial assets refers to an active market.
(2) The measurement of the fair value of these financial assets and liabilities is based on valuation techniques that use observable market data.

OTHER NON-CURRENT FINANCIAL LIABILITIES

The other non-current liabilities originate from payment of retirement benefits for which a provision was made in the balance sheet (€0.5 million).

20.2.1.5.6 Notes on the income statement

REVENUES

Analysis of the distribution of revenue

(in € million)	**2015-2016**	2014-2015	Δ
Avanquest Software	39.7	43.7	-9%
PlanetArt	56.4	33.0	71%
myDevices	3.7	5.5	-33%
Revenue at constant scope	**99.8**	**82.2**	**21%**
Other*	17.7	10.9	62%
Published revenue	**117.4**	**93.1**	**26%**

* *Arvixe and Avanquest Software Publishing Ltd.*

Avanquest's consolidated revenue for the year ended June 30, 2016 grew by +26% to €117.4 million. On a like-for-like basis (excluding Arvixe and Avanquest Software Publishing Ltd.), annual revenue was up 21% to €99.8 million.

Revenue by geographical region

(in € million)	**2015-2016**	%	2014-2015	%
France	9.5	8%	13.6	15%
United States	61.9	53%	48.5	52%
United Kingdom	32.1	27%	17.5	19%
Germany	6.0	5%	7.0	8%
Other European countries	4.3	4%	2.9	3%
Rest of the world	3.6	3%	3.7	4%
TOTAL REVENUE	**117.4**		**93.1**	

RAW MATERIALS AND PURCHASES OF GOODS

This item mainly comprises purchases of physical products and manufacturing costs linked to the Avanquest Software and PlanetArt operations (Web and Mobile-to-Print).

For the year ended June 30, 2016, the cost of raw materials and purchases of goods totaled €44.7 million, compared with €31.3 million in the previous year, an increase of more than €3 million.

OTHER PURCHASES AND EXTERNAL EXPENSES

This item essentially consists of marketing expenses, as well as other miscellaneous expenses such as rent, credit card fees, logistics and shipping costs.

For the year ended June 30, 2016, other purchases and external expenses totaled €49.4 million *versus* €38.6 million in the previous year, an increase of almost €11 million.

EMPLOYEE EXPENSES

For the year ended June 30, 2016, employee expenses totaled €25 million compared with €21.2 million in the previous year, despite the stability of the average workforce during the period. This increase is mainly due to the reduced capitalization of development costs (€0.5 million in capitalized development costs at June 30, 2016, compared with €4 million at June 30, 2015), which have the largest impact on this item.

DEPRECIATION AND PROVISIONS (NET OF REVERSALS)

Depreciation and amortization and provisions (net of reversals) amounted to €5.4 million, including €5.3 million in amortization of intangible assets. During the 2014-2015 fiscal year, amortization of intangible assets totaled €3.9 million, an increase of €1.4 million on fiscal year 2015-2016. This was mainly due to impairment losses and amortization of capitalized development costs. For more information, see section 20.2.1.5.4.

Provisions for doubtful debts also recorded a change of €0.4 million, due to a reversal of provisions for fiscal year 2014-2015 recorded by Avanquest SA.

OTHER RECURRING OPERATING INCOME AND EXPENSES

This item mainly corresponds to royalties paid on publishing contracts (€8.9 million).

OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses, which amount to a loss of -€10 million, chiefly consist of the following:

- amortization of the entire goodwill of the PlanetArt CGU for -€4.8 million;
- the sale of Avanquest Software Publishing Ltd. for -€4.3 million;
- amortization of capitalized development costs for -€1.1 million;
- operating restructuring expenses of -€1.0 million;
- the write-off of debts and receivables for ProcessFlows, generating proceeds of €0.6 million;
- the earn-out on the sale of ProcessFlows for €0.5 million;
- the write-off of bank debt obligations in connection with the financial restructuring, generating proceeds of €0.2 million.

ANALYSIS OF NET FINANCIAL INCOME

The financial loss stands at €1.7 million, of which €1.5 million is due to unfavorable net exchange differences, €0.5 million to net borrowing costs, and €0.3 million to financial income.

INCOME TAXES

The net income tax expense for the period amounts to €0.8 million, compared with €0.6 million for the previous year.

(in € thousand)	**2015-2016 12 months**	2014-2015 12 months
Taxable profit	**(27,805)**	**2,063**
Theoretical tax (33.33%)	9,268	(688)
Actual income tax expense	**(764)**	**(571)**
Effective tax rate	-2.75%	27.68%
Difference	(10,032)	117
of which		
Goodwill amortization	(855)	
Non-recognition of deferred tax assets	(9,204)	(1,094)
Other permanent differences	(977)	1,247
Differences between local rates and parent company rate	293	226
Other differences	711	(262)

RETIREMENT BENEFITS

Pension commitments, calculated using the retrospective method (projected unit credit method), amounted to €549 thousand for French employees at June 30, 2016. These commitments are fully funded. The impact on the period is a charge of €57 thousand, consisting of a current service cost of €37 thousand, financial cost of €10 thousand, cost of change in assumptions of €11 thousand, and actuarial gains of €1 thousand. The actuarial assumptions used are:

- discount rate: 1.05%;
- retirement age: 65;
- rate of salary increase: 2-5%, depending on age.

Employees of subsidiaries outside France are not eligible for a specific pension plan.

DEFERRED TAXES

Given the recent tax losses in the main countries in which the Group operates, no deferred tax assets were recognized. Unused tax losses amounted to €52.4 million for French entities, €3.7 million for German entities, £435 thousand for United Kingdom entities, and $48.4 million for United States entities.

EARNINGS PER SHARE

(in € thousand)	**2015-2016 12 months**	2014-2015 12 months
Numerator *(in € thousand)*		
Net income, Group share (a)	(28,588)	(6,531)
Denominator		
Average number of shares outstanding (b)	375,210,096	57,889,722
Dilutive effect of stock options, bonus shares and stock warrants	0	0
Theoretical weighted average number of shares (c)	375,210,096	57,889,722
Basic earnings per share *(in €)* **(a/b)**	**(0.08)**	**(0.11)**
Diluted earnings per share *(in €)* **(a/c)**	**(0.08)**	**(0.11)**

NET INCOME FROM DISCONTINUED OPERATIONS

The Group sold ProcessFlows Ltd. UK on May 29, 2015. In accordance with IFRS 5, the net income from this business is presented, over the comparative period, on a separate line of the income statement ("Net income from discontinued operations"). This was restated in the statement of cash flow for the previous fiscal year.

The main aggregates of the ProcessFlows income statement and statement of cash flow for the period July 1, 2014 to May 29, 2015 are presented below.

The relevant ProcessFlows income statement for the period July 2014 to May 2015 is shown below:

(in € thousand)	2014-2015 11 months
Net revenues	**15,825**
Recurring operating income	**1,121**
Other operating income and expenses	(4,118)
Operating income	**(2,998)**
Other financial income	1
Net financial income	**1**
Tax expense	(170)
Net income	**(3,166)**

Operating income was impacted by the loss on disposal of €3.9 million (sale price of €4.35 million less consolidated equity of €8.2 million) and disposal costs of €0.3 million.

The ProcessFlows statement of cash flow for the period July 2014 to May 2015 is shown below:

(in € thousand)	2014-2015 11 months
Cash flow from operations	(375)
Net cash flow related to investment	(61)
Net cash flow related to financing	0
Changes in cash position of discontinued operations	(436)

20.2.1.5.7 Notes on risks

The Company has reviewed the risks that could have a material adverse effect on its business, financial position or results (or on its ability to achieve its objectives). It does not consider there to be any material risks other than those described below.

OPERATIONAL RISKS

Staff management risks

Like its competitors, Avanquest is extremely dependent on its teams of highly skilled professionals, and often on very specific skills and positions. The Group's ability to grow largely depends on its ability to attract, motivate and retain highly qualified staff with the necessary skills and experience.

To attract and retain employees, the Group's management offers some executives and employees profit-sharing in the form of a bonus share plan.

The Group's compensation policy is consistent with market practice. General increases may be granted each year, accompanied by individual increases related to changes in duties, the attainment of targets or to reward performance.

Risks related to competition

Avanquest operates in a competitive market characterized by rapidly changing technology, as well as by the frequent launch of new products and services.

In this context, some of Avanquest's competitors could have better technical, development and marketing resources than the Company. For example, in the PlanetArt business, competitors established in the Web-to-Print segment, such as Shutterfly or Vistaprint, have the means to compete with the Mobile-to-Print activity with significant marketing and technical investments, as no barriers to entry exist in this market. The arrival of new competitors in the same markets as the Company could also adversely affect Avanquest's market share, and therefore reduce repeat business, since some customers might switch to competing offers.

For the myDevices business, the Group is faced with a number of major players (PTC, ATOS, IBM, *etc.*) who are looking to position themselves in this emerging market, each with a different approach (customization, services, *etc.*) and with considerable financial resources.

Furthermore, the Company must anticipate the technological developments likely to be demanded by the market and be able to ensure its ability to innovate to maintain and develop its business and growth.

To address these risks, the Company is redoubling its efforts in terms of development and R&D spend, with a particular focus on innovation and the introduction of new business models.

Risks related to suppliers and partners

Most of the products Avanquest sells are developed externally. The termination of a contract with the developers and publishers who supply these products could therefore impact negatively on the Group's revenue. However, this risk is fairly diluted due to the size and diversity of the product portfolio (over 500 products). The disposal of Avanquest Software Publishing Ltd., a subsidiary distributing video games, on April 30, 2016 reduces the risk associated with the loss of a supplier contract.

Like Web-to-Print, Avanquest Software does most of its business online. These activities are closely related to buying traffic, notably *via* Google. The same applies for the Mobile-to-Print business with Facebook. Changes in regulations or in Google/Facebook practices vis-à-vis Avanquest could adversely affect these activities. Given the lack of players similar to Google/Facebook, no real strategy can be envisaged to address this risk, except for the diversification of traffic sources, which has been the Company's strategy for several years.

The Group works with a number of partners, technology and service providers (order processing, production and logistics, payments management, data hosting, *etc.*), for all its businesses. At present, the Company does not consider itself overly dependent on these partners, and therefore believes itself to be shielded from this risk. Nevertheless, a breakdown in trade relations with one or more partners could have an adverse impact on the business during a transition period.

Customer risks

As Avanquest conducts most of its business with retail customers, customer risk is not considered significant.

However, it should be noted that part of the Software division's business is managed by an external partner. Avanquest does not consider itself to be heavily dependent on this partner, since the activity could be managed in-house. Nevertheless, a breakdown in relations with this partner could have adverse impacts on the business during a transition period.

At June 30, 2016, revenue from the top 10 customers totaled €23.9 million, representing 20.4% of consolidated revenue (compared with 20.7% in the previous year). During the 2015-2016 fiscal year, the revenue generated with the Group's biggest customer represented 3.2% of consolidated revenue, while the second customer accounted for 2.9%, the third 2.9%, and the fourth 2.7%.

The Group's strategy of developing different business segments and expanding its geographical footprint enables it to accentuate the diversification of its customer base. As a precaution, provisions are systematically set aside for all default risks according to the information available at the reporting date.

Technological risks

Furthermore, due to its activity, the Company is permanently exposed to security risks and the potential piracy of its applications and software. The Company takes all necessary precautions to ensure that its products are secure. However, it cannot completely rule out that they might be faulty or pirated, which could have an adverse impact on its operations.

Another technological risk identified by the Company is the safeguarding and preservation of data. To guard against this risk, the Company has set up regular backup policies for internally stored data, and pays particular attention to the reliability of subcontractors who manage their outsourced datacenters.

Risks linked to innovation and new business launches

Avanquest positions itself as a major player in the digital industry, and is therefore extremely focused on innovation and the development of new business models.

For example, the Avanquest Software division has developed new offerings based on different business models, while the PlanetArt division has launched products like FreePrints and Photobooks. Similarly, Avanquest has set up its myDevices division, which, through its management platform for connected objects, or other products such as Cayenne, brings innovative technologies to a high-growth market.

The development of new innovative activities presents a risk due to the absence of a track record or immature markets or technologies. To address this risk, Avanquest conducts extensive tests before launching certain products. It also analyzes and monitors specific performance indicators and implements financial models for the operational monitoring of its businesses. Despite these efforts, the risk associated with the launch of these activities cannot be completely ruled out.

Risk of impairment of intangible assets

Apart from the impact on profitability, any failure to achieve new business development targets (a risk described in section 4.1.6) could also lead to an impairment of the Group's intangible assets.

Following the impairment of goodwill and the impairment and accelerated amortization of a significant portion of the capitalized development costs, the net value of intangible assets has fallen significantly, which greatly reduces this risk.

Risk of defective products

Although the Company believes that its products are reliable enough to be marketed, its latest products have not undergone large-scale reliability studies. More generally, the risk of malfunction of the Company's software could force it to recall or redevelop some of its products, with the attendant risk of additional costs and delays.

In addition, some customers could claim compensation for damage caused by using these faulty products and services and the resulting impact on the development of their business. This type of lawsuit against the Company, even if unsuccessful, could be lengthy and expensive and have a negative impact on the Company's image and financial position. Although the sale and service agreements entered into by the Company generally contain clauses limiting its liability for defective products and services, the effectiveness of such clauses may be limited by certain legal provisions or by case law.

The Company's business, financial position, earnings, development and outlook in the medium and long term could be significantly affected. These losses are covered by insurance (see section 4.5 for more details).

On June 28, 2016, consumer safety concerns were raised over the Avanquest "Smart Power" product. As a precaution, Avanquest and its European subsidiaries took immediate steps to withdraw the defective products in the interest of safety, even though no incidents had been reported. The Company initiated a product recall procedure, which is currently ongoing. Consumers can return defective products to Avanquest free of charge and receive a refund within three months of the Company receiving the products. The health risk is considered to be low since consumers have been informed. The Company also considers the legal risk to be low. The total cost of the product recall operation is also limited and does not put the Company at risk financially.

FINANCIAL RISKS

Liquidity risk

Prudent management of liquidity risk involves maintaining sufficient liquidity and financial resources through the appropriate credit facilities.

The financial restructuring completed in June 2015 enabled the Group to recapitalize itself (by raising €34.5 million in capital) and to improve its financial position (by repaying nearly all of its bank debt). Cash used in fiscal year 2015-2016 was in line with forecasts.

The Group's cash position at June 30, 2016 was €11.1 million. Borrowings and other financial liabilities amounted to €1.3 million, therefore net cash totaled €9.8 million.

The Group conducted a specific review of its liquidity risk by generating 12-month cash flow forecasts. These forecasts are derived from the business plan prepared by the management. The Group considers that these forecasts do not impact its ability to continue as a going concern.

The repayment schedule for financial liabilities can be found in the notes to the consolidated financial statements at June 30, 2016 (section 20.2.1.5.5).

Counterparty risk

The Company has bank accounts with a variety of leading banks. Therefore, counterparty risk is not considered significant.

Dilution risk

As part of a policy to motivate its directors and officers, employees and consultants, the Company has, since its creation, regularly issued and awarded stock options and bonus shares.

As of June 30, 2016, the exercise of all instruments convertible to equity and issued or to be issued by the Company would result in the subscription of 915,000 new shares and dilution of 0.24%. The exercise of outstanding instruments convertible to equity, as well as any new awards or issues, would result in dilution for shareholders.

Note, however, that 100% of the bonus shares would only be exercised if certain stock price growth objectives or profitability objectives are attained.

Assuming that all rights attached to options, bonus shares, authorized subscription warrants and convertible bonds become exercisable and are exercised, Avanquest's share capital would increase by €91,500.

The share capital would therefore increase from €37,531,856 to €37,623,356, or 0.27%, spread over the period between 2016 and 2018. Note however that 100% of the bonus shares would only be definitively awarded on meeting certain share price and profitability targets.

MARKET RISKS

Exchange rate risk

The Group mainly carries on its business outside the euro zone. However, since revenues and costs are denominated in the same currency, exposure to currency risk is limited to earnings. No systematic policy of hedging currency risk has therefore been implemented within the Group.

An estimate of the impact of currency movements on earnings for the year ended June 30, 2016 is given below:

Year ended June 30, 2016 *(in € million)*	Impact on recurring operating income		Impact on equity	
	↘ 10%	↗ 10%	↘ 10%	↗ 10%
USD	1.3	(1.3)	1.8	(1.8)
GBP	(0.3)	0.3	0.5	(0.5)
TOTAL	**1.0**	**(1.0)**	**2.3**	**(2.3)**

Interest rate risk

The loan taken out by the Avanquest North America subsidiary (€1.18 million outstanding) has a floating interest rate based on the US Prime Rate. Given the low level of debt, a change in interest rates would have little impact on the Group's earnings. No new hedges were put in place during fiscal year 2015-2016 and no hedging currently exists.

Equity risk

The Company's cash is primarily invested in risk-free monetary investments.

On March 8, 2016, the Company bought back a block of shares at €0.1097 per share for a total of €2.6 million. The Company also purchased an additional 300,000 shares on the market at a nominal price of €0.10. Accordingly, at June 30, 2016, the Company held 26,844,791 treasury shares, equal to approximately 7.15% of the capital, for which there is a volatility risk.

LEGAL RISKS

Intellectual property risks

In terms of intellectual property on its software, and particularly the creations of its employees, Avanquest benefits from the provisions of Article L. 113-9 of the French Intellectual Property Code and section 201 of the United States Code. Under these provisions, all economic intellectual property rights pertaining to creations by the Company's employees in the course of their work are assigned to the employer. When negotiating and drafting customer agreements, Avanquest also takes particular care to protect its rights, for example by making limited concessions of intellectual property rights.

Avanquest's software is registered with the *Agence de protection des programmes* (APP), the European body for digital rights protection, in order to protect its rights and combat software piracy. Software designed or published in the United States is also filed with the Copyright Office. Like all software industry players, Avanquest is exposed to the problems of software piracy. To mitigate this risk, Avanquest has put in place various technical solutions: technical protection measures (copy protection) on some physical software media, particularly for published products, an activation system with a unique code and/or a combination of these methods together or with other work protection methods.

In terms of industrial property, Avanquest has around 140 registered trademarks and 860 domain names. The trademarks considered most important are registered throughout Europe and in the United States. Given its significant international expansion, Avanquest routinely registers its key trademarks in the major countries where its products are sold. Avanquest has set up a monitoring system for certain key trademarks and regularly opposes the registration of trademarks that it believes infringe its rights. In addition, Avanquest keeps a close watch on the registration of domain names that may contain signs belonging to it. Avanquest regularly audits its portfolio and recently introduced a policy to optimize the management of its intellectual property assets within the Group (trademarks, domain names, aids).

Avanquest is not exposed to specific legal risks apart from those related to intellectual property and to its contractual, civil and criminal liability in general.

Regulatory risk

US regulatory environment for trade

Talks on a "Transatlantic Trade and Investment Partnership" between the European Union and the United States began in July 2013. This treaty could significantly change the framework for trade between Europe and the United States on intellectual property, data flow and taxation of operations in the digital sector. The Company remains attentive to developments in the negotiations conducted by US and European representatives.

European regulatory environment

Regulations applicable to the protection of personal data

On April 14, 2016, the European Parliament adopted the General Data Protection Regulation, repealing the 1995 Directive and reframing the issue of personal data. While maintaining the obligations already imposed on companies for data protection and privacy in general, the Regulation introduces a new system of self-regulation, replacing the system of *a priori* declaration to the French data protection agency (CNIL). It also defines how companies will implement this self-regulation (impact assessments and record-keeping). The Company is keen to organize the transition to the new forms of protection required under the Regulation before it comes into force on May 25, 2018.

Regulations on net neutrality

As a consequence of the concept of universal access to all content under the same conditions, the issue of net neutrality raises the issue of the sharing of revenue between the creators of content, technical operators tasked with allowing access to this content, and intermediaries who are responsible for its use. Challenging the neutrality principle could allow the introduction of a discriminatory business model and access to certain content for which the creators or intermediaries have not concluded agreements with technical operators. In September 2012, the Regulatory Authority on Electronic Communications and Postal Services (ARCEP) submitted a report on net neutrality to the French Parliament and Government. On February 28, 2013, the Government, in its digital roadmap, declared itself in favor of legislation on net neutrality, subject to approval from the French Digital Council. Avanquest remains attentive to possible changes in the legislation on net neutrality.

Regulations applicable to the taxation of the digital sector

On January 18, 2013, a report on the taxation of the digital sector (COLIN-COLLIN report) was submitted to the French Minister for Economic Affairs and Finance, the Minister for Industrial Recovery, the Secretary of State for the Budget, and the Secretary of State for Small and Medium-Sized Enterprises, Innovation and the Digital Economy. The report notably raises the question of the introduction of a "data tax". Any such regulatory changes would have to be taken into account by the Company. However, no developments seem likely until a decision is taken at the European level.

Litigation risk

Except for the two tax audits which took place during the period in France and Germany, and the product recall mentioned in section 20.2.1.5.7, there are no governmental, legal or arbitration proceedings, including any procedure of which the Company is aware, which are pending or threatened, or likely to have or having had in the last 12 months a significant impact on the financial position or profitability of the Company and/or the Group.

The Group does not consider this risk material since the German tax audit did not result in an adjustment of its tax liability. Furthermore, the adjustment recorded by Avanquest, which the Company was informed of after the reporting date, is less than the accounting provision at June 30, 2016.

A reserve of €45 thousand was established to cover the cost of recalling defective products in the Smart Power case.

Industrial and environment-related risks

Given the nature of its business, the Company has little or no exposure to such risks.

Insurance and risk coverage

The Company has insurance policies which the Group's management deems adequate. These policies and their suitability are reviewed regularly and at least once a year. Avanquest has taken out policies covering operating losses, property damage and civil liability (of the Company and its corporate officers). These policies are approved by the Group's Management Committee.

The amount of coverage for Avanquest operating losses is €2.5 million (with a deductible of three days of operating losses). The amount of coverage for property damage is capped at €0.6 million (with a deductible ranging from €0 to €3 thousand, depending on the claim). The Company's civil liability risks are covered in the amount of €10 million (with a deductible ranging from €0 to €50 thousand, depending on the claim). The directors' and officers' liability insurance covers all corporate officers of Avanquest and its subsidiaries worldwide for up to €5 million. The total premium for these policies is around €33 thousand.

Each of the Group's subsidiaries takes out insurance policies locally which are appropriate to its needs and consistent with local legal requirements.

20.2.1.5.8 Notes on off-balance sheet commitments

EARN-OUT CLAUSES APPLICABLE TO ACQUISITIONS AND EQUITY INTERESTS

No earn-out clauses are applicable in respect of acquisitions made in previous years.

GUARANTEES AND COMMITMENTS GIVEN

Subsidiary	Date	Type	Amount	Limit	Period
Arvixe LLC	10/31/2014	Asset transfer agreement	Indemnity guarantee related to the amount and type of damage: ▪ Maximum: €22,000,000 ▪ Minimum: €3,300,000	Breach of representations or warranties (other than "fundamental representations"): 15% of the transfer price; Breach of seller's obligations: 50% of the transfer price; Breach of "fundamental representations" pertaining to exclusion of liability and assets and tax receivables: the transfer price; In the event the buyer is entitled to equitable compensation or in the event of fraud: no ceiling. Transfer price = €22 million.	All claims: one year from the final payment date (which must be within 12 months of closing, or by October 31, 2016, at the latest); Tax receivable: 90 days after closing (January 25, 2015); Guarantee in respect of "fundamental representations": five years from the closing date, *i.e.* until October 31, 2019.
Édition Multimédia Électronique (EMME) – Agreement signed by Avanquest Software SA and SFPI	2/17/2015	Share purchase agreement	Price reduction in line with the amount of damages	€250,000, except for damages related to: (i) current employment disputes and; (ii) the settlement of any tax or social security liability that arose prior to the date of completion or not disclosed to the buyer prior to this date.	18 months from the completion date (February 17, 2015), *i.e.* until August 17, 2016, except: ▪ for damages related to employment disputes, in which case it is 15 working days following the final court decision on the employment dispute concerned; ▪ for damages related to tax or social security liabilities, in which case it is 15 working days following the expiry of the statutory limitation period.
ProcessFlows (UK) Limited	5/29/2015	Share transfer agreement	▪ Minimum: €4,000,000 ▪ Maximum: €5,350,000 + interest on a maximum of €350,000	Price paid to the seller, except in the event of a claim relating to tax or social security receivables or insolvency (in the absence of compulsory administration or liquidation proceedings or an application to appoint a liquidator). In the latter case, the maximum amount is £2,500,000. Floor: £50,000 (except in the event of fraud)	All claims: one year from the transaction completion date, i.e. until May 29, 2016; Tax receivable: seven years from the transaction completion date, i.e. until May 29, 2022.
Avanquest Software Publishing (UK) Ltd.	4/30/2016	Share transfer agreement	Guarantee granted for the amount of losses, guarantees, costs and expenses provided for in some cases by the transfer agreement	£750,000, plus the amount of the earn-out clause. Floor: £2,500 if called upon for a single reason; £25,000 if called upon for several reasons.	All claims: two years from the transaction completion date, *i.e.* until April 30, 2018; Tax receivable: seven years from the transaction completion date, *i.e.* until April 30, 2023.
Carteland	2/7/2014	Share transfer agreement	Price reduction in line with the amount of damages	€500,000 (except in the event of fraudulent or deceitful practices, non-compliance, error, inaccuracy, omission, false representations or warranties). Floor: €25,000.	Tax and social security representations and warranties: one month following the expiry of the statutory limitation period; All other representations: 18 months following the completion date, *i.e.* August 7, 2015; "Valisette" Damages related to maternity kit: one month following the completion date, i.e. March 7, 2014.
Avanquest UK Limited	6/30/2016	Comfort letter	N/A	N/A	At least until June 30, 2017.

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Avanquest provided a guarantee to the US bank for the amount of the credit facility ($3 million) granted to its subsidiary Avanquest North America Inc., and to Cathay Bank for the new $2 million loan taken out on May 20, 2015.

PLEDGES GRANTED

Avanquest America and Avanquest North America Inc. also pledged their assets to the US. bank that granted the $3 million credit facility and $2 million loan to Avanquest North America Inc.

COMMITMENTS AND GUARANTEES RECEIVED

The shareholders of Micro Application Europe provided Avanquest with a guarantee covering the assets and liabilities in the financial statements of the Company and its subsidiaries at February 11, 2011. This guarantee is still valid for tax claims where the statutory limitation period is more than five years.

The shareholders of PC Helpsoft provided Avanquest with a guarantee covering the assets and liabilities in the Company's financial statements as of March 31, 2011.

The potential earn-out from the sale of Avanquest Software Publishing Ltd., calculated on a gross profit basis, was not factored into the loss calculation and will be recorded as income if it arises.

20.2.1.5.9 Other information

GROUP HEADCOUNT

As of June 30, 2016, Avanquest had 295 employees (versus 326 as of June 30, 2015). The decrease is mainly due to the disposal of the United Kingdom subsidiary Avanquest Software Publishing Ltd.

Headcount by country:

Distribution by country	France	United States	Great Britain	Germany	China	Canada	Other Europe	Total
6/2016	65	167	0	7	50	6		295
6/2015	74	167	32	7	40	6	0	326

RELATED-PARTY TRANSACTIONS

Material related-party transactions consist of the executive compensation[(1)] shown in the table below.

(in € thousand)	**2015-2016**	2014-2015
Fixed compensation	808	710
Variable compensation	396	274
Benefits in kind	62	26
Directors' fees	63	73
Other fees[(2)]	1,040	1,235
Short-term employee benefits	**2,369**	**2,318**
Share-based payments	0	0
Termination benefits	0	0
TOTAL	**2,369**	**2,318**

(1) Members of the Board of Directors, the Supervisory Board and the Management Board.
(2) Elendil & Navendis €0.3 million, 1050 Partners €0.15 million, Maslow Capital Partners €0.4 million, InFusio Consulting €0.1 million.

Since November 8, 2012, the directors of the US subsidiary, Roger Bloxberg and Todd Helfstein, have each held an option to acquire 10% of the US Web-to-Print and Mobile-to-Print business at a price equal to twice the Group's capital investment and R&D expenses, in the event of a spin-off of this business.

OPERATING SEGMENTS

In application of IFRS 8, "Operating segments", the information presented is based on internal reporting, used by the Group's Management for the evaluation of the performance of the various sectors. The income segment concerned is recurring operating income.

As of June 30, 2015, the Group identified the following operating segments:

- **BtoC:** comprising the Avanquest Software and myDevices divisions;
- **Digital Printing:** corresponding to the PlanetArt division.

As of June 30, 2016, the BtoC operating segment was divided into two CGUs: Avanquest Software and myDevices. Digital Printing was also renamed PlanetArt, to bring it into line with the Group's operating divisions and financial reporting.

Therefore, the Group's three operating segments at June 30, 2016 were:

- **PlanetArt** comprises the activities of Mobile-to-Print, and specifically the FreePrints product – the cheapest and simplest way in the world to print photos from a smartphone – and Web-to-Print, *via* its print sites for personalized photo products;
- **myDevices** comprises activities relating to its global management platform for the Internet of Things (IoT), as well as its historical activities in the mobile segment;
- **Avanquest Software** corresponds to the Group's core business of third-party software distribution. Each year, Avanquest Software sells over a million software products *via* websites and sales outlets worldwide.

	PlanetART		myDevices		Avanquest software	
	year ended		year ended		year ended	
(in € million)	6/30/2016	**6/30/2015**	6/30/2016	**6/30/2015**	6/30/2016	**6/30/2015**
Revenues	56.4	32.9	3.7	5.5	57.3	51.3
ADJUSTED EBITDA*	**(9.3)**	**(9.5)**	**(3.0)**	**(0.5)**	**1.1**	**(1.4)**
% revenue	*-17%*	*-29%*	*-83%*	*-9%*	*2%*	*-3%*
Goodwill	0.0	4.8	0.0	0.0	0.0	0.0
Intangible assets	1.2	2.3	0.0	2.8	0.3	2.1
TOTAL INTANGIBLE ASSETS	**1.2**	**7.1**	**0.0**	**2.8**	**0.3**	**2.1**

* *Adjusted EBITDA corresponds to recurring operating income before depreciation and amortization, capitalized production and IFRS adjustments.*

The PlanetArt division is enjoying strong growth. This is largely due to the twofold increase in Mobile-to-Print sales on the previous year and the launch of Photobooks in early 2016, which – despite the increase in marketing investments during the period – led to an improvement in EBITDA (-17% in 2015-2016, compared with -29% in 2014-2015).

The revenue generated by myDevices is still rather low. This is because sales of embedded software have been discontinued, combined with a delay in scaling up activities on its management platform for connected objects.

Avanquest Software reported a solid fiscal year. This was mainly due to strong first-half sales of the Minecraft Story Mode game, sold in Britain, and the launch of new online business models focusing on digital marketing solutions and the development of recurring revenue.

EVENTS TAKING PLACE AFTER CLOSING

myDevices: launch of Cayenne under Arduino

After its successful launch on Raspberry Pi, the Cayenne platform's technology now allows users of Arduino chips to simplify and significantly accelerate the IoT project development process.

This partnership with Arduino, world leader in this area, should significantly increase the size of the community reached by Cayenne.

20.2.2 Statutory Auditor's report on the consolidated financial statements to June 30, 2016

To the Shareholders,

In compliance with the assignment entrusted to us by your General Shareholders' Meetings, we hereby report to you for the year ended June 30, 2016 on:

- the audit of the accompanying consolidated financial statements of Avanquest;
- the basis of our opinion;
- the specific verification required by law.

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

I. Opinion on the consolidated financial statements

We have conducted our audit in accordance with professional standards applicable in France except for the point set out in the paragraph below; these standards require that we plan and perform our audit so as to obtain reasonable assurance that the annual financial statements are free of material misstatement. An audit consists of using sampling techniques or other selection methods to obtain evidence supporting the amounts and disclosures in the consolidated financial statements. It also involves assessing the accounting principles used and significant estimates made, as well as the overall presentation of the financial statements. We believe that the evidence we have obtained provides a sufficient and appropriate basis for our opinion.

In our report on the consolidated financial statements to June 30, 2015, we had expressed a reservation as to the impossibility of assessing the assumptions used in the measurement of goodwill and capitalized development costs. As stated in sections 3.5.4.1 and 3.5.4.2 in the notes to the financial statements, the documents prepared by the Company and translating the decisions taken by the management in terms of allocation of resources and the delay in marketing agreements for the myDevices platform during the second half of the year support the recognition of an impairment loss of €4.8 million on goodwill and €1.1 million on intangible assets at June 30, 2016, reducing these assets to zero. The evidence sent to us supports the year-end asset valuation. However, we have to express a reservation solely with regard to the level of earnings, as we are unable to assess whether this impairment should have been recorded in whole or in part in previous years.

Subject to this *proviso*, we certify that the consolidated financial statements for the period, in accordance with IFRS as adopted in the European Union, give a true and fair view of the assets and liabilities, financial position and earnings of the group composed of the persons and entities within the scope of consolidation.

Without calling into question the opinion expressed above, we draw your attention to the correction of the error regarding the presentation of the statement of cash flow at June 30, 2015, which follows the consolidated statement of cash flow in section 3.3 of the notes to the financial statements.

II. Basis for our opinion

Pursuant to the provisions of Article L. 823-9 of the French Commercial Code relating to the basis for our opinion, we bring to your attention the assessments we carried out, in addition to those that led to the reservation described above:

REVENUE RECOGNITION

The note on "Revenue" in section 3 of the notes to the financial statements outlines the accounting rules and methods used for revenue recognition.

As part of our assessment of the accounting rules and principles followed by your group, we have verified the appropriate nature of the accounting methods referred to above and the information provided in the notes to the consolidated financial statements and have satisfied ourselves as to their correct application.

These assessments formed part of our audit of the consolidated financial statements as a whole and therefore contributed to our opinion as expressed in the first part of this report.

III. Specific verification

As required by law, and in accordance with the professional standards applicable in France, we have also verified the information presented in the group's management report.

With the exception of the possible impact of the facts set out in the first part of this report, we have no other observations to make as to their fairness and consistency with the consolidated financial statements.

Paris and Paris-La Défense, October 19, 2016

The Statutory Auditors

APLITEC	ERNST & YOUNG et Autres
Pierre Laot	Franck Sebag

20.3 DIVIDEND POLICY

Please see section 21.9.

20.4 SIGNIFICANT CHANGE IN THE ISSUER'S FINANCIAL OR TRADING POSITION

Since filing the consolidated financial statements to June 30, 2016, there have been no significant changes in the financial or trading position.

20.5 LEGAL AND ARBITRATION PROCEEDINGS

With the exception of the tax dispute and the product recall procedure described below, there are no pending or potential government, legal or arbitration proceedings, including any proceedings of which the Group has knowledge, which may have or have had a material impact on the financial position or profitability of the Company and/or the Group in the past 12 months.

In the Group's opinion this risk is not significant, because the disputes referred to are covered by a provision in its financial statements.

On June 28, 2016, consumer safety concerns were raised in Germany over the Avanquest "Smart Power" product. As a precaution, Avanquest and its European subsidiaries took immediate steps to withdraw the defective products in the interests of safety, even though no incidents had been reported. The Company initiated a product recall procedure, which is currently ongoing. The health risk is considered to be low since the public has been informed. The Group also considers the legal risk to be low. Moreover, the total cost of the product recall is covered since Avanquest SA has established an accounting provision for €45 thousand.

Following a tax audit, Avanquest SA received a proposed adjustment to the research tax credit amount. The Company replied to the tax authorities. The Company was notified of the proposed adjustment after the reporting date. The amount of the adjustment is slightly less than the provision set aside as at June 30, 2016.

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ADDITIONAL INFORMATION

21.1 SHARE CAPITAL

On the filing date of this Registration Document, the share capital stood at €37,531,855.50 divided into 375,318,355 shares of the same category with a par value of €0.10, all entirely subscribed and fully paid up.

There are no specific provisions in the Articles of Association regarding the modification of the capital or the voting rights associated with the securities that compose it.

Please refer to paragraph 18.1 regarding the distribution of the capital and voting rights.

21.2 CHANGES IN CAPITAL

Since July 1, 2015, the share capital has undergone the following changes:

	Units	Amount in €
As of June 30, 2015	**374,982,555**	**37,498,256**
Issuance of new shares following the allocation of 240,000 bonus shares to Thierry Bonnefoi based on a decision by the Board of Directors of November 6, 2014 and validated by the Board of Directors of October 8, 2015	240,000	24,000
Issuance of new shares following the allocation of 96,000 bonus shares to the employees of Avanquest SA under the terms of the bonus share plan approved by the Board of Directors of June 27, 2014	96,000	9,600
On the filing date of this Registration Document	**375,318,555**	**37,531,856**

21.3 SHARE CAPITAL HISTORY

Date	Transaction	Number of securities issued	Par value	Number of shares making up the capital	Share capital amount
5/1/1984	creation		FRF 100	200	FRF 20,000
9/10/1985	capital increase	300	FRF 100	500	FRF 50,000
10/27/1987	capital increase	2,000	FRF 100	2,500	FRF 250,000
10/27/1989	capital increase	2,305	FRF 100	4,805	FRF 480,500
1/10/1990	capital increase	0	FRF 500	4,805	FRF 2,402,500
6/10/1994	capital increase	1,420	FRF 500	6,225	FRF 3,112,500
7/25/1996	capital increase	623	FRF 500	6,848	FRF 3,424,000
8/14/1996	capital increase	0	FRF 1,170	6,848	FRF 8,012,160
8/14/1996	reduction of par value	794,368	FRF 10	801,216	FRF 8,012,160
12/11/1996	capital increase	401,000	FRF 10	1,202,216	FRF 12,022,160
7/15/1998	capital increase	23,876	FRF 10	1,226,092	FRF 12,260,920
1/20/1999	capital increase	176,127	FRF 10	1,402,219	FRF 14,022,190
9/14/1999	capital increase	13,940	FRF 10	1,416,159	FRF 14,161,590
3/10/2000	capital increase	50,503	FRF 10	1,466,662	FRF 14,666,620
4/25/2000	capital increase	149,333	FRF 10	1,615,995	FRF 16,159,950
4/25/2000	reduction of par value	1,615,995	FRF 5	3,231,990	FRF 16,159,950
8/2/2000	capital increase	47,000	FRF 5	3,278,990	FRF 16,394,950
5/18/2001	capital increase	177,602	FRF 5	3,456,592	FRF 17,282,960

Date	Transaction	Number of securities issued	Par value	Number of shares making up the capital	Share capital amount
5/21/2001	capital increase	144,626	FRF 5	3,601,218	FRF 18,006,090
10/17/2001	capital increase	47,202	FRF 5	3,648,420	FRF 18,242,100
10/17/2001	conversion into euros	0	1	3,648,420	€3,648,420
6/21/2002	capital increase	14,352	1	3,662,772	€3,662,772
1/14/2003	capital increase	8,000	1	3,670,772	€3,670,772
10/10/2003	capital increase	1,000,833	1	4,671,605	€4,671,605
1/15/2004	capital increase	46,700	1	4,718,305	€4,718,305
1/27/2005	capital increase	1,146,851	1	5,865,156	€5,865,156
3/31/2005	capital increase	244,872	1	6,110,028	€6,110,028
3/15/2006	capital increase	484,452	1	6,594,480	€6,594,480
10/3/2006	capital increase	340,909	1	6,935,389	€6,935,389
3/14/2007	capital increase	54,916	1	6,990,305	€6,990,305
4/3/2007	capital increase	746,268	1	7,736,573	€7,736,573
4/10/2007	capital increase	2,333,318	1	10,069,891	€10,069,891
5/10/2007	capital increase	207,646	1	10,277,537	€10,277,537
5/7/2008	capital increase	221,716	1	10,499,253	€10,499,253
2/3/2009	capital increase	80,844	1	10,580,097	€10,580,097
3/20/2009	capital increase	3,205,115	1	13,785,212	€13,785,212
6/11/2009	capital increase	83,850	1	13,869,062	€13,869,062
11/25/2009	capital increase	14,902	1	13,883,964	€13,883,964
2/15/2010	capital increase	2,221,434	1	16,105,398	€16,105,398
6/10/2010	capital increase	85,333	1	16,190,731	€16,190,731
2/11/2011	capital increase	1,916,667	1	18,107,398	€18,107,398
5/5/2011	capital increase	79,500	1	18,186,898	€18,186,898
7/27/2011	capital increase	97,000	1	18,283,898	€18,283,898
12/9/2011	capital increase	258,264	1	18,542,162	€18,542,162
5/9/2012	capital increase	30,200	1	18,572,362	€18,572,362
6/27/2012	capital increase	371	1	18,572,733	€18,572,733
11/8/2012	capital increase	60,000	1	18,632,733	€18,632,733
2/5/2013	capital increase	64,841	1	18,697,574	€18,697,574
5/14/2013	capital increase	45,000	1	18,742,574	€18,742,574
7/25/2013	capital increase	902,000	1	19,644,574	€19,644,574
9/25/2013	capital increase	500,000	1	20,144,574	€20,144,574
2/13/2014	capital increase	450,000	1	20,594,574	€20,594,574
5/6/2014	capital increase	500,000	1	21,094,574	€21,094,574
5/6/2014	capital increase	13,250	1	21,107,824	€21,107,824
6/27/2014	capital increase	300,000	1	21,407,824	€21,407,824
6/27/2014	capital increase	5,946,617	1	27,354,441	€27,354,441
9/2/2014	capital increase	2,621,963	1	29,976,404	€29,976,404
2/10/2015	capital increase	6,151	1	29,982,555	€29,982,555
4/9/2015	reduction of capital	0	0.1	29,982,555	€2,998,255.50
6/16/2015	capital increase	345,000,000	0.1	374,982,555	€37,498,255.50
8/11/2015	capital increase	240,000	0.1	375,222,555	€37,522,255.50
6/28/2016	capital increase	96,000	0.1	375,318,555	€37,531,855.50

21.4 OTHER SECURITIES GIVING ACCESS TO CAPITAL

BONUS SHARE PLAN ONGOING AT 6/30/2016

Beneficiaries	Avanquest group employees	Avanquest group employees	Avanquest group employees
Meeting date	7/28/2010	11/29/2012	12/10/2013
Number of authorized securities	500,000	900,000	500,000
Date of the Board of Directors meeting	11/4/2010	7/25/2013	6/27/2014
Number of securities allocated at 6/30/2016	374,500	900,000	390,000
Number of beneficiaries	16	5	81
▪ including executives	0	5	1
Vesting period	2 to 4 years	2 to 4 years	2 to 4 years
Vesting conditions	1/2 per year of employment or depending on stock price objectives	Depending on operational objectives or stock price	1/2 per year of employment or depending on stock price objectives
Rights vested at 6/30/2016	118,250	240,000	96,000
Shares issued at 6/30/2016	118,250	240,000	96,000
Maximum potential number of securities*	245,000	400,000	270,000

* *Taking into account lost or canceled bonus shares.*

The vesting conditions for bonus shares had not been met as of the filing date of this Registration Document.

The vesting of bonus shares is subject to continued employment conditions (allocation period over two years) and stock market performances with deadlines for allocation that have not yet been reached.

Under the assumption that all the rights attached to the authorized options, bonus shares and subscription warrants become exercisable and are exercised, Avanquest's share capital would increase by €91,500.

The share capital would be increased from €37,531,856 to €37,623,356, or a percentage increase of 0.24%, spread out over time between 2016 and 2018. Note, however, that 100% of the bonus shares would only be exercised if certain growth objectives in the stock price or profitability objectives are attained.

EXISTING UNUSED AUTHORIZATIONS

The Extraordinary General Shareholders' Meeting of November 30, 2015 authorized the Management Board to:

- increase the capital through the issue of ordinary shares and/or securities giving immediate or later access to the capital of the Company or to debt securities with preferential subscription rights for shareholders (16th resolution).

  Maximum issue amount: €8 million for ordinary shares and €8 million for securities.

  Duration of the authorization: 26 months, *i.e.* until January 30, 2018;
- increase the number of securities to be issued in the event of excess demand at the time ordinary shares and/or securities with or without preferential subscription rights are issued (19th resolution).

  Maximum amount of the issues: 15% of the initial issue.

  Duration of the authorization: 26 months, *i.e.* until January 30, 2018;
- issue ordinary shares and/or securities for the purpose of compensating contributions in kind granted to the Company outside of a Public Exchange Offer (21st resolution).

  Maximum amount of the issues: 10% of the share capital.

  Duration of the authorization: 26 months, *i.e.* until January 30, 2018;
- grant share subscription or purchase options without preferential subscription rights to employees and corporate officers of the Company and of companies or groups affiliated with it under the terms set out in Article L. 225-180 (23rd resolution).

  Maximum amount of the issues: 5% of the number of shares that make up the share capital.

  Duration of the authorization: 26 months, *i.e.* until January 30, 2018;
- reduce capital through the cancellation of shares (25th resolution).

  Maximum amount of the reduction: 10% of the share capital.

  Duration of the authorization: 18 months, *i.e.* until May 30, 2017.

21.5 PLEDGING OF CAPITAL

To the best of the Company's knowledge, there are no pledges, guaranties or collateral affecting Avanquest's capital.

21.6 SECURITIES NOT REPRESENTING CAPITAL

As of the date of this Registration Document, the Company has not issued any securities that do not represent capital.

21.7 INFORMATION REGARDING THE CONDITIONS GOVERNING ACQUISITION RIGHTS AND/ OR OBLIGATIONS ASSOCIATED WITH THE CAPITAL SUBSCRIBED, BUT NOT FULLY PAID UP, OR REGARDING ANY ENDEAVOR INTENDED TO INCREASE CAPITAL

None

21.8 INFORMATION REGARDING THE CAPITAL OF ANY MEMBER OF THE GROUP THAT IS SUBJECT TO AN OPTION OR A CONDITIONAL OR UNCONDITIONAL AGREEMENT INTENDED TO MAKE IT SUBJECT TO AN OPTION

An agreement was signed between Avanquest, its North American subsidiary and Roger Bloxberg and Todd Helfstein granting an option to acquire a stake in PlanetArt. For more information, please refer to section 26.5.

21.9 DIVIDENDS

The Company has never paid dividends on its shares. Pursuant to the policy it communicated at the time of its IPO, the Company intends to reinvest its profits in order to finance its growth and does not plan to pay dividends in the short-term. This position may nevertheless be re-assessed annually.

In application of the provisions of Article 2277 of the French Civil Code, dividends that remain unclaimed within five years of their effective date of payment will be transferred to the French government.

21.10 MARKET FOR THE SECURITY

21.10.1 General information

- ISIN code: FR0004026714
- Listing market: Euronext Paris – Eurolist Compartment C
- Number of shares listed at June 30, 2016: 375,318,555
- Closing price at June 30, 2016: €0.11
- Market capitalization at June 30, 2016: €41,285,041.05
- Initial listing on New Market on December 5, 1996
- Initial share price: €9.14 (prior to the division by 2 of the par value and then by 10)
- Capitalization at the time of listing: €11 million

21.10.2 Changes in the share price

Month	Volumes traded	Average price *(in €)*	High *(in €)*	Low *(in €)*
1/2014	8,545,395	1.41	1.61	1.29
2/2014	6,751,699	1.55	1.69	1.38
3/2014	2,063,076	1.52	1.64	1.39
4/2014	1,673,475	1.4	1.53	1.3
5/2014	1,391,765	1.36	1.45	1.3
6/2014	3,239,901	1.19	1.32	1.07
7/2014	3,696,527	1.03	1.13	0.92
8/2014	2,337,623	0.92	1.01	0.88
9/2014	3,328,073	0.97	1.06	0.93
10/2014	5,165,505	0.8	0.99	0.59
11/2014	10,453,501	0.66	0.79	0.58
12/2014	4,610,960	0.65	0.73	0.59
1/2015	5,373,942	0.65	0.72	0.6
2/2015	7,738,836	0.57	0.72	0.49
3/2015	9,016,035	0.17	0.18	0.16
4/2015	8,737,259	0.13	0.16	0.09
5/2015	37,948,123	0.2	0.36	0.11
6/2015	132,209,695	0.15	0.25	0.1
7/2015	36,338,701	0.11	0.12	0.09
8/2015	55,549,889	0.09	0.12	0.09
9/2015	30,374,704	0.09	0.11	0.08
10/2015	39,269,095	0.09	0.11	0.09
11/2015	5,566,755	0.09	0.1	0.09
12/2015	25,478,621	0.09	0.1	0.08
1/2016	24,841,307	0.09	0.1	0.08
2/2016	45,722,809	0.09	0.11	0.08
3/2016	90,840,400	0.11	0.14	0.08
4/2016	42,888,400	0.08	0.1	0.07
5/2016	110,812,444	0.08	0.11	0.06
6/2016	90,061,547	0.11	0.14	0.09
7/2016	16,229,184	0.11	0.11	0.09
8/2016	92,040,583	0.11	0.14	0.10
9/2016	30,780,393	0.11	0.13	0.11

* *Source Euronext.*

21.11 SHARE BUYBACK PROGRAM

The Extraordinary General Shareholders' Meeting of November 30, 2015, in its 14th resolution, authorized a share buyback program canceling and replacing the previous authorization of the Combined General Shareholders' Meeting of March 12, 2015. Despite the validity of the buyback program submitted to the Combined Shareholders' Meeting of March 12, 2015, it was re-submitted to the vote of the Extraordinary Shareholders' Meeting due to the change in the method of governance.

The objectives of the share buyback program are to facilitate the following transactions:

- the coordination of the market or of the liquidity of Avanquest shares by a provider of investment services under the terms of a liquidity contract compliant with the Ethics Charter recognized by the *Autorité des marchés financiers;* and/or
- the allocation of shares to employees for the implementation of company savings plans and of employee shareholding plans under the terms and according to the methods provided by law, particularly by Articles L. 3332-18 *et seq*. of the French Labor Code; and/or
- the retention for the delivery of securities for exchanges, payments or other purposes in the context of external growth operations, mergers, demergers or contributions; and/or
- the implementation of Company stock option plans under the provisions of Articles L. 225-177 *et seq*. of the French Commercial Code; and/or
- the implementation of plans for the allocation of bonus shares of the Company under the provisions of Articles L. 225-197-1 *et seq*. of the French Commercial Code; and/or
- the delivery of shares upon the exercise of rights associated with securities giving immediate or longer-term access to the capital of the Company; and/or
- the cancellation of all or a portion of the shares therefore repurchased in the event of a reduction in capital;
- the implementation of any market practice that may become authorized by the *Autorité des marchés financiers* and, more generally, the completion of any transaction that is compliant with the regulations in effect.

TERMS AND CONDITIONS OF THE SHARE BUYBACK PROGRAM

The Extraordinary General Shareholders' Meeting decided that the maximum purchase price per share would not exceed that of the last independent transaction (most recent stock price) or, if it is higher, of the current highest independent offer where the purchase is made. It is specifically stated that the total amount dedicated to the buyback program for the Company's own shares shall not exceed €4 million. Avanquest may transact through the use of available cash or by taking on short-term debt.

The maximum amount of capital Avanquest may acquire is 10% of the share capital. The buyback authorization was granted for a period of 18 months, *i.e.* until May 31, 2017.

21.12 OVERVIEW OF THE SHARE BUYBACK PROGRAM

LIQUIDITY CONTRACT

On January 28, 2013, Avanquest implemented a liquidity contract with Kepler involving the Avanquest securities listed on the NYSE Euronext Paris, in compliance with the Ethics Charter established by the *Association française des marchés financiers* (AMAFI) and approved by the *Autorité des marchés financiers* on March 21, 2011. This contract remains in effect.

Its purpose is to stimulate the market to regulate the price of the security.

REGISTERED TREASURY SHARES

The Management Board of Avanquest, under the chairmanship of Pierre Cesarini, after having obtained the prior authorization of the Supervisory Board, decided on March 8, 2016, to partially implement the share buyback program, and bought back, off the market, a block of 23,629,791 of its own shares, representing 6.30% of its share capital. These shares, held by FPB Invest, whose manager, Frédéric Paul, is a member of the Company's Supervisory Board through the RE Finance Consulting SA company, were acquired for a total price of €2,592,928.97, or €0.1097 per share. The price, resulting from negotiations between Avanquest and FPB Invest, is broadly in line with the cost price of the shares for FPB Invest and is less than the market price on the day of the transaction.

As of June 30, 2016	Number of securities	% of treasury shares	Book value	Market value
Registered treasury shares	23,629,791	6.30%	2,592,929.0	2,599,277.0
Bearer shares	3,000,000	0.80%	300,000.0	330,000.0
Shares held under the terms of a liquidity contract	215,000	0.06%	20,602.3	23,650.0
TOTAL TREASURY SHARES	**26,844,791**	**7.16%**	**2,913,531.3**	**2,952,927.0**

In total, between July 1, 2015 and June 30, 2016, 27,009,818 shares were acquired for 288,501 shares sold.

21.13 ARTICLES OF ASSOCIATION

21.13.1 Corporate purpose

Article 2 of the Articles of Association defines the purpose of the Company as follows:

- the creation, development and sale of software;
- the manufacture and sale of all electronic, IT and telecommunications equipment;
- the provision of all services related to the aforementioned activities;
- the participation of the Company, by any means, whether direct or indirect, in any transactions that relate to its purpose through the creation of new companies, contributions, subscription or purchase of securities or ownership interests, mergers or other, the creation, acquisition, leasing, lease-management of any business or establishment; the takeover, acquisition, operation or disposal of any processes or patents relating to these activities;
- and generally, any industrial, commercial, financial, civil, property or real estate transactions that may directly or indirectly relate to the corporate purpose or any similar or connected purpose.

21.13.2 Administrative, management and supervisory bodies

21.13.2.1 THE MANAGEMENT BOARD (ARTICLES 12 TO 16)

The Management Board is composed of two to seven members designated by the Supervisory Board, which shall control the Management Board, in accordance with the law and statutory provisions.

The members of the Management Board must be natural persons who are not required to be shareholders. No member of the Supervisory Board may sit on the Management Board. No person may be appointed as a member of the Management Board if affected by any of the rules regarding the holding of multiple offices, incompatibilities, forfeitures or prohibitions stated by the law or regulations.

The age limit for members of the Management Board is set at 65. Members of the Management Board are appointed for a six-year term. They are re-eligible.

Each member of the Management Board may be linked to the Company through an employment contract remaining effective throughout the duration of his/her functions and following their expiration.

In the event of a vacancy, the Supervisory Board, in accordance with the law, appoints a replacement for the remainder of his/her predecessor's term of office.

The type and amount of compensation allocated to each member of the Management Board is established by the Supervisory Board.

Any member of the Management Board may be dismissed by the General Shareholders' Meeting or by the Supervisory Board at any time. If the dismissal is decided upon without just cause, it may lead to the payment of damages.

The dismissal of a member of the Management Board does not terminate the employment contract that the interested party may have signed with the Company.

Members of the Management Board are free to resign subject to this resignation not being notified late or with the intention of harming the Company.

The Supervisory Board grants the position of one of the members of the Management Board.

The Chairman exercises his /her functions for the duration of his term of office as a member of the Management Board.

The Chairman of the Management Board represents the Company in all its dealings with third parties. The Supervisory Board may grant the same power of representation to one or several other members of the Management Board, who will then bear the title of Chief Executive Officer.

The functions of Chairman and, if applicable, Chief Executive Officer, assigned to one of the members of the Management Board, may be withdrawn at any time by the Supervisory Board.

The Management Board is vested with the most extensive powers in order to act in the name of the Company under all circumstances, within the limits of the corporate purpose and subject to the limits expressly reserved for the Shareholders' Meetings and the Supervisory Board by law and by these Articles of Association.

In its relations with third parties, the Company is committed by the actions of the Management Board even if they are not relevant to the corporate purpose, unless it can prove that the third party in question knew that the action exceeded this purpose or could not be unaware of this fact given the circumstances, with the exclusion that the publication of the Articles of Association alone shall not constitute sufficient proof.

The members of the Management Board may, with the authorization of the Supervisory Board, distribute the Management tasks among themselves. Nevertheless, under no circumstances may this distribution have the effect of removing from the Management Board its position as the entity that collectively ensures the overall management of the Company.

The Management Board shall present a report to the Supervisory Board at least once per quarter.

Within three months of the end of each fiscal year, the Management Board shall present to the Supervisory Board, for the purposes of verification and control, the annual financial statements and, if applicable, the consolidated financial statements.

It is also required to provide the management report it will present to the Annual General Shareholders' Meeting to the Board.

The Management Board shall meet as often as the interests of the Company require and at a minimum once per quarter, upon the notification of its Chairman or of the member of the Management Board appointed for this purpose, or that of at least one-third of its members, if the Management Board has not met for over two months. The agenda may be completed at the time of the meeting.

The notifications may be provided by any means, even verbal.

The meeting will take place either at the head office or in any other location indicated in the notification.

The Management Board's deliberations are only valid if at least half of its members are present. However, the members of the Management Board shall be considered present if they participate in the Management Board meeting by videoconferencing or telecommunications means that comply with the applicable legal and regulatory provisions.

Any member of the Management Board may be represented during deliberations by another member of the Management Board or may participate by videoconferencing or telecommunications means such as those listed below. No member of the Management Board may have more than one term of office.

Decisions are made based on a majority of the votes of the members who are present or represented. In the event of a tie, the meeting Chairman shall hold the deciding vote.

Management Board meetings are presided by the Chairman or, in the event of an impediment, by another member chosen by the Management Board at the beginning of the meeting.

During each meeting, the Management Board may appoint a secretary who may be selected from outside the ranks of the Management Board's members.

The deliberations are recorded in minutes prepared in accordance with the legal provisions in effect in a special register and are signed by the members of the Management Board who participated in the meeting.

21.13.2.2 THE SUPERVISORY BOARD (ARTICLES 17 TO 20)

The Supervisory Board consists of minimum three members and of 18 at the most, subject to the dispensation provided by law in the event of a merger.

The members of the Supervisory Board are natural or legal persons appointed by the Ordinary General Shareholders' Meeting. However, in the event of one or more vacancies, the Board may appoint their replacement(s) through cooptation, with each person appointed for the remaining duration of the term of their predecessor, subject to the approval of the next General Shareholders' Meeting.

Eligibility for the position of member of the Supervisory Board is subject to the conditions regarding the holding of multiple offices stated by the law.

The number of members of the Supervisory Board having passed the age of 70 may not exceed one-third of the members of the Supervisory Board in office. When this proportion is exceeded, the oldest member of the Supervisory Board, with the exception of the Chairman, shall cease to perform his/her functions at the end of the next Ordinary General Shareholders' Meeting.

Members of the Supervisory Board are appointed for a six-year (6) term. The functions of Supervisory Board members end at the conclusion of the Ordinary General Shareholders' Meeting called to approve the financial statements for the previous fiscal year and held during the year in which their term of office expires.

They are re-eligible.

When a legal person assumes the duties of Supervisory Board member, it is required to appoint a permanent representative who will be subject to the same conditions and obligations and who will incur the same civil and criminal liability as if he/she were a member of the Board in his/her own right without prejudice to the joint and several liability of the legal person he/she represents. Permanent representatives are subject to the same age conditions as natural persons.

The term of office of a permanent representative designated by a legal person appointed to the Supervisory Board is for the duration of the term of office of the legal person.

If the legal person terminates the term of office of its permanent representative, it is required to immediately notify the Company, *via* certified letter, and to immediately provide a replacement. The same conditions apply in the event of the death or resignation of the permanent representative.

The members of the Supervisory Board may be dismissed at any time by the Ordinary General Shareholders' Meeting.

In the event of a vacancy of one or several seats due to death or resignation, the Supervisory Board may make temporary appointments between two General Shareholders' Meetings.

If the number of Supervisory Board members falls below three, the Management Board must immediately convene the Ordinary General Shareholders' Meeting for the purpose of fully staffing the Board.

The temporary appointments made by the Supervisory Board are submitted to the approval of the next Ordinary General Shareholders' Meeting. The member named as a replacement for another will only remain in the position for the time remaining in the term of office of his/her predecessor.

The Board elects, from among its members who are natural persons, a Chairman and Vice-Chairman who are responsible for convening the Board and overseeing its discussions. They perform their duties for the duration of their terms of office as members of the Supervisory Board.

If applicable, they determine their compensation.

The Supervisory Board may appoint a secretary who may be selected from outside the ranks of its members.

The Supervisory Board meets as often as the Company's interests require.

The members of the Supervisory Board are notified of these meetings by any means, even verbal.

Supervisory Board meetings take place at the head office or in any other location specified in the notification.

The meetings are held, and deliberations take place, subject to the *quorum* and majority conditions provided by law. In the event of a tie, the meeting Chairman shall hold the deciding vote.

Subject to internal regulations having been established, and except for the transactions covered by Article L. 225-68, paragraph 5 of the French Commercial Code, internal regulations may provide that members of the Supervisory Board who participate in a meeting by videoconferencing or telecommunications means which identify them and ensure their effective participation be considered present for the calculation of the *quorum* and the majority.

Any member of the Board may request to be represented by another member at Board meetings. No member may have more than one term of office.

The minutes of Board meetings are prepared, and copies or excerpts are delivered and certified in accordance with the law.

The Supervisory Board ensures the permanent control of the management of the Company by the Management Board.

It can perform the verifications and checks it deems necessary at any time of year, and it can request from the Management Board any documents it deems useful for the performance of its mission.

It receives the report presented by the Management Board a minimum of once per quarter.

The Board presents its observations regarding the Management Board's report and the financial statements for the fiscal year to the annual Ordinary General Shareholders' Meeting.

The Supervisory Board may grant special mandates to one or several of its members for one or several specific objectives.

It may also decide to create internal Committees responsible for studying questions which it, or its Chairman, submits to their review for an opinion.

Attendance fees may be allocated to the Supervisory Board by the General Shareholders' Meeting. The Board may freely distribute them among its members.

The Board may also allocate exceptional compensation to the members of the Supervisory Board under the circumstances and conditions provided by law.

21.13.2.3 ADVISORY BOARD (ARTICLE 21)

An Advisory Board composed of one or several observers may advise the Supervisory Board, particularly regarding the business environment, strategy and business growth, corporate governance and risk management, in accordance with the missions assigned by the Supervisory Board and in compliance with the law and the Articles of Association. The creation of an Advisory Board is optional. Observers are appointed, renewed or dismissed by the Ordinary General Shareholders' Meeting based on the recommendation of the Supervisory Board. They are always re-eligible. The duration of the observer functions, the procedures for their cessation and their renewal are identical to those of the members of the Board (six years).

Observers attend the meetings of the Supervisory Board in an advisory capacity and without voting rights. They are invited to the meetings of the Supervisory Board under the same conditions and according to the same deadlines as the members of the Board. Observers may receive compensation in return for the services they render to the Company.

21.13.3 Rights, privileges and restrictions associated with each category of existing shares (Articles 11 and 26)

As of the date of this document, Avanquest's capital is composed of ordinary shares, all of the same category. Pursuant to Article 26 of the Company's Articles of Association, if the fiscal year's financial statements approved by the General Shareholders' Meeting show a distributable profit, as defined by law, the General Shareholders' Meeting may decide to record it as one or several reserve items for which it will decide the allocation or use, whether to carry it forward or to distribute it.

If applicable, following approval of the financial statements by the General Shareholders' Meeting, losses are carried forward to be offset against the income of the subsequent fiscal years until eliminated.

The Extraordinary Shareholders' Meeting of October 31, 1996 decided to grant double voting rights to all fully paid up shares for which registration in the name of the same shareholder could be documented for a minimum of two years. The double voting right was eliminated by the Combined General Shareholders' Meeting of January 15, 2004, which modified Article 12 of the Company's Articles of Association to reflect this. Consequently, no Avanquest shares have had a double voting right since January 15, 2004.

The General Shareholders' Meeting of March 12, 2015 decided, in accordance with Article L. 225-123 of the French Commercial Code, not to grant any double voting rights (i) to fully paid up Company shares for which registration in the name of the same shareholder could be documented for a minimum of two years, (ii) as well as any registered Company shares allocated as bonus shares as part of a capital increase through incorporation of reserves, profits or issue premiums, to a shareholder.

21.13.4 Modification of shareholders' rights

Shareholders' rights as they appear in the Company's Articles of Association can only be modified by the Extraordinary General Shareholders' Meeting of the Company. Any increase in the commitments of shareholders must be decided under the terms and conditions and in accordance with the methods provided by law.

21.13.5 General Shareholders' Meeting (Article 23)

General Shareholders' Meetings are convened and deliberate under the conditions provided by law. The Management Board or the Supervisory Board may decide that they will be held by videoconferencing or telecommunications means permitting the identification of the shareholders.

The collective decisions of shareholders are taken at Ordinary, Extraordinary or Special General Shareholders' Meetings, depending on the nature of the decisions they are asked to make. Any shareholder may participate in the meetings, whether in person or by proxy, no matter the number of shares owned, upon providing documentation of their identity and of share ownership either in the form of registered shares in their name or *via* a certificate from a financial intermediary authorized as a bookrunner stating the unavailability of the registered shares until the date of the meeting. These formalities must be completed by, at the latest, the second business day preceding the meeting at 12 a.m. (Paris time). Shareholders may be represented by another shareholder, by his/her spouse or by the partner with whom they have signed a Civil Solidarity Pact (civil union). Shareholders may also be represented by any other natural or legal person of their choice.

Shareholders who participate in a meeting by videoconferencing or telecommunications means that allow them to be legally identified are considered present for the calculation of the *quorum* and the majority.

The General Shareholders' Meeting is presided by the Chairman of the Supervisory Board or by the Vice-Chairman of the Board or, failing this, by an individual appointed by the meeting. Scrutineer functions are performed by the two members of the meeting who have the largest number of votes and who accept to perform these functions. The bureau appoints a secretary who may be chosen from outside the ranks of the shareholders.

The deliberations of the General Shareholders' Meeting are recorded in minutes, in accordance with the legislation.

Ordinary and Extraordinary General Shareholders' Meetings making decisions under the *quorum* and majority conditions established by their respective governing provisions exercise the powers granted to them by the legislation. At equal par value, each capital or dividend-right share gives the right to the same number of votes and each share gives the right to a minimum of one vote.

21.13.6 Clauses likely to have an impact on the control of the Company

The Company's Articles of Association do not contain any measures that would permit the delay, deferment or prevention of a change in control.

21.13.7 Provisions regarding the crossing of thresholds

Any shareholder, acting alone or cooperatively, who holds more than one twentieth, one tenth, three twentieths, one-fifth, one-quarter, three-tenths, one-third, half, two-thirds, eighteen-twentieths or nineteen-twentieths of the Company's capital, will be required to comply with the provisions provided in Article L. 233-7 of the French Commercial Code and, more particularly, will be required to immediately inform the Company of this fact by certified letter with return receipt requested.

No statutory disclosures are expected outside of the legal thresholds. In the event of non-compliance with this obligation, the provisions set out in Article L. 233-14 of the French Commercial Code will apply.

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MAJOR CONTRACTS

No major contracts, other than those signed in the normal course of business, have been signed in the two years preceding the publication of this Registration Document.

23

INFORMATION FROM THIRD PARTIES, EXPERT DISCLOSURES AND DISCLOSURES OF INTEREST

None.

24

DOCUMENTS AVAILABLE TO THE PUBLIC

24.1 AVAILABILITY OF THE REGISTRATION DOCUMENT

The Registration Document is available at the head office of the Company at 89/91, boulevard National – 92257 La Garenne-Colombes Cedex – France, as well as on the website of the Avanquest group at the following address: www.avanquest-group.com and on the website of the *Autorité des marchés financiers* (www.amf-france.org).

The following documents may be consulted at the Company's head office during the validity period of this Registration Document:

- the Company's Articles of Association;
- all reports, correspondence and other documents, historical financial information, evaluations and statements prepared by experts at the request of Avanquest, of which a portion is included or referred to in the Registration Document;
- the historical financial information of the issuer and its subsidiaries for each of the two fiscal years preceding the publication of the Registration Document.

Pursuant to Article 221-3 pf the AMF's General Regulation, the entirety of the regulatory information referred to in Article 221-1 of said regulation is available on the Company's website (www.avanquest-group.com).

24.2 LIST OF PRESS RELEASES

Please find below a list of the press releases published online by the Company since the date the 2014-2015 Registration Document was made available, *i.e*. June 27, 2016 (excluding monthly disclosures of the number of shares and voting rights and regulatory information concerning the liquidity contracts):

August 11, 2016	Revenue: The 2015-2016 fiscal year was marked by sustained growth
September 13, 2016	Avanquest participates in the European Large & Midcap Event on October 5 and 6, 2016 in Paris
October 4, 2016	Results from the 2015-2016 fiscal year Presentation of the 2015-2016 annual results – SFAF

25

INFORMATION REGARDING EQUITY INTERESTS

Please refer to the tables on subsidiaries and equity interests in note 26.2.4.7.6 of the notes to the individual financial statements.

26

APPENDICES

26.1 MANAGEMENT BOARD REPORT ON THE GROUP'S BUSINESS AND MANAGEMENT 2015-2016

To the Shareholders,

In compliance with Company Articles of Association and the law on commercial companies, we have convened this Ordinary Annual General Shareholders' Meeting to present our Company's activities during the fiscal year ended June 30, 2016, the results of this activity and the future outlook, and to submit the balance sheet and annual financial statements for the fiscal year for your approval. The financial statements are attached to this report.

The required notifications to attend were sent to you and all relevant documents required by current regulations were made available to you within the legal deadlines.

The Statutory Auditors' reports are at your disposal, notably the audit reports on the individual and consolidated financial statements and the special report on regulated conventions. We are also at your disposal for any additional clarification and information that you may require.

In the appendix, you will find a table indicating the Company's financial results for the last five fiscal years, in accordance with Article R. 225-102 of the French Commercial Code. In accordance with the provisions of Article L. 225-100 paragraph 7 of the French Commercial Code, you will also find a summary table of the delegations of powers and authorities granted by the General Shareholders' Meeting to the Management Board with regard to capital increases in application of Articles L. 225-129-1 and L. 225-129-2 of the French Commercial Code and the table indicating the breakdown of the balance of trade accounts payable by due date at the end of the last two fiscal years.

You will find below a review of the different information as stipulated by the regulations.

26.1.1 INFORMATION ON THE COMPANY'S BUSINESS ACTIVITY

26.1.1.1 Avanquest group

ACTIVITIES DURING THE 2015-2016 FISCAL YEAR

A global Internet and mobile player, Avanquest is one of the few French companies in this sector to post sales of over €100 million, of which more than one-half are generated in the United States. Inspired by CEO Pierre Cesarini, Avanquest has worked on a strategic reorientation focusing on three areas of business – digital printing through the Group's new PlanetArt division, IoT management *via* the myDevices division, and e-commerce business through the Avanquest Software division:

- PlanetArt: a world leader in mobile device printing, specifically *via* the FreePrints product, the least expensive and simplest way in the world to print photos from a smartphone – FreePrints is already a must-have for over 3.7 million customers, a figure that has more than doubled in one year;
- myDevices: a global platform for IoT management (Internet of Things) enabling major corporations from different business sectors to quickly develop and roll out IoT solutions for their customers;
- Avanquest Software: the world's #1 distributor of third-party software. Avanquest Software sells over a million software products *via* its websites and sales outlets worldwide each year.

Highlights

Finalization of the Group's reorganization

As of June 30, 2015, Avanquest group finalized its financial restructuring plan, with its bank debt in France reduced to €1.6 million. This residual bank debt was paid back at the time of receipt of the deferred price for Arvixe in November 2015. This sum of €1.6 million had already been paid into an escrow account opened at *Caisse des dépôts et consignations,* in such a way that the repayments did not negatively impact the cash position. Therefore, as of June 30, 2016, the Group is almost fully debt-free.

The disposal of the ProcessFlows subsidiary, initiated on May 29, 2015, was finalized. Inter-company liabilities and receivables that existed at the time of disposal were written off, generating income of €0.6 million for the Group. In June 2016, the Group signed an agreement with ProcessFlows shareholders, leading to the payment of a definitive earn-out of €0.9 million (of which €0.35 million had been recorded in receivables at the time of disposal), that added to the initial disposal price of €4 million already received by Avanquest, and settling the disposal.

On April 30, 2016, the Group also disposed of its United Kingdom subsidiary, Avanquest Software Publishing Ltd. (specializing in games distribution) for £3.4 million (€4.3 million), with a deferred payment of £0.9 million (of which £0.6 million at less than one year).

Building on these operations, the Group also continued simplifying its legal structure with the universal transfer of assets and liabilities from the EMME SAS subsidiary to Avanquest SA on May 16, 2016.

Change in governance

In July 2015, a new Board of Directors was constituted with the appointments of Marc Goldberg, Frédéric Paul, Marie-Christine Levet and Luisa Munaretto.

The Combined General Shareholders' Meeting of November 30, 2015, in its 15th resolution, decided to modify the mode of administration and management of the Company, through the adoption of the form of a French *société anonyme* with a Management Board and Supervisory Board *(Directoire* and *Conseil de surveillance),* effective as of January 1, 2016. This mode of governance has been in place since that time.

The Supervisory Board was formed with the appointments of: Marc Goldberg, Chairman, Marie-Christine Levet, Luisa Munaretto and RE Finance Consulting SA, represented by Frédéric Paul. As of June 30, 2016, the Supervisory Board members are Caroline Bouraine Le Bigot, Chairwoman, Luisa Munaretto and Jean-Loup Rousseau.

The Management Board consists of Sébastien Martin and Pierre Cesarini. The Supervisory Board also unanimously decided to appoint Pierre Cesarini as the Chairman of the Management Board.

Buyback of a block of shares

On March 10, 2016, the Group announced the partial implementation of its share buyback program, in accordance with the authority delegated by the General Shareholders' Meeting of November 30, 2015 in its 14th resolution. Accordingly, it repurchased a block of 23,629,791 of its own shares off-exchange, representing 6.30% of its capital, and formerly held by FPB Invest.

Considering that the current share price does not represent the Group's development potential, Avanquest also continued to implement its share buyback program, by purchasing 3,000,000 shares on the market on May 25, 2016.

As of June 30, 2016, Avanquest holds 26,844,791 of its own shares, *i.e*. 7.15% of its capital.

Avanquest will use the shares acquired as part of its buyback program in accordance with the intended purpose, *i.e.* to cancel shares, grant shares to employees as part of company savings plans or other shareholder savings plans, and exchange, pay or otherwise transfer shares for acquisitions, mergers, demergers or contributions.

Changes in the composition of the Supervisory Board and its Committees

On March 10, 2016, the Group announced the resignation of RE Finance Consulting SA, represented by Frédéric Paul, from its functions as member of the Supervisory Board following the disposal of its shares in Avanquest.

On April 22, 2016, the Group announced the appointment of Caroline Bouraine Le Bigot to the Supervisory Board to replace RE Finance Consulting SA. Caroline Bouraine Le Bigot also joined the Company's Audit Committee and the Appointments and Compensation Committee.

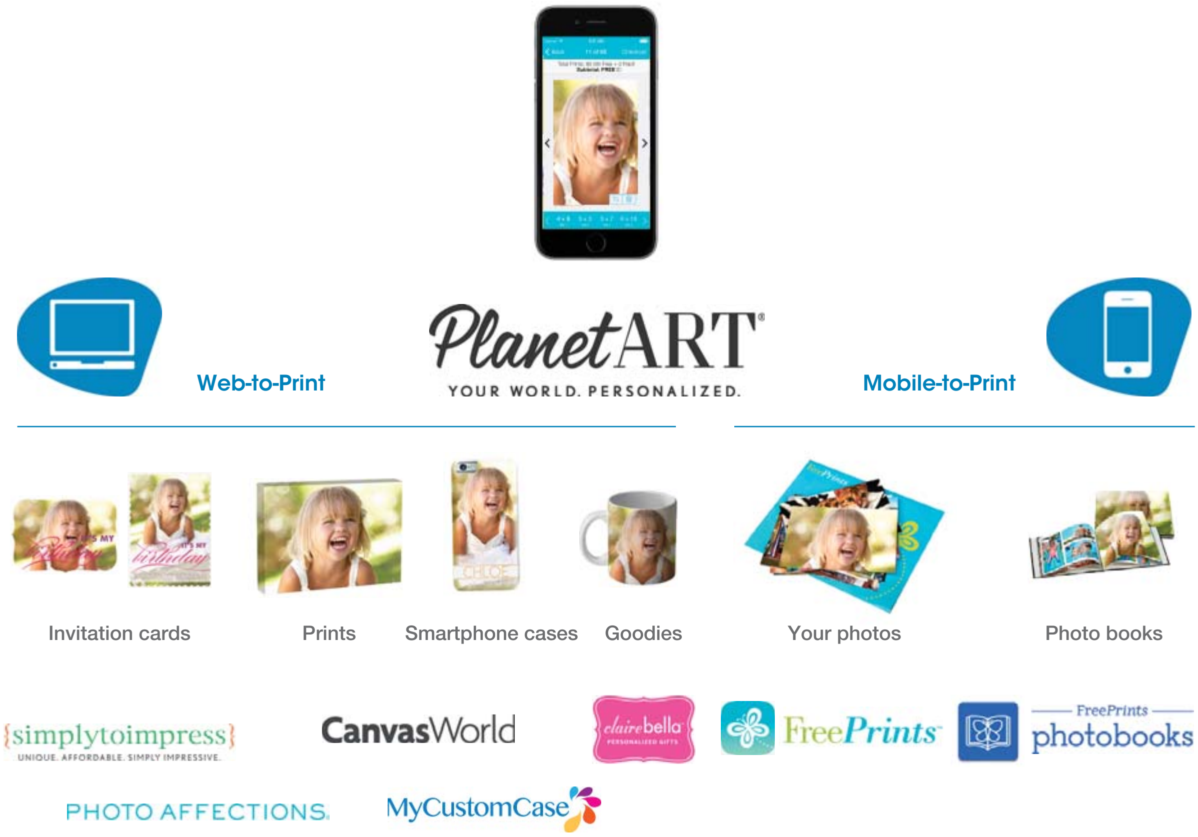
On April 22, 2016, the Group announced the resignation of Marie-Christine Levet as member of the Company's Supervisory Board and the Appointments and Compensation Committee.

During the Supervisory Board meeting on June 3, 2016, Jean-Loup Rousseau was co-opted as a member of the Supervisory Board and Caroline Bouraine Le Bigot was appointed as its Chairwoman. She takes over from Marc Goldberg, who asked to retire from the Supervisory Board in order to concentrate on the Company's merger/acquisition operations.

Business developments

PlanetART
YOUR WORLD. PERSONALIZED.

In the Digital Printing market, Avanquest's mission is to transform all its customers' photos into high quality customized objects at the best price. Its PlanetArt division brings together two major complementary approaches: Web-to-Print and Mobile-to-Print.



The photo market is experiencing very strong growth, with over 1,000 billion photos taken in 2015 (Source: InfoTrends), and continuous development building on the multiplication of smartphones, which nearly all include a camera.

The market trend in photo printing is positive, especially in the United States with average annual growth of +20% from 2007 to 2012 (Source: IbisWorld). Based on multiple data sources (InfoTrends, IbisWorld, FutureSource), we estimate the US market – the main market for the PlanetArt division in Web-to-Print – at $2 billion for calendar printing, and $8 billion for photo gifts.

Simultaneously, the market for printing from mobile phones is developing and showing strong growth, although market data is not currently available. It is, however, easy to imagine the market potential when we consider that 75% of photos are taken using a mobile telephone (Source: InfoTrends).

Web-to-Print

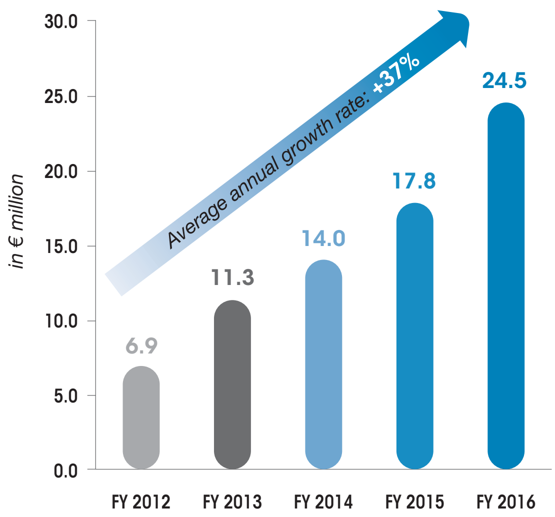
The Web-to-Print business is carried out *via* five dedicated websites for the different customizable objects:

- SimplytoImpress;
- PhotoAffections;
- CanvasWorld;
- MyCustomCase;
- Clairebella.

These businesses, mainly based in the United States, show strong growth. This mature, consolidated market, in which companies such as Shutterfly, Photobox and Vistaprint are competing, continues to grow and offers a positive outlook.

Avanquest continues to maintain this business by capitalizing on its current customer base.

CHANGE IN WEB-TO-PRINT REVENUE



Mobile-to-Print

Avanquest was the forerunner in "Mobile-to-Print", which consists of printing photos from a smartphone in the least expensive and simplest way. Today, FreePrints is the most appreciated, fastest and cheapest solution worldwide for photo printing[1], with very high scores on both Apple Store and Google Play.

FreePrints™

IPHONE (ITUNES STORE)	ANDROID (GOOGLE PLAY)
5	4,8

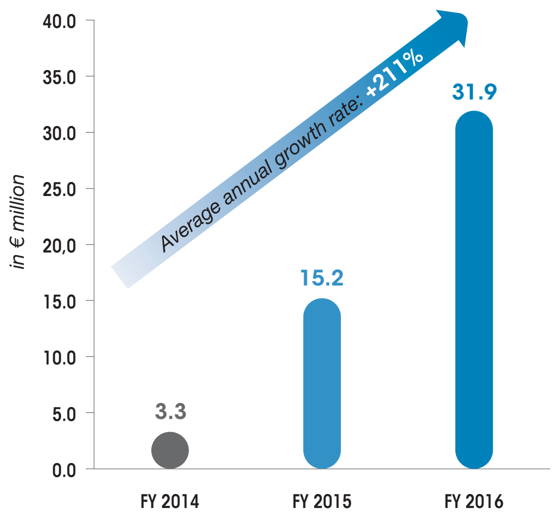
The efforts made to improve product quality have given very positive results, with FreePrints the highest scoring solution among 137 image applications according to Suite48Analytics. This ranking guarantees very good positioning and the best visibility in "app stores".

It is clear that the mobile and image sector provides major opportunities in a strongly growing market.

Revenue for this business showed over 100% growth during the fiscal year, going from €15.2 million in 2014-2015 to €31.9 million for the 2015-2016 fiscal year. Key elements to understanding this business are as follows:

- every order generates a positive gross[2] margin;
- a customer acquisition cost of only a few euros/dollars, amortized in slightly over one year;
- customers return over expected life cycles of several years;
- constant optimization work has already considerably increased the average basket and gross margin;
- the launch of Photobooks at the start of 2016 enabled a significant increase in the average basket and gross margin for the business, without an additional marketing cost. The development of new offerings could also generate a continuous increase in the average basket.

CHANGE IN MOBILE-TO-PRINT REVENUE



From the start, the Mobile-to-Print business model was based on the strong development of a very attractive offer, allowing a significant returning customer base to be built rapidly. This was successful with FreePrints, which already exceeded 3.7 million customers in June 2016, and for which most of the revenue now comes from returning customers. The strategy was to monetize the client base by attracting FreePrints customers to new, high value-added offerings that considerably accelerate profitability.

In this context, Avanquest launched a new application in the United States and United Kingdom at the beginning of 2016: Photobooks, which offers its customers the option of rapidly printing photos stored on smartphones in the form of high quality photo books at unbeatable prices.

(1) According to the Suite48Analytics study published in March 2015, according to competitive studies carried out by the Group and the classification and scoring analyses for photo applications.
(2) Gross margin is defined as the difference between revenue and total production, logistics and processing costs and costs associated with credit cards.

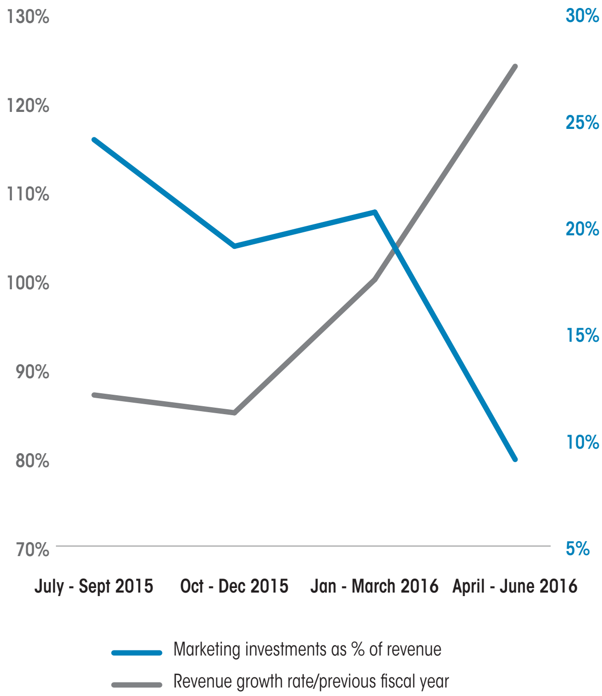
Today, despite the lack of track record for this product, customer feedback is already very positive, as the Photobooks (and FreePrints) apps have excellent scores and reviews. In parallel, the first financial data for Photobooks has confirmed the relevance of the Mobile-to-Print business model. Over 20% of the monthly revenue for the Mobile-to-Print business is generated by the Photobooks application, for which the gross margin is over twice that of FreePrints, without major marketing investments, as most of the customers ordering from Photobooks are from the FreePrints customer base.

(in € million)	fiscal year ended **6/30/2016**	6/30/2015
Revenues	56.4	32.9
Adjusted EBITDA*	**(9.3)**	**(9.5)**
% of Revenue	*-17%*	*-29%*

During the 2015-2016 fiscal year, in accordance with its strategic plan, PlanetArt accelerated its customer acquisition investments, and increased its marketing expenditure by €4.5 million compared to the previous fiscal year. These investments, consisting in the acquisition of a returning customer base, are amortized in over one year. While the revenue is generated as firm sales, the customer base tends to put in several orders over time. For example, every month we note that the majority of orders come from customers that have previously ordered products. Consequently, the investments carried out at a given time can generate revenue and positive gross margins over future years.

In the current environment, marketing investments in PlanetArt should stabilize over the coming fiscal years, while maintaining revenue growth, due to the increase in number and loyalty of the acquired customer base and by reaching sufficient critical size.

MOBILE-TO-PRINT: REVENUE GROWTH RATE AND MARKETING INVESTMENTS



The viability of this business model has already been shown with the launch of Photobooks and the results observed during the last quarter.

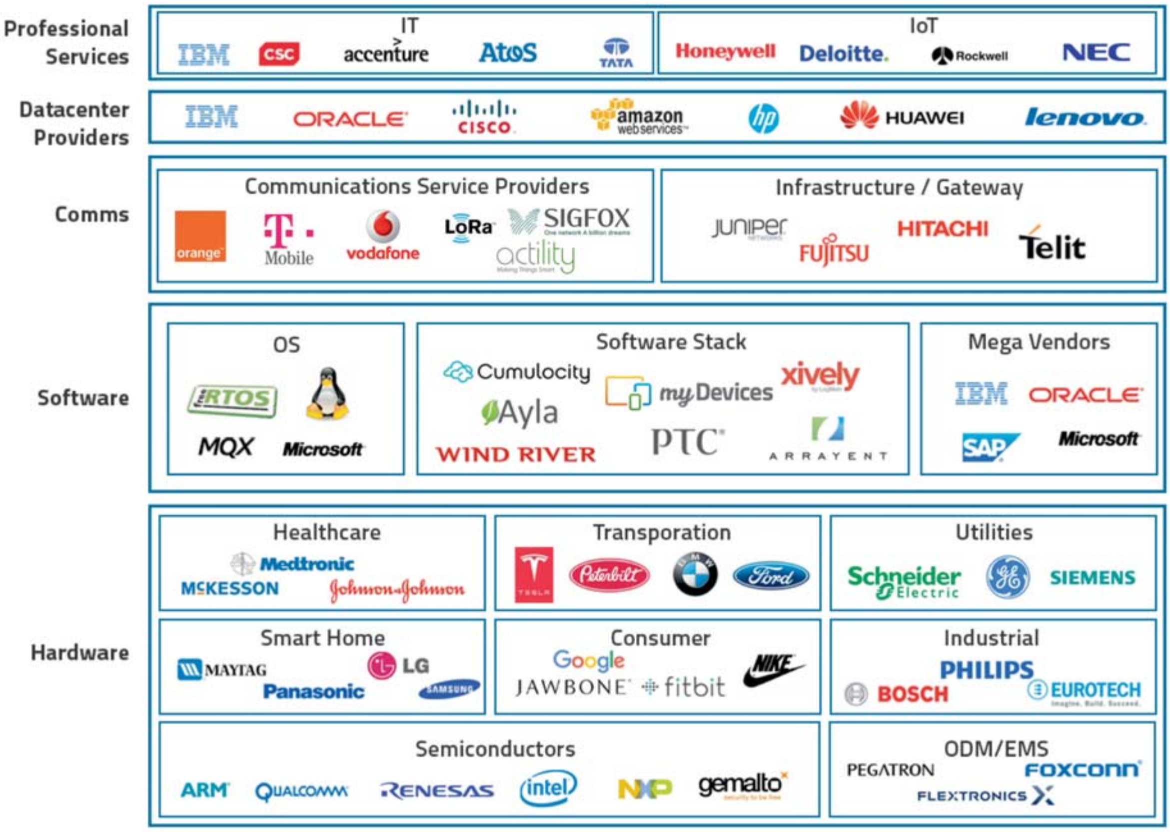
As explained previously, the success of Photobooks, launched in February 2016 in the United States and United Kingdom, has enabled accelerated growth in mobile printing of +117% during the second six-month period compared to same period of the previous year (and +109% over the fiscal year), despite a reduction in marketing investments as a percentage of revenue. Revenue growth increased from +87% during the first quarter of the fiscal year (July-September), compared to the same period of the previous fiscal year, to +124% in the fourth quarter (April-June) while marketing expenditure decreased from 24% to less than 10% of revenue during the same periods.

After micro-computing, Internet and mobile, the Internet of Things (IoT) is the next revolution. All of the major players are positioning themselves on this market, and all companies, whatever their business sector, are involved. Avanquest aims to enable major companies to quickly deploy IoT platforms for their customers.

According to an Oliver Wyman study, the number of connected objects should be between 50 and 100 billion in 2020, representing over 30% annual growth. Whatever the market study considered, the number of general public and industrial sensors connected worldwide will amount to tens of billions, clearly showing the market stakes for all involved. The strong reduction in sensor size, the increase in microchip capacities and the acceleration in uses will impact the entire economy. Numerous studies (CIGREF, Oliver Wyman, IDC) show that all industries will be impacted by this mass movement. The value added of the IoT is estimated at €400 billion, and should be multiplied five-fold by 2020 to reach an estimated €1,800-2,200 billion.

The potential market for the Internet of Things varies considerably from one source to another. The smallest estimate, from Gartner, shows a market of $300 billion in 2020. Cisco forecasts economic stakes of $14,400 billion over the period between 2013 and 2022.

This market builds on a vast, complex eco-system that calls on numerous technologies and involves a multitude of players, as shown in the diagram below:



On October 8, 2015, the Group officially launched its myDevices platform, which enables major companies from all sectors to quickly implement a management platform for all types of connected objects. Companies, whatever their sector of activity, do not always have the skills to build management solutions for connected objects. myDevices enables these companies to quickly roll-out a white-label IoT platform for their customers. It is special in that it is able to connect to all objects and integrates a user interface, as well as data analysis tools for the customer (companies).

myDevices integrates an application that allows all connected objects to be recognized, whatever their communication protocols (Wi-Fi, Bluetooth, Sigfox, Lora, *etc.*) and device types (smartphones, PC, tablets, domestic appliances, thermostats, *etc.*). Once recognized, the objects can be managed by the platform and usage data can be collected.

Thanks to myDevices, the user benefits from a unique platform to manage all their connected objects, accessible *via* a web interface or mobile application. This interface offers numerous services (indicators, monitoring and maintenance, location, remote control, *etc.*) and also allows several different objects to communicate with each other *via* the platform.

The platform provides a range of different data analysis tools to companies (such as the use of connected objects and associated consumer behavior). Based on the data collected, they can adapt their marketing and offers to customers.

Key elements to understanding this business are as follows:

- myDevices is a unique technology that is available and currently being rolled-out;
- a B2B approach with white-label roll-out;
- a SAAS-type business model.

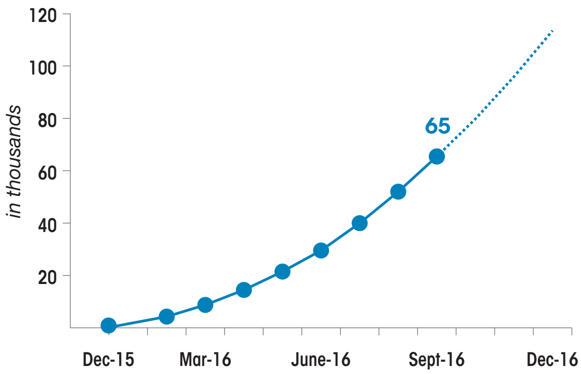
The myDevices platform has generated strong interest from numerous industrial customers in different sectors. However, the sales processes are complex and can extend over long periods, particularly as the market is still new and Avanquest is a pioneer in this sector.

In light of this, at the start of 2016, Avanquest launched Cayenne, a simplified and intuitive development and creation tool for connected objects projects. This free tool allows professional developers to quickly design their connected objects management tool (under Raspberry Pi, and Arduino). Cayenne has generated considerable interest with over 65,000 developers connected to the platform after only eight months in existence. While it does not generate revenue for the moment, Cayenne is an evangelization tool to allow developer communities to appropriate the myDevices technology. It is also a way to validate the platform's robustness with the main market players. Cayenne's successful launch and the enthusiastic welcome are an important aid in the complex sales process for myDevices and have also enabled the creation of the leading worldwide IoT developer community. Avanquest considers that it has the means today to create the leading worldwide IoT community with, over the long term, additional monetization opportunities.

myDevices

(in € million)	fiscal year ended 6/30/2016	6/30/2015
Revenues	3.7	5.5
Adjusted EBITDA*	**(3.0)**	**(0.5)**
% of Revenue	*-83%*	*-9%*

NUMBER OF CAYENNE DEVELOPERS



For the moment, the revenue generated by this division is very low, with €3.7 million for this fiscal year, down 33% due to the programmed end of embedded software sales combined with a delay in the implementation of contracts signed for activities associated with its connected objects management platform. The adjusted EBIDTA margin declined strongly as significant investments to develop the platform were carried out in line with the strategic plan, without significant revenue being generated.

Nevertheless, the positive dynamic of this business is reflected in the very strong increase in its developer community, which, in September 2016, exceeded 65,000 developers subscribing to its Cayenne solution, an intuitive and dynamic IoT (Internet of Things) creation tool, making it one of the leading IoT developer communities worldwide.

Avanquest® software

The Group continues its software publishing and distribution business, both through a trading network (specialized stores, supermarkets, *etc.*) and its different dedicated websites.

The computer market has seen a decline in sales over several years, although 2016 is expected to be the last year of decline, with a slight market increase of +3.8%/year from 2016 to 2018 (Source: Gartner). However, this growth will be due to the particularly dynamic ultramobile sector (tablets, ultrabooks) (+27%) which will offset the erosion of the traditional sector (-2.7%).

We are also seeing a change in the consumption mode for products, with large retail outlets and specialized distributors being replaced by online sales.

This business is a profitable activity for the Group, posting €57 million in annual revenue. The division has been undergoing significant reorganization since the 2014-2015 fiscal year, with in particular:

- the disposals of Arvixe, EMME SA and ProcessFlows;
- the reorganization and streamlining of teams worldwide;
- the continued transition from offline (physical) distribution to online.

The refocusing continued during the second half-year of 2015-2016 with the disposal of Avanquest Software Publishing Ltd.

Avanquest® software

(in € million)	fiscal year ended 6/30/2016	6/30/2015
Revenues	57.3	51.3
Adjusted EBITDA*	**1.1**	**(1.4)**
% of Revenue	*2%*	*1.3%*

** Adjusted EBITDA corresponds to recurring operating income before depreciation and amortization, capitalized production and IFRS adjustments.*

This division benefited from good sales at the end of the year with, in particular, the success of the Minecraft Story Mode game distributed by its former Avanquest Software Publishing Ltd subsidiary. Excluding Avanquest Software Publishing Ltd, Avanquest Software posted a limited decline of 9% due to the planned reduction in physical distribution activities in Europe and the focus on online sales activities for increased profitability.

The Group's strategy for this business is to capitalize on its internal expertise, *i.e.* significant experience in digital marketing, combined with real skills in monetization. Despite the difficult environment, this business remains profitable, thanks notably to the development of new recurring revenue products, new monetization tools and the expansion of its partner network. The Group continues to explore all value-creation opportunities both internally and externally.

Key highlights of the financial statements as of June 30, 2016

For the 2015-2016 fiscal year, the Group generated revenue of €117.4 million, up 26% compared to €93.1 million the previous year, mainly due to the continued roll-out of the commercial strategy for the PlanetArt division.

The key figures are:

Consolidated data *(in € million)*	**2015-2016 fiscal year**	2014-2015 fiscal year
Revenue[(2)]	**117.4**	**93.1**
Recurring operating income	(16.1)	(11.4)
Operating income[(3)]	(26.1)	4.2
Adjusted EBITDA[(4)]	**(11.3)**	**(11.5)**
Pre-tax net income and net income of companies accounted for using the equity method	(27.8)	5.2
Net income, Group share	(28.6)	(6.5)
Earnings per share *(in €)*	(0.1)	(0.1)
Equity, Group share[(1)]	2.1	29.3
Borrowings and other financial liabilities	1.3	6.6
Available cash	11.1	30.5
Ratio net financial liabilities/equity	(4.7)	(0.8)
Cash flow from operations[(5)]	(11.4)	(10.2)
Cash flow from investments	(1.2)	6.5
Cash flow from financing activities	(6.6)	23.9

(1) Restated to correct the error pertaining to the EMME sub-group (breakdown of impairment of goodwill) between the Group share and the share of non-controlling interests for €0.4 million in 2013-2014. The increase in equity, Group share is due to the €34.5 million in funds raised in June 2015.
(2) Restatement of Support revenue.
(3) Of which depreciation of goodwill for €31.9 million in 2013-2014 and €4.8 million in 2015-2016.
(4) Adjusted EBITDA = Recurring operating income before the impact of depreciation and provisions, capitalized R&D and IFRS restatements.
(5) The deterioration in cash flow from operations during the 2014-2015 fiscal year is mainly due to the change in adjusted EBITDA.

Recurring operating income (ROC) is negative at -€16.1 million, compared to a negative ROC of -€11.4 million for the previous fiscal year. This is mainly due to the impacts of development cost decisions, notably:

- the reduction in the amount of capitalized development costs: €0.5 million in 2015-2016 compared to €4 million the previous year;
- the higher depreciation of development costs compared to the previous fiscal year (€4.6 million compared to €3.9 million for 2014-2015), as well as the impairment of part of the capitalized projects for myDevices (for €0.6 million).

The Group's adjusted EBITDA improved slightly from -€11.5 million in 2014-2015 to -€11.3 million in 2015-2016, despite significant investments to develop the Group's new strategic businesses (PlanetArt and myDevices).

Operating income was a loss of €26.1 million in 2015-2016. This is mainly due to:

- the recording of €4.8 million in impairment corresponding to goodwill for PlanetArt;
- the recording of €1.1 million in impairment corresponding to the capitalized development costs for PlanetArt and myDevices;
- the recycling in profit/loss of the historical exchange-rate differentials associated with the goodwill of the divested company, Avanquest Software Publishing Ltd., for -€3.9 million;
- other operating income and expenses for +€0.2 million.

Net financial income shows a loss of €1.7 million of which €1.2 million is due to unrealized unfavorable net exchange-rate differentials on inter-company current accounts and of which €0.5 million is due to net borrowing costs.

Net income shows a loss of €28.6 million, while comprehensive income is -€24.6 million.

The breakdown of revenue by business division is as follows:

(in € million)	**2015-2016**	2014-2015	Δ
Avanquest Software	39.7	43.7	-9%
PlanetArt	56.4	33.0	71%
myDevices	3.7	5.5	-33%
Revenue at constant scope	99.8	82.2	21%
Other*	17.7	10.9	62%
Published revenue	117.4	93.1	26%

* *Arvixe and Avanquest Software Publishing Ltd.*

The breakdown by region is as follows:

(in € million)	**2015-2016**	%	2014-2015	%
France	9.5	8%	13.6	15%
United States	61.9	53%	48.5	52%
United Kingdom	32.1	27%	17.5	19%
Germany	6.0	5%	7.0	8%
Other European countries	4.3	4%	2.9	3%
Rest of the World	3.6	3%	3.7	4%
TOTAL REVENUES	**117.4**		**93.1**	

The Group's revenue is still largely generated outside of France, with over half from the United States. At constant scope (excluding Arvixe, sold on October 31, 2014), sales in the United States increased by 36%, mainly due to the strong growth observed for PlanetArt (with the Web-to-Print business almost exclusively, and half of the Mobile-to-Print activity, generated in the United States). The Mobile-to-Print activity in Europe is mainly generated in the United Kingdom, which explains part of the revenue increase in that country. The excellent sales of Minecraft Story Mode, distributed by Avanquest Software Publishing Ltd., during the first half-year also contributed to the revenue increase in the United Kingdom.

OUTLOOK

The Group intends to confirm its strategy built around three divisions (PlanetArt, myDevices and Avanquest Software) over the coming fiscal year.

For the PlanetArt business, given the positive results in Mobile-to-Print which confirm the relevance of its business model, most of the marketing and R&D investments will be focused on this activity.

For myDevices, given the weak visibility in a context of complex sales and long lead times, Avanquest will accelerate the enrichment of its Cayenne offer *via* the development of its community, while continuing its sales efforts.

For Avanquest Software, the Group will continue to change its business model to online sales as well as recurring sales systems, while continuing to develop new offerings in digital marketing and monetization. All strategic options are currently being studied to optimize the value and profitability of this division.

EVENTS TAKING PLACE AFTER CLOSING

myDevices: launch of Cayenne under Arduino

After its successful launch on Raspberry Pi, the Cayenne platform's technology now allows users of Arduino chips to simplify and significantly accelerate the IoT project development process.

This partnership with Arduino, world leader in this area, should significantly increase the size of the community reached by Cayenne.

DEVELOPMENT COSTS

The Group's expenditure on development activities for the 2015-2016 fiscal year amounted to €7 million, of which €1.4 million for Avanquest SA (compared to €1.3 million for the 2014-2015 fiscal year) and $5.6 million for the US subsidiaries (compared to $6.2 million for the 2014-2015 fiscal year).

Tax credits recorded for this expenditure amounted to €0.3 million in France and $0.3 million in the United States.

Gross capitalized development costs amounted to $0.5 million for the US subsidiaries.

There were no capitalized development costs for the fiscal year at Avanquest SA.

These capitalized costs are subject to periodic review to identify possible goodwill impairment.

An assessment of ongoing development projects in the divisions was carried out during the 2015-2016 fiscal year. The conclusions of this assessment are presented below.

Web-to-Print

As of June 30, 2016, the future profitability analysis for R&D projects led to the depreciation of capitalized development costs for the Web-to-Print business, considering that the criteria to maintain assets according to IAS 38 were no longer met at June 30, 2016. Therefore, for this business, depreciation of €0.4 million was recorded in other operating income and expenses. No development costs were capitalized during the fiscal year for the Web-to-Print business.

Mobile-to-Print

For the Mobile-to-Print activity, €0.5 million of development costs were capitalized, and €0.6 million was recorded for the fiscal year in depreciation, amortization and provisions. The development costs capitalized during the 2015-2016 fiscal year were for Photobooks.

myDevices

The myDevices platform has generated strong interest from numerous industrial customers in different sectors. However, the sales processes are complex, and can extend over long periods, particularly as the market is still new and Avanquest is a pioneer in this sector. In this context, the Company has encountered significant delays in negotiating and signing contracts for the myDevices platform. For this reason, and without calling into question the true potential of this business, the Group no longer has sufficient visibility with regard to the time period for achieving profitability.

Consequently, the criteria to maintain the assets are no longer met according to IAS 38.

The net accounting value of capitalized projects associated with this activity at June 30, 2016 was fully impaired, for an amount of €1.4 million.

Avanquest Software

In the software publishing segment, it is clear that software life cycles (launch of new versions to replace previous versions on the market) are increasingly short. Consequently, accelerated depreciation was recorded for €0.7 million for the second half-year.

Therefore, the development costs and software item reflects a sharp downturn and only includes the development costs associated with the Mobile-to-Print activity at June 30, 2016.

CHANGES IN SCOPE

The Group's changes in scope are described in section 26.1.1.1, "Highlights".

The reorganization that began during the 2014-2015 fiscal year continued during the fiscal year ended June 30, 2016 with the disposal of the United Kingdom Avanquest Software Publishing Ltd. subsidiary (specialized in games distribution) announced on April 1, 2016. This disposal for €4.3 million is part of Avanquest's plan, and should allow it to accelerate investments in its new higher value-added businesses. This amount could be increased by earn-out paid to Avanquest if certain objectives are achieved by Avanquest Software Publishing Ltd. over the years to come.

26.1.1.2 Avanquest SA

KEY FIGURES

Parent company data (in € million)	**2015-2016**	2014-2015
Revenue	18.2	26.7
Operating income	(4.8)	(1.4)
Pre-tax profit/loss	(5.6)	(3.1)
Extraordinary profit/loss	(10.1)	2.9
Net income	**(15.4)**	**0.0**
Equity	**28.8**	**44.1**
Bank debt		1.7
Other financial liabilities	0.1	1.3
Available cash	9.5	25.5

ACTIVITIES DURING THE 2015-2016 FISCAL YEAR

Revenues

Avanquest SA generated €18.2 million in revenue during the fiscal year ended June 30, 2016. The significant decline compared to the previous fiscal year is mainly due to the decrease in revenue from its historical mobility and Retail businesses. Note that revenue from the sale of support services for which Avanquest is the business getter is recognized net as of July 1, 2015. Reported revenue for fiscal year 2014-2015 totaled €26.7 million, but would have been €24.6 million if calculated according to the recognition method used for fiscal year 2015-2016. This reduction unfavorably impacted the operating income and the pre-tax profit/loss.

Extraordinary profit/loss

The extraordinary profit/loss was a loss of €10.1 million compared to a profit of €2.9 million the previous year.

The disposal of Avanquest Software Publishing Ltd. generated net income of €2.4 million, including the reversal of provisions.

At the same time, Avanquest SA finalized the disposal of ProcessFlows Ltd. UK initiated in May 2015, leading to:

- an earn-out of €0.9 million of which €0.35 million was recorded as a receivable during the disposal;
- a write-off of all liabilities and receivables with regard to ProcessFlows, generating income in the financial statements of €0.3 million.

The Company granted a partial write-off of the current account to its Avanquest North America subsidiary with a return to better fortunes clause in the amount of $12 million (€10.8 million) to improve its balance sheet situation and help it financially.

The other extraordinary expenses recorded for €3.5 million are hedged for €0.9 million by a provision and are mainly broken down into:

- capital increase costs (€0.1 million);
- subsidiary disposal costs (€0.4 million);
- debt write-off granted to Avanquest North America (€0.9 million) for the use rights for the Avanquest brand;
- financial and operational restructuring costs (€0.5 million);
- and other extraordinary expenses (€0.7 million).

Bank debt

In accordance with the financial restructuring plan, Avanquest repaid the remaining €1.6 million bank debt on receipt of the deferred Arvixe sale price in November 2015.

Other financial liabilities

Other financial liabilities: the €94 thousand in other financial liabilities consists of the balance of the Oséo Innovation loan, in the amount of €53 thousand and current accounts, for €41 thousand.

OUTLOOK

The Company intends to continue its strategy of focusing on profitability and will study, in particular, all strategic options for its Avanquest Software division.

EVENTS TAKING PLACE AFTER CLOSING

None.

RESEARCH AND DEVELOPMENT EXPENSES

Avanquest SA dedicated the amount of €1.4 million to research and development expenses for the 2015-2016 fiscal year compared to €1.3 million for the previous year.

No development costs were capitalized during the 2015-2016 fiscal year.

ACTIVITIES BY SUBSIDIARIES AND EQUITY INTERESTS

Avanquest America Inc.[(1)]

Avanquest America ended the fiscal year with consolidated revenue of €80.2 million compared to €55.3 million the previous year. Net income was positive at €5.4 million compared to a loss of €4.9 million the previous year, including the write-off of €10.2 million in debt signed with the parent company. The Company is active in both application publishing and distribution activities (online and offline) and in digital printing. Its revenue should continue to increase over the next fiscal year.

(1) Gross margin is defined as the difference between revenue and production, logistics and processing costs and costs associated with credit cards.

Avanquest Deutschland
Avanquest Deutschland ended the fiscal year with consolidated revenue of €4.0 million compared to €4.1 million the previous year. Net income amounted to a loss of €0.1 million compared to a loss of €0.2 million the previous year. This entity mainly concentrates on trading sales with its distribution network in Germany.

Avanquest UK
Avanquest UK ended the fiscal year with consolidated revenue of €3.4 million compared to €3.7 million the previous year. Net income amounted to a loss of €0.2 million compared to a profit of €1 million the previous year. This entity mainly supplies online services and should not see significant changes in its business in the future.

PC Helpsoft Labs Inc.
PC Helpsoft Labs Inc., based in Canada, ended the fiscal year with revenue of €1.1 million compared to €1.5 million the previous year. It mainly manages an online sales site. Net income amounted to a loss of €0.1 million compared to a loss of €0.2 million the previous year.

Avanquest Ibérica
This entity did not have any activity over the fiscal year.

Avanquest SA is the consolidating entity of the Avanquest group.

EXCESSIVE COSTS AND EXPENSES (ART. 39 4° OF THE FRENCH GENERAL TAX CODE)

Avanquest SA's financial statements show a zero amount for costs and expenses under 4° of Article 39 of the French General Tax Code, corresponding to a theoretical zero tax.

REINTEGRATION OF OVERHEADS IN TAXABLE PROFITS (ART. 39-5 AND 223 *QUINQUIES* OF THE FRENCH GENERAL TAX CODE)

Note that, to comply with legal requirements, during the fiscal year ended June 30, 2015, our Company did not commit any non-tax deductible costs and expenses within the meaning of Article 39-5 of the French General Tax Code.

INCOME TAXES

As Avanquest SA's taxable income amounted to a loss, no tax expenses were recorded.

DISCLOSURES ON PAYMENT TIMES

In accordance with the provisions of Article L. 441-6-1 of the French Commercial Code, you will find below a table breaking down the balance of trade payables by due date at the end of the last fiscal years.

Trade payables at June 30, 2016

(in € thousand)	**Total**	Invoices due	Overdue at 0 to 60 days	Invoices overdue + at > 60 days
Accrued invoices	1,135	1,135		
Group trade payables	1,201			
Other trade payables	2,584	1,632	1,008	(56)
TOTAL	**4,920**	**2,767**	**1,008**	**(56)**

Trade payables at June 30, 2015

(in € thousand)	**Total**	Invoices due	Overdue at 0 to 60 days	Invoices overdue + at > 60 days
Accrued invoices	850	850		
Group trade payables	3,818			
Other trade payables	5,757	3,860	1,474	423
TOTAL	**10,425**	**4,710**	**1,474**	**423**

26.1.1.3 Risk factors

The Company conducted a review of the risks that could have a material adverse effect on its business, financial position or results (or on its ability to achieve its objectives) and considers that there are no material risks, other than those described below.

OPERATIONAL RISKS

Staff management risks

Like its competitors, Avanquest is extremely dependent on its teams of highly skilled professionals, and often on very specific skills and positions. The Group's ability to grow depends, in large part, on its ability to attract, motivate and retain these highly qualified staff with the necessary skills and experience.

To attract and retain employees, the Group's management offers some executives and employees profit-sharing in the form of a bonus share plan.

The Group's compensation policy is in line with the market. General increases may be granted each year, accompanied by individual increases related to changes in duties, the attainment of targets or to reward performance.

Risks related to competition

Avanquest operates in a competitive market characterized by rapidly changing technology, as well as by the frequent launch of new products and services.

In this context, some of Avanquest's competitors could have better technical, development and marketing resources than the Company. Therefore, in the PlanetArt business, competitors established in the Web-to-Print segment, such as Shutterfly or Vistaprint, have the means to compete with the Mobile-to-Print activity with significant marketing and technical investments, as no barriers to entry exist in this market. The arrival of new competitors operating in the same markets as the Company could also adversely affect the market share of Avanquest, and therefore affect repeat business, since some customers might switch to competing offers.

For the myDevices business, the Group is faced with a number of major players (PTC, ATOS, IBM, *etc.*) who are looking to position themselves in this promising emerging market, each with a differentiated approach (custom, services, *etc.*) and with considerable financial means.

Furthermore, the Company must anticipate the technological developments likely to be demanded by the market and be able to maintain its ability to innovate in order to maintain and develop its business and growth.

To address these risks, the Company is redoubling its efforts in terms of development and R&D spend, with a particular focus on innovation and the introduction of new business models.

Risks related to suppliers and partners

Most of the products Avanquest sells are developed externally. Therefore, a breach of contract with the developers and publishers who supply these products could have a negative impact on the Group's revenue. However, this risk is fairly diluted due to the size and diversity of the product portfolio (over 500 products). The disposal of Avanquest Software Publishing UK, a subsidiary distributing video games, which took place on April 30, has decreased the risk associated with the loss of a supplier contract.

Like Web-to-Print, Avanquest Software does most of its business online. These activities are closely related to buying traffic, notably *via* Google. The same observation can be made for the Mobile-to-Print business with Facebook. Changes in regulations or in Google/Facebook practices *vis-à-vis* Avanquest could adversely affect these activities. Given the lack of players similar to Google/Facebook, no real strategy can be envisaged to address this risk, except for the diversification of traffic sources, which has been the Company's strategy for several years.

The Group works with a number of partners, technology and service providers (order processing, production and logistics, payments management, data hosting, *etc.*), for all its businesses. At present, the Company does not consider itself overly dependent on these partners, and therefore believes itself to be shielded from this risk. Nevertheless, a breakdown in relations with one or more partners could have adverse impacts on the business during a transition period.

Customer risks

As Avanquest conducts most of its business with retail customers, customer risk is not considered significant.

However, it should be noted that part of the Software division's business is managed by an external partner. Avanquest does not consider itself to be heavily dependent on this partner, since the activity could be managed in-house. Nevertheless, a breakdown in relations with this partner could have adverse impacts on the business during a transition period.

At June 30, 2016, the revenue of the top 10 customers totaled €23.9 million and represented 20.4% of consolidated revenue (compared with 20.7% in the previous year). During the 2015-2016 fiscal year, the revenue generated with the Group's biggest customer represented 3.2% of consolidated revenue, while the second customer accounted for 2.9%, the third 2.9%, and the fourth 2.7%.

The Group's strategy of developing different business segments and expanding its geographical footprint enables it to accentuate the diversification of its customer base. As a precaution, provisions are systematically set aside for all default risks according to the information available at the reporting date.

Technological risks

Furthermore, due to its activity, the Company is continuously exposed to risks related to security and potential hacking of its applications and software. The Company takes all necessary precautions to ensure that its products are secure. However, it cannot completely rule out that they might be faulty or pirated, which could have an adverse impact on its operations.

Another technological risk identified by the Company is the safeguarding and preservation of data. To guard against this risk, the Company has set up regular backup policies for internally stored data, and pays particular attention to the reliability of subcontractors who outsource their datacenter management.

Risks linked to innovation and new business launches

Avanquest positions itself as a major player in the digital industry in general, and therefore pays particular attention to innovation and to the development of new business models.

For example, the Avanquest Software division has developed new offerings based on different business models, while the PlanetArt division has launched products like FreePrints and Photobooks. Similarly, Avanquest has created the myDevices division, which, through its management platform of connected objects, or other products, such as Cayenne, brings innovative technologies to a booming market.

The development of new innovative activities involves a risk linked to the lack of track record, or immature markets or technologies. To address this risk, Avanquest performs numerous tests before the launch of certain products, analyzes and monitors specific performance indicators and implements financial models for operational monitoring of its businesses. Despite these efforts, the risk associated with the launch of these activities cannot be completely ruled out.

Risk of impairment of intangible assets

Besides the impact on profitability, the non-achievement of new business development targets (a risk described in section 3.5.7.1.6) could also lead to an impairment of the Group's intangible assets.

It should be noted that following the impairment of goodwill and the impairment and accelerated amortization of a large part of capitalized development costs, the net value of intangible assets has decreased significantly, which significantly reduces this risk.

Risk of defective products

Although the Company believes that its products are reliable enough to be marketed, its latest products have not undergone large-scale reliability studies. More generally, the risk of malfunction of the Company's software could force it to recall some of its products or to redevelop them, with the risk that this will entail additional costs and delays.

In addition, some customers may claim compensation for the loss suffered due to the use of these faulty products and services and for the damage caused to the development of their business. Such an action for damages against the Company, even if not successful, could be long, expensive and have a negative impact on the Company's image and financial position. Although the sale and service agreements entered into by the Company generally contain clauses limiting its liability for defective products and services, the effectiveness of such clauses may be limited by certain legal provisions or by case law.

The business, financial position, profits, development and prospects of the Company in the medium and long term could be significantly affected. Insurance policies cover these losses; see section 3.5.7.5 for more information.

On June 28, 2016, consumer safety concerns were raised over the Avanquest "Smart Power" product. Avanquest and its European subsidiaries immediately took steps to withdraw the defective product to ensure the safety of people and as a precautionary measure, although no incidents had been reported. A product return procedure was implemented by the Company and is still ongoing. Consumers can return defective products to Avanquest free of charge and receive a refund within three months of the Company receiving the products. The health risk is considered to be low since consumers have been informed. The Company also considers the legal risk to be low. The total cost of the product recall operation is also limited and does not put the Company at risk financially.

FINANCIAL RISKS

Liquidity risk

Prudent management of liquidity risk involves maintaining sufficient liquidity and financial resources through appropriate credit facilities.

The financial restructuring completed in June 2015 enabled the Group to recapitalize itself (by raising €34.5 million in capital) and to improve its financial position (by repaying nearly all of its bank debt). The cash amount used in the 2015-2016 fiscal year is in line with the budget.

The Group's cash position at June 30, 2016 was €11.1 million. Borrowings and other financial liabilities amounted to €1.3 million, and therefore the amount of net cash is €9.8 million.

The Group conducted a specific review of its liquidity risk by generating 12-month cash flow forecasts. These forecasts are derived from the business plan prepared by management. The Group considers that these forecasts do not impact its ability to continue as a going concern.

The repayment schedule for financial liabilities can be found in the notes to the consolidated financial statements at June 30, 2016 (section 3.5.5.3.2).

Counterparty risk

The Company has bank accounts with a variety of leading banks. Therefore, counterparty risk is not considered significant.

Dilution risk

As part of a policy to motivate its directors and officers, employees and consultants, the Company has, since its creation, regularly issued and awarded stock options and bonus shares.

As of June 30, 2016, the exercise of all Company instruments issued or to be issued, convertible to equity, would allow the subscription of 915,000 new shares, representing a dilution of 0.24%. The exercise of outstanding instruments convertible to equity, as well as any new awards or issues, would result in dilution for shareholders.

Note, however, that 100% of the bonus shares would only be exercised if certain stock price growth objectives or profitability objectives are attained.

Assuming that all rights attached to options, to bonus shares, to authorized stock warrants and to convertible bonds become exercisable and are exercised, Avanquest's share capital would increase by €91,500.

The share capital would therefore increase from €37,531,856 to €37,623,356, or an increase of 0.27%, spread over the period between 2016 and 2018. However, it should be noted that 100% of the bonus shares will only be awarded if certain share price or profitability targets are met.

MARKET RISKS

Exchange rate risk

The Group mainly carries on its business outside the euro zone. However, since revenues and costs are denominated in the same currency, the exposure to currency risk is limited to earnings, and no systematic policy of hedging currency risk has been implemented within the Group.

An estimate of the impact of currency movements on earnings for the year ended June 30, 2016 is given below:

Year ended June 30, 2016 *(in € million)*	**Impact on recurring operating income** ↘ 10%	**Impact on recurring operating income** ↗ 10%	Impact on equity ↘ 10%	Impact on equity ↗ 10%
USD	1.3	(1.3)	1.8	(1.8)
GBP	(0.3)	0.3	0.5	(0.5)
TOTAL	**1.0**	**(1.0)**	**2.3**	**(2.3)**

Interest rate risk

The loan taken out by the Avanquest North America subsidiary (€1.18 million outstanding as of June 30, 2016) has a floating interest rate based on the US Prime Rate. Given the low level of debt, a change in interest rates would have little impact on the Group's earnings, and no new hedges were put in place during the 2015-2016 fiscal year and no hedging currently exists.

Equity risk

The Company's cash is mainly invested in risk-free money market investments.

On March 8, 2016, the Company bought back a block of shares at €0.1097 per share for a total of €2.6 million. The Company also completed the purchase on the market of 300,000 additional shares at a nominal price of €0.10. Therefore, at June 30, 2016 the Company held 26,844,791 treasury shares, representing approximately 7.15% of the capital, on which there is a volatility risk.

LEGAL RISKS

Intellectual property risks

In terms of intellectual property rights for its software, and particularly the creations of its employees, Avanquest benefits from the provisions of Article L. 113-9 of the French Intellectual Property Code and section 201 of the United States Code. In application of these codes, all economic intellectual property rights pertaining to the creations made by the Company's employees in the exercise of their duties are assigned to the employer. During the negotiation and drafting of its customer agreements, Avanquest also attaches particular care to the preservation of its rights, particularly by only proceeding with limited concessions of intellectual property rights.

Avanquest's software is registered with the *Agence de protection des programmes* (APP), the European body for digital rights protection, in order to protect its rights and combat software piracy. Software designed or published in the United States is also filed with the Copyright Office. Like all software industry players, Avanquest is exposed to the problems of software piracy. To mitigate this risk, Avanquest has put in place different technical solutions: technical protection measures (copy protection) on some physical software media, particularly for published products, an activation system with a unique code and/or a combination of these methods together or with other works' protection methods.

With regard to industrial property rights, Avanquest has around 140 registered trademarks and 860 domain names. The trademarks considered most important are registered throughout Europe and in the United States. In view of its strong international expansion, Avanquest routinely proceeds with the extension of the registration of its most important trademarks in the main countries where its products are sold. Avanquest has set up a monitoring system for certain key trademarks and regularly opposes the registration of trademarks that it believes infringe its rights. In addition, Avanquest is particularly watchful of the registration of domain names that may contain signs belonging to it. As it does regularly, Avanquest has audited its portfolio, and has put in place a policy to optimize the management of its intellectual property assets within the Group (trademarks, domain names, guidance).

Avanquest is not exposed to specific legal risks apart from those related to intellectual property and to its contractual, civil and criminal liability in general.

Regulatory risk

US regulatory environment for trade

Talks on a "Transatlantic Trade and Investment Partnership" between the European Union and the United States began in July 2013. This treaty could significantly change the framework for trade between Europe and the United States on intellectual property, data flow and taxation of operations in the digital sector. The Company remains attentive to developments in the negotiations conducted by US and European representatives.

European regulatory environment

Regulations applicable to the protection of personal data

On April 14, 2016, the European Parliament adopted the General Data Protection Regulation, repealing the 1995 Directive and reframing the issue of personal data. While keeping the obligations already imposed on companies for data protection and privacy in general, the Regulation creates a new system of self-regulation replacing the system of declaration, primarily with the French data protection agency (CNIL). It organizes the way in which companies will have to implement self-regulation (impact assessments and record-keeping). The Company is keen to organize the transition to the new protection methods prescribed by the Regulation by its effective implementation on May 25, 2018.

Regulations on net neutrality

As a consequence of the concept of universal access to all content under the same conditions, the issue of net neutrality raises the issue of the sharing of revenue between the creators of content, technical operators tasked with allowing access to this content, and intermediaries who are responsible for its use. Challenging the neutrality principle could allow the introduction of a discriminatory business model and access to certain content for which the creators or intermediaries have not concluded agreements with technical operators. In September 2012, the Regulatory Authority on Electronic Communications and Postal Services (ARCEP) submitted a report on net neutrality to the French Parliament and Government. On February 28, 2013, the Government, in its digital roadmap, pronounced itself in favor of the implementation of legislative provisions on net neutrality subject to approval from the French Digital Council. Avanquest remains attentive to possible changes in legislation on the issue of net neutrality.

Regulations applicable to the taxation of the digital sector

On January 18, 2013, a report on taxation of the digital sector (COLIN-COLLIN report) was submitted to the French Minister for Economic Affairs and Finance, the Minister for Industrial Recovery, the Secretary of State for the Budget, and the Secretary of State for Small and Medium-Sized Enterprises, Innovation and the Digital Economy. This report notably raises the question of the adoption of a tax on data. Any regulatory changes in this respect will have to be taken into account by the Company. However, no developments seem likely until a decision is taken at the European level.

Litigation risk

Except for the two tax audits which took place during the period in France and Germany, and the product recall mentioned in section 3.5.7.1.8, there are no governmental, legal or arbitration proceedings, including any procedures of which the Company is aware, which are pending or are threatened, likely to have or having had in the last 12 months a significant impact on the financial position or profitability of the Company and/or the Group.

The Group considers that this risk is not significant because the tax audit in Germany ended without a tax adjustment, and the adjustment in the Avanquest Software financial statements, of which the Company was notified after the reporting date, is less than the provision in the accounts at June 30, 2016.

A provision of €45 thousand was recorded in the financial statements to cover the loss arising from the return of defective products.

Industrial and environment-related risks

Due to the nature of its business, the Company has no or little exposure to such risks.

INSURANCE AND RISK COVERAGE

The Company has insurance policies which the Group's management deems adequate. These policies and their suitability are reviewed regularly and at least once a year. Avanquest has taken out policies covering operating losses, property damage and civil liability (for the Company and its corporate officers). These policies are approved by the Management Committee.

The amount of coverage for Avanquest operating losses is €2.5 million (with a deductible of three days of operating losses). The amount of coverage for property damage is capped at €0.6 million (with a deductible ranging from €0 to €3 thousand, depending on the claim). The Company's civil liability risks are covered in the amount of €10 million (with a deductible ranging from €0 to €50 thousand, depending on the claim). The directors' and officers' liability insurance covers all corporate officers of Avanquest and its subsidiaries worldwide in the amount of €5 million. The total premium for these policies is around €33 thousand.

Furthermore, each of the Group's subsidiaries takes out insurance policies locally appropriate for its needs and consistent with local legal obligations.

26.1.2 INFORMATION ON THE COMPANY'S LEGAL ACTIVITY

26.1.2.1 Information on capital

CHANGE IN SHARE CAPITAL

Since June 30, 2016 the change in capital amounts to €33,600 and is due to:

- a capital increase of €24 thousand, following the issue of 240,000 new shares, following the allocation of 240,000 bonus shares to Thierry Bonnefoi, former Group Chief Finance Officer, by means of the Board of Directors' decision of November 6, 2014, recorded by the Board of Directors on October 8, 2015;
- a capital increase of €9,600, following the issue of 96,000 new shares, following the allocation of 96,000 bonus shares to Avanquest employees, by means of the Board of Directors' decision of June 27, 2014, recorded by the Management Board on June 28, 2016.

As of June 30, 2016 the amount of subscribed capital totaled €37,531,855.50 representing a total of 375,318,555 shares of the same category at a par value of €0.10.

BREAKDOWN OF CAPITAL AND VOTING RIGHTS

In accordance with law no. 2014-384 of March 29, 2014 and following the adoption of the 21st resolution of the Combined General Shareholders' Meeting of March 12, 2015, there are no double voting rights attached to fully paid up shares registered in the name of the same shareholder for a minimum of two years. As of June 30, 2016, and taking into account treasury shares, the total number of voting rights amounts to 348,473,764.

To the best of the Company's knowledge, the breakdown of capital and voting rights as of June 30, 2016 is as follows:

Shareholders	Number of shares	% capital	Number of voting rights	% of voting rights
Executives, managers and directors	18,115,667	4.83%	18,115,667	5.20%
Former managers and directors	15,001,110	4.00%	15,001,110	4.30%
Institutional funds	46,087,635	12.28%	46,087,635	13.23%
Floating	269,269,352	71.74%	269,269,352	77.27%
Treasury shares	26,844,791	7.15%		
TOTAL	**375,318,555**	**100.00%**	**348,473,764**	**100.00%**

Estimates

To the Company's knowledge, there are no shareholders directly, indirectly or jointly holding 5% or more of the share capital or voting rights.

As of June 30, 2016, 40,653,192 shares were held in pure registered or administered accounts, *i.e.* 10.22% of the share capital.

AUTHORIZED, NON-ISSUED CAPITAL

The delegations of authority to the Board of Directors on the date of the present report are described in Appendix 2.

Allocations of bonus shares

The following table, prepared to June 30, 2016, summarizes the features of the bonus share plans in effect.

Beneficiaries	Avanquest group employees	Avanquest group employees	Avanquest group employees
General meeting date	7/28/2010	11/29/2012	12/10/2013
Number of authorized securities	500,000	900,000	500,000
Date of the Board of Directors meeting	11/4/2010	7/25/2013	6/27/2014
Number of securities allocated at 6/30/2016	374,500	900,000	390,000
Number of beneficiaries	16	5	81
Of which directors and officers	0	5	1
Vesting period	2 to 4 years	2 to 4 years	2 to 4 years
Vesting conditions	1/2 per year of employment or based on share performance	Based on operating targets or share price	1/2 per year of employment or based on share performance
Rights vested at 6/30/2016	118,250	240,000	96,000
Shares issued at 6/30/2016	118,250	240,000	96,000
Maximum potential number of securities*	245,000	400,000	270,000

* *Taking into account lost or canceled bonus shares.*

Assuming that all rights attached to options, bonus shares, authorized subscription warrants and convertible bonds become exercisable and are exercised, Avanquest's share capital would increase by €91,500.

The share capital would therefore increase from €37,531,856 to €37,623,356, an increase of 0.24%, spread over the period between 2016 and 2018. Note, however, that 100% of the bonus shares would only be definitively awarded on meeting certain share price and profitability targets.

CHANGE IN SHARE PRICE

Month	Volumes exchanged	Average price *(in €)*	High *(in €)*	Low *(in €)*
1/2014	8,545,395	1.41	1.61	1.29
2/2014	6,751,699	1.55	1.69	1.38
3/2014	2,063,076	1.52	1.64	1.39
4/2014	1,673,475	1.4	1.53	1.3
5/2014	1,391,765	1.36	1.45	1.3
6/2014	3,239,901	1.19	1.32	1.07
7/2014	3,696,527	1.03	1.13	0.92
8/2014	2,337,623	0.92	1.01	0.88
9/2014	3,328,073	0.97	1.06	0.93
10/2014	5,165,505	0.8	0.99	0.59
11/2014	10,453,501	0.66	0.79	0.58
12/2014	4,610,960	0.65	0.73	0.59
1/2015	5,373,942	0.65	0.72	0.6
2/2015	7,738,836	0.57	0.72	0.49
3/2015	9,016,035	0.17	0.18	0.16
4/2015	8,737,259	0.13	0.16	0.09
5/2015	37,948,123	0.2	0.36	0.11
6/2015	132,209,695	0.15	0.25	0.1
7/2015	36,338,701	0.11	0.12	0.09
8/2015	55,549,889	0.09	0.12	0.09
9/2015	30,374,704	0.09	0.11	0.08
10/2015	39,269,095	0.09	0.11	0.09
11/2015	5,566,755	0.09	0.1	0.09
12/2015	25,478,621	0.09	0.1	0.08
1/2016	24,841,307	0.09	0.1	0.08
2/2016	45,722,809	0.09	0.11	0.08
3/2016	90,840,400	0.11	0.14	0.08
4/2016	42,888,400	0.08	0.1	0.07
5/2016	110,812,444	0.08	0.11	0.06
6/2016	90,061,547	0.11	0.14	0.09

SHARE BUYBACK PROGRAM

Program voted by the Combined General Shareholders' Meeting of March 12, 2015

The Combined General Shareholders' Meeting of March 12, 2015, in its 11th resolution, authorized a share buyback program canceling and replacing the previous authorization of the Combined General Shareholders' Meeting of December 10, 2013. A summary was distributed prior to the implementation of the program.

The objectives of the buyback program are, in descending order of priority:

- the coordination of the secondary market or of the liquidity of Avanquest shares by a provider of investment services under the terms of a liquidity contract compliant with the Ethics Charter recognized by the *Autorité des marchés financiers;* or
- the allocation of shares to employees for the implementation of company savings plans and of employee shareholding plans under the terms and according to the methods provided by law, particularly by Articles L. 3332-18 *et seq*. of the French Labor Code; and/or
- the delivery of securities for exchanges, payments or other purposes in the context of external growth operations, mergers, demergers or contributions; or
- the implementation of Company stock option plans under the provisions of Articles L. 225-177 *et seq*. of the French Commercial Code; or
- the implementation of plans for the allocation of bonus shares of the Company under the provisions of Articles L. 225-197-1 *et seq*. of the French Commercial Code; or
- the delivery of shares upon the exercise of rights associated with securities giving immediate or longer-term access to the Company's capital; or
- the cancellation of shares acquired and, if applicable, those acquired under previous authorizations to buy back shares, subject to an authorization in force granted by an Extraordinary General Shareholders' Meeting.

The Combined General Shareholders' Meeting of March 12, 2015 fixed the maximum purchase price per share at an amount that would not exceed that of the last independent transaction (most recent share price) or, if it is higher, of the current highest independent offer where the purchase is made, subject to any adjustments linked to possible transactions involving the Company's capital.

The maximum amount of capital Avanquest may acquire is 10% of the capital. The buyback authorization was granted for a period of 18 months, *i.e*. until midnight on September 12, 2016. The maximum amount authorized for the implementation of this program will be, as of June 30, 2016, €3,753,185.55, within the limits of the reserves available other than the legal reserve.

Overview of historical share buyback programs

Avanquest has acquired and disposed of treasury shares under the buyback programs authorized by the General Shareholders' Meetings of October 3, 2006, May 30, 2007, September 17, 2008, September 28, 2009, July 28, 2010, December 6, 2011, November 29, 2012, December 10, 2013, March 12, 2015 and November 30, 2015. As of June 30, 2016, Avanquest held 26,844,791 treasury shares representing 7.15% of the Company's capital on the same date (375,318,555 shares outstanding). As of June 30, 2016, the book value of this portfolio was €2,914 thousand for a market value of €2,952,927.01.

Period	Purchases	Average price	Sales	Average price
2015-16 fiscal year (7/1/2015 to 6/30/2016)	27,009,818	€0.11	288,501	€0.10
Since the start of the program (11/30/2015 to 6/30/2016)	26,904,817	€0.11	243,500	€0.10

No shares were canceled over the last 24 months.

The purchases made under the current program relate to 3,275,026 shares purchased under the liquidity contract with Oddo, then Kepler Chevreux and Invest Securities, which comply with the Ethics Charter of the *Association française des entreprises d'investissement* (AFEI), and are intended to stimulate the market for the Avanquest share. As part of the program Avanquest also bought back, off the market, 23,629,791 shares held by FPB Invest.

SHAREHOLDERS' AGREEMENT

Avanquest has not concluded any shareholder's agreements with third parties.

SUMMARY STATEMENT OF DECLARATIONS OF TRANSACTIONS ON SECURITIES

There were no transactions on the Company's securities (Article L. 621-18-2 of the French Monetary and Financial Code) by the executives, corporate officers or those close to them in the 2015-2016 fiscal year.

26.1.2.2 Corporate officers

The Combined General Shareholders' Meeting of November 30, 2015, in its 15th resolution, decided to modify the Company's mode of administration from a French *société anonyme* with a Board of Directors, as it had been hitherto, to a French *société anonyme* with a Management Board and Supervisory Board, with effect from January 1, 2016. This new mode of governance has been in place at Avanquest since that time.

The creation of a Supervisory Board enabled the transition from governance shared by the Chief Executive Officer and the Board of Directors to tighter governance based on a Management Board under the control of a Supervisory Board, for optimal management of the business.

The Management Board consists of Sébastien Martin and Pierre Cesarini. The Supervisory Board also unanimously decided to appoint Pierre Cesarini as the Chairman of the Management Board.

On the date of publication of the financial statements to June 30, 2016, the Supervisory Board consisted of the following members:

- Caroline Bouraine Le Bigot;
- Luisa Munaretto; and
- Jean-Loup Rousseau.

Pierre Cesarini Chairman of the Management Board and Group CEO

Upon joining Avanquest as Group CEO in May 2013, Pierre Cesarini's background as a serial entrepreneur and his solid experience in Internet and digital businesses proved perfectly suited to the Company's entrepreneurial spirit and ambition. He began his career at Apple, in the company's headquarters in Cupertino, California, where he spent 10 years working on the creation of the PowerMac. In 1998 he founded TempoSoft, a supplier of Intranet applications for HR management and planning – a company purchased by Oracle in 2005. In 2007 Pierre Cesarini became Chairman and CEO of Atego, the world leader in embedded software. He has also been a professor of management at the École Mines Paris Tech. Pierre Cesarini was appointed a member of the Management Board with effect from January 1, 2016, at the Supervisory Board meeting of January 12, 2016.

Sébastien Martin: Member of the Management Board and Group Chief Finance Officer

With 20 years experience in fast-growing technology companies, Sébastien Martin has led more than 20 business ventures, including startups, acquisitions and restructuring operations, achieved in very tight time frames. Sébastien Martin was appointed a member of the Management Board with effect from January 1, 2016, at the Supervisory Board meeting of January 12, 2016

Luisa Munaretto: member of the Supervisory Board and Appointments and Compensation Committee

Luisa Munaretto has decades of experience in private equity and is a co-founder of IndEU Capital, an investment fund that has specialized in luxury brands with a strong focus on digital branding and innovation. Her experience in private equity also includes numerous investments in France and Italy through her position as Director of Strategy at 21 Partners, an investment company that is part of the Benetton family. Luisa Munaretto is a member of the Audit Committee.

Caroline Bouraine Le Bigot: Chairwoman of the Supervisory Board, member of the Appointments and Compensation Committee and of the Audit Committee

A graduate of Sciences Po Paris with an Executive MBA from Stanford, Caroline Bouraine Le Bigot has over 20 years' experience in international high tech. Having recently returned to France, she is currently assisting large French, US and Israeli companies in their development. Her passion for high-tech, for user interfaces, her knowledge of software and hardware environments and her expertise in complex international business project sales will help accelerate Avanquest's development. Caroline Bouraine Le Bigot is a member of the Audit Committee.

Jean-Loup Rousseau: member of the Supervisory Board
In 2002, Jean-Loup Rousseau founded the independent consulting company Proveho Advisory, dedicated to industrial and technology companies. He had previously worked at the consulting firm KTH (Marsh & McLennan group), Amkor Technology and Schlumberger Technologies. He has more than 30 years' experience in the technology industry, assisting a large number of companies in their development.

Currently only Pierre Cesarini and Sébastien Martin hold Executive Management positions.

The Supervisory Board does not have a member elected by employees, nor does it have a member representing employee shareholders. However, an employee representative attends the meetings of the Supervisory Board in an advisory capacity.

The Supervisory Board satisfies the provisions of law No. 2011-103 of January 27, 2011, concerning the equal representation of women and men on corporate governance bodies. Women represent 67% of the Supervisory Board.

List of terms of office and positions held by corporate officers

	Date of initial appointment	Expiry of term of office	Other terms of office and positions held in French companies	Terms of office and positions held in foreign companies
Management Board				
Pierre Cesarini	6/23/2015 Chairman and CEO 1/1/2016 Chairman of the Management Board	12/31/2015 1/1/2022	**Chairman:** ▪ LCT Technologies SAS ▪ EMME SAS(1) **Manager:** ▪ Elendil Sarl ▪ Fangorn SCI	**Chairman of the Board of Directors:** ▪ Avanquest America(1) **Director:** ▪ Avanquest North America Inc.(1)
Sébastien Martin	1/1/2016	1/1/2022	**Chairman:** ▪ InFusio Consulting	**Director:** ▪ Avanquest America(1) ▪ PC Helpsoft(1)
Members of the Supervisory Board				
Caroline Bouraine Le Bigot *Chairwoman of the Supervisory Board*	4/22/2016	General Shareholders' Meeting convened to approve the financial statements for the fiscal year ending 6/30/2021	**Director:** None	None
Luisa Munaretto *Vice-Chairwoman of the Supervisory Board*	1/1/2016	General Shareholders' Meeting convened to approve the financial statements for the fiscal year ending 6/30/2021	**Director:** ▪ IndEU Capital SAS	**Director:** ▪ IndEU India Luxury Holding Pte (Singapore) ▪ RockNShop.com (India) ▪ The LabelLife.com (India)
Jean-Loup Rousseau	6/3/2016	General Shareholders' Meeting convened to approve the financial statements for the fiscal year ending 6/30/2021	**Chairman:** ▪ Proveho SAS **Director:** ▪ Porcher Industries SAS ▪ Ascometal SAS	None

(1) Companies belonging to the Avanquest group.
(2) Liquidated companies.

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COMPENSATION AND BENEFITS GRANTED TO THE CORPORATE OFFICERS

The table below summarizes the total gross compensation and benefits in kind due to each corporate officer, in respect of the 2015-2016 and 2014-2015 fiscal years, from both Avanquest and from companies controlled by it within the meaning of Article L. 233-16 of the French Commercial Code.

Gross compensation due for 2015-2016

Granted (in €)	Fixed portion	Variable portion	Benefits in kind	Fees[2]	Allocation of equity or debt securities	Directors' fees	**Total**
Pierre Cesarini	166,667		15,000	327,150			508,817
Sébastien Martin	100,834	103,000		118,741[3]			322,575
Caroline Bouraine Le Bigot						14,000	14,000
Luisa Munaretto						16,000	16,000
Jean-Loup Rousseau						6,000	6,000
Marc Goldberg[1]				444,000		14,000	458,000
Marie-Christine Levet[1]						7,000	7,000
Frédéric Paul[1]						6,000	6,000
Philippe Misteli[1]				150,000			150,000
Roger Bloxberg[1]	270,222	146,370	16,347				432,939
Todd Helfstein[1]	270,222	146,370	31,047				447,639
	807,944	**395,740**	**62,394**	**1,039,891**	**0**	**63,000**	**2,368,969**

(1) Persons who had resigned or whose term of office had ended as at the date this report was drafted.
(2) Elendil & Navendis €0.3 million, InFusio Consulting €0.1 million, Maslow Capital €0.4 million, 1050 Partners €0.15 million.
(3) From July to December 2015.

Gross compensation due for 2014-2015

Granted (in €)	Fixed portion	Variable portion	Benefits in kind	Fees[2]	Allocation of equity or debt securities	Directors' fees	**Total**
Bruno Vanryb*	45,833	4,167	1,410	410,000		4,000	465,410
Pierre Cesarini	166,667		15,000	545,833			727,500
Philippe Misteli				275,000		4,000	279,000
Roger Tondeur*						11,000	11,000
Roger Bloxberg	248,988	134,869	3,347			4,000	391,204
Todd Helfstein	248,988	134,869	5,804			4,000	393,661
Amélie Faure*						13,000	13,000
Ariane Gorin*						13,000	13,000
Olivier Hua*						13,000	13,000
Andrew Goldstein*						6,500	6,500
	710,476	**273,905**	**25,561**	**1,230,833**	**0**	**72,500**	**2,313,275**

* *Persons who had resigned or whose term of office had ended as at the date this report was drafted.*

Note: compensation paid in a currency other than the euro is converted at the average exchange rate for the fiscal year.

These amounts include the compensation due in respect of fiscal years 2014-2015 and 2015-2016, a part of which is paid during the following fiscal year. Bonuses, which are calculated based on the attainment of consolidated operating results and individual targets, or, for certain executives of subsidiaries, on the operating result of said subsidiary, are paid during the first six-month period following the year end in which they are achieved.

Directors' fees were historically paid the following fiscal year. They have been paid on a quarterly basis since the change in governance came into effect on July 1, 2016.

Pierre Cesarini and Sébastien Martin both receive annual variable compensation in accordance with statutory requirements and with the applicable rules of good governance, according to the attainment of operating results and income targets.

The maximum annual variable compensation for Pierre Cesarini is €175 thousand. However, in July 2016 Pierre Cesarini announced to the Supervisory Board that he would waive his variable compensation for the 2015-2016 fiscal year.

The maximum annual variable compensation for Sébastien Martin is 50% of his annual fixed compensation, which is €200 thousand. Sébastien Martin has been a salaried employee of the Company since January 1, 2016 and did not therefore receive any compensation during the 2014-2015 fiscal year. His variable compensation for the 2015-2016 fiscal year was calculated according to the criteria set forth below.

The Appointments and Compensation Committee, which met on October 8, 2015, gave the following recommendation concerning executive directors' compensation:

The variable portion of senior manager salaries is defined as follows:

- 1/3 based on a revenue criterion (achieving the budgeted revenue for the fiscal year);
- 1/3 based on an EBITDA criterion (achieving the budgeted revenue for the fiscal year);
- 1/3 at the discretion of the Chairman of the Management Board (qualitative criterion).

Pierre Cesarini's bonus is based on the same criteria, but the qualitative third is set by the Supervisory Board.

The qualitative third is determined, as the case may be, by the Chairman of the Management Board or by the Supervisory Board, on a discretionary basis, on conclusion of the fiscal year in question.

At its meeting of November 6, 2014, the Board of Directors authorized an agreement with 1050 Partners for the provision by Philippe Misteli of advisory services in finance, administration, financial structuring and fund raising through June 30, 2015. A new agreement was authorized by the Board of Directors at its meeting of March 30, 2015 for the 2015-2016 fiscal year, granting monthly compensation of €12,500 (excluding tax). As of June 30, 2016, the amounts recognized during the fiscal year for the agreement totaled €150 thousand.

During its deliberations on July 8, 2016, the Supervisory Board decided to approve the agreement between Elendil and the Company. This agreement is for advisory services for financial structuring and raising capital and the search for industrial and financial partners. The total agreement amount is €253 thousand.

26.1.2.3 Statutory Auditors

PRINCIPAL STATUTORY AUDITORS

Aplitec

Les patios Saint-Jacques, 4-14, rue Ferrus – 75014 Paris.

Appointed on February 12, 1998 for a period of six (6) fiscal years. Aplitec's appointment was initially renewed for a period of six (6) additional fiscal years by the General Shareholders' Meeting of May 27, 2004. It was renewed a second time for a period of six additional fiscal years by the General Shareholders' Meeting of July 28, 2010, *i.e.* until the close of the General Shareholders' Meeting convened to approve the financial statements for the year ended June 30, 2016.

Aplitec is represented by Pierre Laot.

ERNST & YOUNG et Autres

Tour First, 1, place des Saisons – 92400 Courbevoie.

On expiry of the tenure of ERNST & YOUNG Audit, the General Shareholders' Meeting of November 29, 2012 appointed ERNST & YOUNG et Autres for a term of six (6) fiscal years ending at the close of the General Shareholders' Meeting convened to approve the financial statements for the year ending June 30, 2018.

ERNST & YOUNG et Autres is represented by Franck Sebag.

ALTERNATE STATUTORY AUDITORS

Jean-Pierre Larroze

Les patios Saint-Jacques, 4-14, rue Ferrus – 75014 Paris.

Appointed on May 27, 2004 for a period of six (6) fiscal years.

Aplitec's appointment was renewed for a period of six (6) additional fiscal years by the General Shareholders' Meeting of July 28, 2010, *i.e.* until the close of the General Shareholders' Meeting convened to approve the financial statements for the year ended June 30, 2016.

Auditex

Tour First, 1 place des Saisons – 92400 Courbevoie.

Appointed on May 30, 2006 for a period of six (6) fiscal years, Auditex's appointment was renewed for a period of six (6) additional fiscal years by the General Shareholders' Meeting of November 29, 2012, *i.e.* until the close of the General Shareholders' Meeting convened to approve the financial statements for the year ended June 30, 2018.

26.1.2.4 Rules governing changes to the Articles of Association

The rules governing changes to the Articles of Association are those set out by the legislation in force. In order to take into account the latest legislative changes, Avanquest's Articles of Association were reviewed and updated during the General Shareholders' Meeting of September 28, 2009.

26.1.2.5 Dividends

The Company has never paid dividends on its shares. Pursuant to the policy it communicated at the time of its IPO, the Company intends to reinvest its profits in order to finance its growth and does not plan to pay dividends in the short-term. This position may nevertheless be re-assessed annually.

In application of the provisions of Article 2277 of the French Civil Code, dividends that remain unclaimed within five years of their effective date of payment will be transferred to the French government.

26.1.2.6 Items likely to have an impact in the event of a public offer

Certain commercial and financial agreements concluded by the Company, and certain companies within the Group, have termination clauses in the event of a change in control. The provisions of these agreements, and indeed for some, their mere existence, are covered by confidentiality agreements whose violation would likely have a serious impact on the Company's interests due to the risk involved in termination due to defaulting on said agreements. Nevertheless, in the case of a public offer, these items should have a relatively small impact.

26.1.2.7 Exceptional events and disputes

To the best of the Company's knowledge, there is no dispute, arbitration or exceptional event likely to have, or have had in the recent past, a significant impact on the financial position, profit/loss, business and assets of the Company or Group.

26.1.2.8 Opinion of the Sole Employee Representative Body

In accordance with the law, the management of Avanquest SA communicated the financial statements for the fiscal year ended June 30, 2016, the draft resolutions, the present report and that of the Statutory Auditors to the Sole Employee Representative Body in good time.

The Sole Employee Representative Body made no specific comments about the documents provided to it.

26.1.2.9 Employee profit-sharing

Given the Company's taxable income, the shareholding agreement is not applicable to this fiscal year.

As of June 30, 2016, the employees of the Company, and of associated companies in the meaning of Article L. 225-180 of the French Commercial Code, held no Avanquest shares under a company savings plan provided for in Articles L. 3331-1 *et seq*. of the French Labor Code. Likewise, no employees or former employees of Avanquest hold shares under a company investment fund governed by Articles L. 214-39 and L. 214-40 of the French Monetary and Financial Code.

26.1.3 THE AVANQUEST GROUP'S CSR POLICY

Avanquest's sustainability depends on the Group's ability to design products and services that are accessible and easy to use yet innovative and powerful. Avanquest's goal is to respond to the challenges of the digital divide by offering users the best technology.

The Group's recent transformation is intended to better meet these challenges thanks to strategic refocusing on its core business and a major change in governance. However, the Group's founding values of diversity, ethics, operational excellence, autonomy and innovation remain at the heart of its development. This change in scope is a new chapter in Avanquest's story, a story which has made Avanquest, one of the first French start-ups in 1984, a group with international reach.

Social responsibility fits perfectly with Avanquest's development and is one of the bases of its sustainability. Its major challenges are those faced by digital businesses:

1. for its employees, good working conditions, skills and career development, the recognition of talent and respect for fairness and equal opportunities;
2. for its customers, the implementation of all of its skills and an operational excellence objective;
3. for its suppliers, fair and transparent relationships;
4. for civil society, the availability of the best digital products and services and training assistance. Avanquest is also concerned with ensuring autonomy for disabled persons;
5. for the environment, limiting its environmental impact.

Avanquest meets these challenges by integrating concrete solutions in the daily practices of each of its subsidiaries. Although the culture of social and environmental responsibility is promoted at Group level, its implementation is everyone's responsibility. Actions are adapted to the regulations and cultures of each country. This decentralized organization is part of the Group's DNA, however, the Group ensures that good practices are shared at annual business line meetings.

Diversity, in all its forms, is one of Avanquest's assets. Our competitiveness relies on the talents and motivation of the men and women who work for our Group. In particular, Avanquest considers the promotion of women as essential to its development, in a sector – digital – in which there are many stereotypes to fight. This proactive policy has been successful: 40.7% of our employees are women. The skills of women are recognized at the highest level as two-thirds of the members of the Supervisory Board are currently women, namely Luisa Munaretto and the Chairwoman of the Board, Caroline Bouraine Le Bigot.

We also promote synergies between cultures, which is essential for an international group that earns 95% of its revenue outside of France. Lastly, we value the skills and experience of our older employees just as much as those of our young graduates and students and see them as guarantors of the transmission of our know-how and ability to innovate.

We also recognize the role that Avanquest must play, both as a customer and a digital player, for civil society. In France, the Group gives priority to an organization suitable for persons with disabilities for sorting and recycling. The Purchasing Department gives preference to skills and providers in the employment pools of its different locations. French and American initiatives intended to make digital available to everyone are also supported and valued.

Since its creation, Avanquest has upheld its own Code of Conduct, which goes beyond regulatory norms, as a means of achieving global excellence. The Group's CSR policy is part of a long-term, continuous improvement process within a organization that promotes the autonomy of its subsidiaries.

26.1.4 CSR INDICATORS

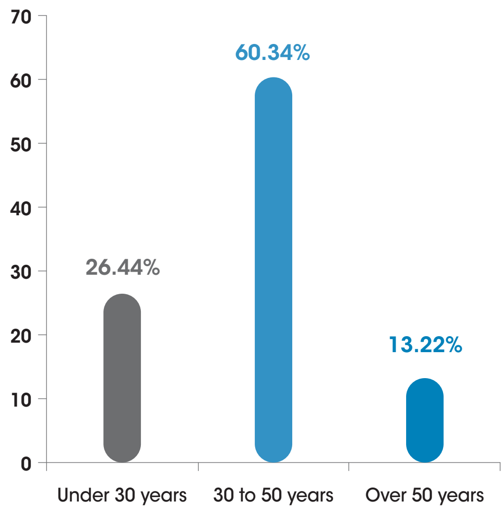
26.1.4.1 Responsibility to employees

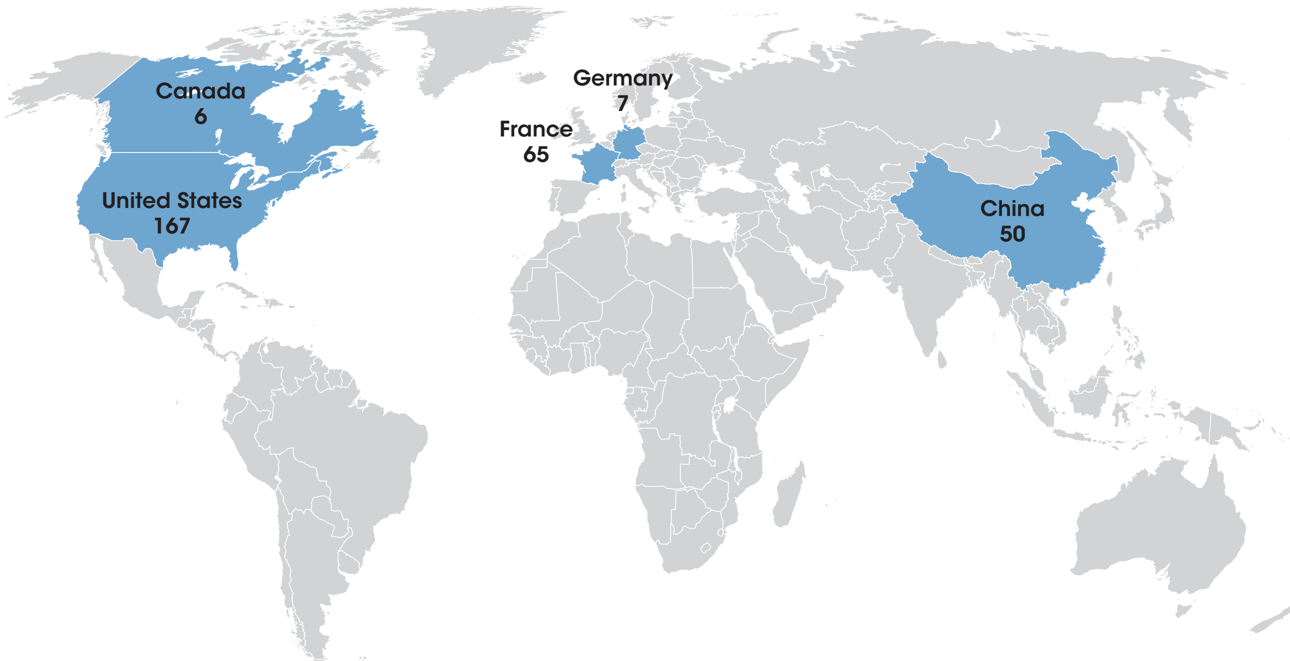
Avanquest's success can only be achieved with the support of Group employees, who are among its most precious assets. We want to do our utmost to ensure that Avanquest's men and women achieve their fullest potential as stakeholders in our corporate project. In this regard, our executive officers are convinced that good working conditions, skills and career development, recognition of talent, fair treatment, and equal opportunity are essential to the success of our strategic plan. They are vectors of innovation, responsiveness, reliability and expertise, for the benefit of our customers.

EMPLOYEES

		New hires*	Departures*	
Total headcount at June 30, 2015	**326**	**+172**	**-171**	**+0.3%***
Total headcount at June 30, 2016	**295**			

* *On a like-for-like basis.*





On a like-for-like basis, the number of employees has remained stable since the end of June 2015.

For the 2015-2016 fiscal year, the Group's wage bill (salaries and bonuses, excluding employer contributions) amounted to €25.7 million. To promote general employee commitment and motivation, individual wage increases are based on objectives set yearly for each employee.

WORKING HOURS

1% of employees work part-time	5% of employees telework

Full-time on-site work is the norm within the Group, as this promotes employee adoption of the corporate culture. Part-time work was further reduced compared with the previous fiscal year, when it applied to over 7% of employees.

The use of mobile tools promotes a good work-life balance. These tools help to improve the quality of life at work by giving workers more flexibility in the management of their schedules. In Germany, the subsidiary allows all of its employees to work from home one day a week.

Except for compliance with national regulations, there are no standardized practices concerning overtime and work performed on weekends or statutory holidays. Local managers are encouraged to cut out overtime, except in exceptional cases.

As an example, the electronic time recorder used in the Group's Paris head office enables each employee to control their working hours and enables the HR Department to detect any abuse in terms of overtime.

Number of days of absence (excluding long-term leave and parental leave)	871*
Unjustified absences	0

* *Illness (excl. illness lasting more than nine months), accidents (on-site and commuting), occupational illness.*

The compensation paid during sick leave complies with national regulations and systems. Certain subsidiaries offer supplementary health insurance. However, no consolidated data is available on these benefits as there is no Group-wide data collection system in this regard.

EMPLOYER-EMPLOYEE RELATIONSHIP

Monthly meetings are held at the Group's head office with personnel representatives, the Works Council and Management. The meetings are the focus of meaningful exchanges where all issues may be examined and discussed. A collective agreement, covering the organization of working time and professional equality, was signed in December 1999, in compliance with French law on personnel representation.

There is no standardized Group-wide procedure to promote social dialog as the Group wishes to meet employee needs by maintaining human resource management at the local level. Practices vary among subsidiaries, depending on national regulations, laws and culture.

As an example, while meetings with personnel representatives in France and Germany are standardized and held at the legally required frequency, there is no such requirement in the United States and the American subsidiary has an "open-door" policy in this regard.

The data concerning the agreements signed in the entities is not consolidated and therefore not available.

HEALTH AND SAFETY

Accidents*	0
Occupational illness	0

* *No data is available on the accident severity rate (SR) or frequency rate (FR) as there is no Group-wide data collection system in this regard.*

There were no occupational accidents during the 2015-2016 fiscal year. For comparison, two accidents were reported the previous year (a road accident in France and an accident without lost time in the United States).

The main health hazards associated with the workstations and identified by the subsidiaries' managers are the standard risks associated with office work:

- on-screen work;
- musculoskeletal disorders;
- stress and psychosocial risks.

Committees have been set up in France and the United States to prevent these risks. In Germany, a health and safety officer tracks the risks.

As an example, in France, meetings with the CHSCT (Committee for Health, Safety and Working Conditions) strive to prevent potential accident risks, as well as employee health problems.

No formal agreement has been signed concerning occupational health and safety.

A health insurance plan is offered to full-time employees in all Group subsidiaries.

TRAINING

Generally, all Avanquest employees are qualified in keeping with the constant rapid changes taking place in the digital sector. The development of employee skills is therefore a priority for the Group.

In a constantly evolving industry, Avanquest is committed to getting all generations to work together to maintain the highest skill level. It makes retraining a priority by promoting internal mobility and education.

Training requirements and expectations are identified at individual assessments conducted annually. The Paris head office holds two meetings with personnel representatives every year – the first to review the training sessions given during the year, and the second to present the coming year's training program, along with the allotted budget.

In France, 407 hours of training were provided during the 2015-2016 fiscal year, for the benefit of 23 employees.

On average, a little over six hours of training was provided per employee, *i.e.* a 16% increase over the previous fiscal year.

However, no precise consolidated information is currently available on the employee training provided as there is no Group-wide data collection system.

FAIR TREATMENT

Fair treatment and equal opportunity are fundamental values for the Group, which considers diversity an asset and a key factor for its success. In concrete terms, beyond mere compliance with regulations, measures related to gender equality, parenthood and the prevention of discrimination are implemented by each subsidiary, in keeping with local issues and expectations.

For example:

- *Avanquest North America provides paternity leave;*
- *in China, Avanquest provides a bonus for the first child and the possibility of taking paternity leave.*

The data concerning the agreements signed in the entities is not consolidated and therefore not available.

The main objective of the Group's disability policy is to promote job integration and the continuing employment of workers with disabilities, in compliance with the legal requirements applicable in the countries where Avanquest operates. The Group goes beyond the basic regulatory requirements whenever possible. For certain outsourced services (gardening, office supplies, printing, *etc.*), it calls on sheltered-sector or job-integration companies. Therefore, the Paris head office conducts an office cleaning operation every year which results in the collection of over one ton of IT equipment and magnetic media. This equipment is either recycled or securely destroyed by a disabled-friendly company, committed to sustainable development. Also, part of the ongoing paper collection and recycling system is managed by job-integration companies. Moreover, for many years now, the packaging of certain French products distributed or produced by Avanquest has been chiefly handled by an aid organization which provides support through employment (ESAT).

PROMOTION AND COMPLIANCE WITH THE STIPULATIONS OF THE INTERNATIONAL LABOR ORGANIZATION'S FUNDAMENTAL CONVENTIONS

Other than the prevention of discrimination and freedom of association – mentioned earlier – the rest of the issues covered by the Fundamental Conventions are not relevant to the industry or to the Company (child labor and forced labor).

The industry uses highly qualified, mobile employees. This type of profile and the absence of any manufacturing activity considerably limit these risks. Furthermore, the mainly commercial activities are chiefly performed in developed countries where such practices are very rare.

26.1.4.2 Environmental responsibility

GENERAL POLICY CONCERNING THE ENVIRONMENT

The service activities provided by Avanquest have a limited impact on the environment, compared to heavy industry. Nevertheless, as a responsible social player, the Group strives to raise its teams' awareness of environmental issues and disseminate good practices. These also have a positive impact on the management of overhead costs, by reducing the energy bill and paper consumption.

At this stage, the Group has not taken any steps toward certification or adopted a specific policy on environmental issues. No site-specific or consolidated data is available due the lack of a centralized data collection system.

In line with the Group's decentralized organizational model, employee training initiatives are conducted on each of the sites on an *ad hoc* basis. Each subsidiary therefore sets up proactive initiatives on the issue informally. All good practices are shared at an annual meeting of administrative and financial officers from the Group's various entities. The measures taken and results achieved by each subsidiary are examined and compared.

For example, the French teams at the head office are regularly updated on environmental issues through internal communication actions. Paper recycling bins were installed in French offices in 2013, in collaboration with La Poste. For the 2015 calendar year, these paper recycling bins, collected by the mailman, made it possible to recycle 748 kg of paper, in line with the previous year's figure. The paper was sorted and packaged by job-integration companies, then recycled by local paper manufacturers.

No indicator is available on the resources dedicated to the prevention of environmental risks and pollution, as there is no significant environmental or pollution-related risk in our field of activity. Avanquest does not produce or sell any toxic products. Moreover, the services provided are located in offices, with very limited risks in this regard.

The indicator on the amount of provisions and coverage for environmental risks is not relevant to Avanquest's business activity.

POLLUTION AND WASTE MANAGEMENT

There is no standardized Group-wide procedure for waste management (waste reduction, recycling, reuse, recovery and disposal). Nevertheless, employees are strongly encouraged to set up initiatives within their own units. These practices are enthusiastically implemented as they fit in with the culture of day-to-day responsibility observed in each country.

As an example, the Group's North American subsidiary recycles all of its paper, cardboard and ink cartridges. Employees have access to paper/cardboard shredders which enable the recycling of some of the packaging cardboard. The rest is handled by an external firm. The two to four ink cartridges used in the offices every month are also recycled.

In French offices, bins were installed for the collection of non-confidential paper, as previously mentioned. A system has also been set up to collect used batteries and printer cartridges. Electronic and magnetic equipment, as well as light bulbs and neon tubes, are handled by specialized companies.

No significant risk has been observed in connection with Avanquest's activity warranting measures for the prevention, reduction or remedying of discharges into the air, water or soil with serious impacts on the environment.

Avanquest's activity does not generate any significant noise pollution, unpleasant odors or dust. The Group's activity does not require the set-up of any specific measures to combat food wastage.

No precise consolidated data is available as there is no Group-wide data collection system.

SUSTAINABLE LAND USE

Given the nature of Avanquest's activity, and the fact that all of the Group's premises are located in urban areas, its impact on land use is not significant. Consequently, no measures have been taken in this regard.

SUSTAINABLE USE OF RESOURCES

The Group's impact on water is low. No indicator has been provided as water consumption and supply, according to local constraints, and the activity's exposure to water-related issues, are not significant (office activities).

No indicator has been provided for the consumption of raw materials and measures taken to improve the efficiency of their use as Avanquest does not use any raw materials.

Energy consumption and measures taken to improve energy efficiency and the use of renewable energy remain a challenge. Fluctuations in energy consumption largely depend on the air conditioning used in the server room. No general monitoring data is available as there is no Group-wide data collection system. At this stage, each subsidiary implements its own measures and tracks its own indicators.

CLIMATE CHANGE

Avanquest has a responsibility to combat climate change, like all other companies. While its greenhouse gas emissions remain low compared to those of industry, the Group is nevertheless committed to monitoring and reducing its carbon footprint. Its footprint is mainly the result of employee travel.

Due to the Group's international scope, frequent meetings and exchanges involving all subsidiaries are required.

However, the Group has set itself new rules of conduct: travel has been greatly reduced and replaced with video conferences and telephone meetings.

The amount of CO_2 emitted is one of the criteria used for vehicle selection when the fleet is renewed. The vehicle leasing firm is also tasked with tracking fuel consumption. The Company encourages its employees to use the train for their business trips (whenever possible), or to opt for video conferencing. The latest vehicle commissioned by the Company was a hybrid vehicle. Moreover, Avanquest was the first tenant at the Paris head office building to request – and obtain – from the building owner, the installation of dedicated sockets for electric vehicles in its employee parking lot.

The travel agency at the Paris head office measures the carbon footprint of each employee's business trips and has published an annual report on CO_2 emissions for the third year running:

	2014-2015	2015-2016
Total flights	94,198 kg CO_2	238,933 kg CO_2
Long-haul flights*	88,036 kg CO_2	216,346 kg CO_2
Medium-haul flights	5,370 kg CO_2	20,810 kg CO_2
Domestic flights	792 kg CO_2	1,777 kg CO_2
Total train journeys	81 kg CO_2	110 kg CO_2

* *The increase in the number of transatlantic flights, and, as a result, the increase in CO2 emissions compared to the previous fiscal year, is due to a greater number of meetings and trade shows in the United States.*

No precise consolidated information is currently available on greenhouse gas emissions as there is no Group-wide data collection system.

The regions in which Avanquest operates are not threatened by climatic phenomena associated with global warming. Consequently, no adaptation measures have been taken at this stage.

PROTECTION OF BIODIVERSITY

Avanquest essentially provides services in urbanized areas and has no impact on fragile ecosystems. The Company's business activities have a very low impact on biodiversity-related issues.

SOCIAL RESPONSIBILITY

As a global Internet player, and one of the few French companies in this sector to earn revenue of over €100 million, Avanquest is aware of its role in civil society. As an employer, client and sponsor, its choices help to develop local communities in the regions where the Group operates.

REGIONAL, ECONOMIC AND SOCIAL IMPACT OF THE COMPANY'S BUSINESS

The Group recruits locally in the countries where it operates. In particular, the North American subsidiary has signed numerous contracts with local companies and recruits staff in local universities to contribute to value creation. The Paris head office also has a long tradition of taking in trainees and students under work-study contracts.

At June 30, 2016, eight young people were working with the development, graphics, marketing and legal affairs teams. Intergenerational exchanges and the training of young people are a priority for the Group and constitute an asset for its future.

Since most of the Group's premises are in office buildings, they have very few negative impacts on the local ecosystem.

OUTSOURCING AND SUPPLIERS

Avanquest's main suppliers are printers, software developers and logistics service providers.

While certain initiatives involving responsible purchasing take into account environmental and social factors on an *ad hoc* basis, no Group policy has yet been adopted in this regard.

In particular, for many years now, the French head office has called on the services of an aid organization which provides support through employment (ESAT Suzanne Lawson, managed by Association des Papillons Blancs des Rives de Seine). Its 95 employees are people with mental or other disabilities who handle a large part of the packaging for Avanquest.

Moreover, the Group entrusts the recycling of its IT equipment – computers, magnetic media, batteries, *etc.* – to APR2, a disabled-friendly company which combines sustainable development and economic solidarity by employing a majority of disabled persons.

RELATIONS WITH PEOPLE INTERESTED IN THE COMPANY'S BUSINESS ACTIVITIES

The Group has always been committed to making the best of technology available to everyone through concrete actions and partnerships with non-profit organizations. It develops software to enable people to create, play and learn. In this regard, the Company participates in a number of projects aimed at helping sick or disadvantaged children to access the educational and edutainment software developed by its teams.

In France, the Company has been supporting the Docteur Souris non-profit organization since 2011. It works to improve the living conditions and well-being of children and adolescents in hospitals. Thanks to the latest in connected devices technology and Internet networks and access, Docteur Souris provides them with entertainment, connects them to the outside world, and enables them to continue their schooling in 32 hospitals. The devices are used free of charge by over 12,000 children and adolescents every year.

In North America, the American subsidiary based in California periodically donates software to local schools. Moreover, at the end of each year, it organizes a food collection with the help of volunteers to support the work of local food banks.

FAIR PRACTICES

At present, no standardized policy has been laid down in a Code of Ethics or Code of Business Conduct. The Group's Management promotes principles of ethics and transparency, as key factors for its ongoing development. However, no precise consolidated information on their deployment is currently available as there is no Group-wide data collection system.

As an example, Avanquest North America undergoes regular audits to prevent corruption.

Country consumer health and safety regulations are applied and video games are supplied with warnings.

OTHER HUMAN RIGHTS ACTIONS

Issues related to the protection of personal and sensitive data are not handled in a consolidated way. There is no Group-wide data collection system.

26.1.5 OTHER LEGAL INFORMATION

26.1.5.1 Regulated agreements

The special report of the Statutory Auditors lists agreements that fall within the scope of Article L. 225-86 of the French Commercial Code, entered into during the past fiscal year with the prior authorization of the Supervisory Board, as well as those entered into during prior fiscal years that remained in force.

Pursuant to Article L. 225-88 of the French Commercial Code, we request that you approve the agreements in the said report.

26.1.5.2 Commitments covered by Article L. 225-42-1 of the French Commercial Code

You are requested to approve the commitments referred to in Article L. 225-42-1 of the French Commercial Code, entered into during the fiscal year ended on June 30, 2016 in favor of the Company's corporate officers and duly authorized by the Board of Directors or the Supervisory Board.

Your Statutory Auditors hereby present these agreements, as well as all information required in their special report.

The draft resolutions include the main points of this report. We encourage you to approve them and wish to express our thanks for your trust and cooperation.

The Management Board

26.2 INDIVIDUAL FINANCIAL STATEMENTS AT JUNE 30, 2016

26.2.1 Income statement at 6/30/2016

(in € thousand)	Notes	2015-2016	2014-2015
NET REVENUES	**4.4.5.1**	**18,235**	**26,741**
Stored production		215	(212)
Capitalized development costs			621
Operating subsidies		1	
Reversals of amortization, depreciation, provisions, and expense transfers		3,166	1,973
Other income		1,404	1,322
OPERATING INCOME		**23,021**	**30,445**
Purchase of goods and change in inventory		2,261	3,019
Purchase of raw materials and change in inventory		281	257
Other purchases and external expenses		13,747	16,327
Taxes, fees and similar payments		190	231
Wages and salaries		3,682	3,916
Social charges		1,825	1,966
Depreciation and amortization on capital assets		1,727	1,334
Provisions for capital assets		460	85
Provisions for circulating assets		331	80
Provisions for contingent liabilities		50	36
Other expenses		3,265	4,631
OPERATING EXPENSES		**27,819**	**31,882**
OPERATING INCOME		**(4,798)**	**(1,437)**
Investment income			250
Income from other securities, receivables in respect of real property		239	228
Other interest and similar income		1,034	667
Reversals of provisions and expense transfers		3,426	2,219
Foreign exchange gains		163	321
INVESTMENT INCOME		**4,862**	**3,685**
Amortization, depreciation and provisions expense		2,140	3,088
Interest and similar expenses		2,962	1,835
Foreign exchange losses		536	457
FINANCIAL EXPENSES		**5,638**	**5,380**
FINANCIAL INCOME	**4.4.5.2**	**(776)**	**(1,695)**
CURRENT INCOME BEFORE TAX		**(5,574)**	**(3,132)**
Extraordinary income on management transactions		826	
Extraordinary income on capital transactions		4,603	22,870
Reversals of provisions and expense transfers		4,721	39,627
EXCEPTIONAL INCOME		**10,150**	**62,497**
Extraordinary expenses on management transactions		3,547	6,901
Extraordinary expenses on capital transactions		16,245	51,881
Extraordinary amortization, depreciation and provisions		423	816
EXTRAORDINARY EXPENSES		**20,215**	**59,598**
EXTRAORDINARY PROFIT/(LOSS)	**4.4.5.3**	**(10,065)**	**2,899**
Pre-tax earnings		(15,639)	(233)
Employee profit-sharing in profits from expansion			
Income taxes	4.4.7.7	(261)	(206)
PROFIT OR LOSS		**(15,378)**	**(27)**

26.2.2 Balance sheet assets at 6/30/2016

(in € thousand)	Notes	Gross	Amortization, depreciation and provisions	**Net 6/30/2016**	Net 6/30/2015
Intangible assets	4.4.3.1-4.4.3.2	17,774	17,432	342	2,413
Property, plant and equipment	4.4.3.3	1,499	1,401	98	160
Equity interests	4.4.3.4	67,576	63,022	4,554	4,564
Other long-term assets	4.4.3.4	7,896	3,274	4,622	4,681
CAPITAL ASSETS		**94,745**	**85,129**	**9,616**	**11,818**
Inventories					
Work in process inventory – Goods		81		81	34
Intermediate and finished products		787	166	621	313
Goods		301	31	270	228
Receivables	**4.4.3.6-4.4.3.8**				
Advances and payments on account					8
Trade and other receivables		8,999	1,522	7,477	6,425
Other receivables		22,112	10,507	11,605	19,450
Cash					
Current investments		2,914		2,914	13
Available cash		6,600		6,600	25,492
Accruals	**4.4.3.8**				
Prepaid expenses		943		943	970
CIRCULATING ASSETS		**42,737**	**12,226**	**30,511**	**52,933**
Currency translation difference – Assets		511		511	634
TOTAL		**137,993**	**97,355**	**40,638**	**65,385**

26.2.3 Balance sheet liabilities at 6/30/2016

(in € thousand)	Notes	**6/30/2016**	6/30/2015
Share capital		37,532	37,498
Share and merger premiums		124,128	124,162
Legal reserve		688	688
Other reserves		3,768	3,768
Balance carried forward		(122,034)	(122,207)
Profit/(loss) for the period		**(15,378)**	**(27)**
Regulated provisions		108	60
EQUITY	**4.4.4.1.1**	**28,812**	**44,142**
PROVISIONS	**4.4.4.2**	**1,258**	**2,077**
Financial liabilities	**4.4.4.3**		
Loans and borrowings from credit institutions		24	1,664
Miscellaneous borrowings and liabilities		94	1,322
Operating liabilities	**4.4.4.4 & 4.4.4.9**		
Trade payables		4,921	10,425
Liabilities in respect of taxes and wages and salaries		1,412	1,514
Miscellaneous liabilities			
Other payables	4.4.4.12	1,775	1,848
LIABILITIES		**8,226**	**16,773**
Currency translation difference – Liabilities	4.4.4.10	2,342	2,393
TOTAL		**40,638**	**65,385**

26.2.4 Notes to the individual financial statements

26.2.4.1 HIGHLIGHTS OF THE FISCAL YEAR

26.2.4.1.1 Financial restructuring plan

The Avanquest group finalized its financial restructuring plan at the end of the prior fiscal year, reducing Avanquest SA's bank debt to €1.6 million. This remaining amount was paid back on receipt of the deferred Arvixe price in November 2015. This sum of €1.6 million had already been paid into an escrow account opened at *Caisse des dépôts et consignations,* in such way that the repayments did not negatively impact the cash position.

26.2.4.1.2 Change in governance

In July 2015, a new Board of Directors was constituted, with the appointments of Marc Goldberg, Frédéric Paul, Marie-Christine Levet and Luisa Munaretto.

The Combined General Shareholders' Meeting of November 30, 2015, in its 15th resolution, decided to modify the mode of administration and management of the Company, through the adoption of the form of a French *société anonyme* with a Management Board and Supervisory Board *(Directoire* and *Conseil de surveillance),* effective as of January 1, 2016. This mode of governance has been in place since that time. The Supervisory Board comprises the following appointed persons: Marc Goldberg, Chairman, and Marie-Christine Levet, Luisa Munaretto and RE Finance Consulting SA, represented by Frédéric Paul. On June 30, 2016, the Supervisory Board members were Caroline Bouraine Le Bigot, Chairwoman, Luisa Munaretto and Jean-Loup Rousseau.

The Management Board consists of Sébastien Martin and Pierre Cesarini. The Supervisory Board also unanimously decided to appoint Pierre Cesarini as the Chairman of the Management Board.

26.2.4.1.3 Buyback of a block of shares

On March 10, 2016, the Group announced the partial implementation of its share buyback program, in accordance with the authority delegated by the General Shareholders' Meeting of November 30, 2015 in its 14th resolution. Accordingly, it repurchased a block of 23,629,791 of its own shares off-exchange, representing 6.30% of its capital, and formerly held by FPB Invest.

Considering that the current share price does not represent the Group's development potential, Avanquest continued to implement its share buyback program, by purchasing 3,000,000 shares on the market on May 25, 2016.

As of June 30, 2016, Avanquest holds 26,844,791 of its own shares, *i.e.* 7.15% of its capital.

Avanquest will use the shares acquired as part of its buyback program in accordance with the intended purpose, *i.e.* to stimulate the market, cancel shares, grant shares to employees as part of company savings plans or other shareholder savings plans, and exchange, pay or otherwise transfer shares for acquisitions, mergers, demergers or contributions.

26.2.4.1.4 Asset disposals

On April 30, 2016, the Group disposed of its United Kingdom subsidiary, Avanquest Software Publishing Ltd. (specializing in games distribution) for £3.4 million (€4.3 million), with a deferred payment of £0.9 million (of which £0.6 million at less than one year).

The disposal of the ProcessFlows subsidiary, initiated on May 29, 2015, was finalized. Inter-company liabilities and receivables that existed at the time of disposal were written off, generating income of €0.3 million for the Group. In June 2016, the Group signed an agreement with ProcessFlows shareholders, leading to the payment of a definitive earn-out of €0.9 million (of which €0.35 million had been recorded in receivables at the time of disposal), that added to the initial disposal price of €4 million already received by Avanquest, and settling the disposal.

Building on these operations, the Group also continued simplifying its legal structure with the universal transfer of assets and liabilities from the EMME SAS subsidiary to Avanquest SA on May 16, 2016.

26.2.4.1.5 Changes in the Supervisory Board and its Committees

On March 10, 2016, Avanquest SA announced the resignation of RE Finance Consulting SA, represented by Frédéric Paul as a member of the Supervisory Board following the disposal of its shares in Avanquest.

On April 22, 2016, the Group announced the appointment of Caroline Bouraine Le Bigot to the Supervisory Board to replace RE Finance Consulting SA. Caroline Bouraine Le Bigot also joined the Audit Committee and the Appointments and Compensation Committee.

On April 22, 2016, the Group announced the resignation of Marie-Christine Levet as member of the Supervisory Board and Appointments and Compensation Committee.

At the Supervisory Board meeting on June 3, 2016, Jean-Loup Rousseau was co-opted as member of the Supervisory Board and Caroline Bouraine Le Bigot was appointed as its Chairwoman. She takes over from Marc Goldberg, who asked to step down from the Supervisory Board so that he could concentrate on the Company's merger/acquisition operations.

26.2.4.1.6 Debt waiver

At June 30, 2016, the balance of the current account between Avanquest Software SA and its subsidiary Avanquest North America Inc. was €17.6 million, up from €12.7 million one year earlier.

In light of the loss recorded by Avanquest North America and to provide it with financial support, Avanquest SA waived $12 million (€10.8 million) in receivables with a claw-back clause applicable before July 1, 2030.

The $1.1 million (€0.9 million) in trademark license fees for use of the Avanquest brand billed to Avanquest North America under the trademark license agreement for the 2015-2016 fiscal year were also waived, with a claw-back clause applicable before July 1, 2021.

26.2.4.2 ACCOUNTING PRINCIPLES, RULES AND METHODS

26.2.4.2.1 Accounting rules and methods

The annual financial statements have been prepared in euros in accordance with the provisions of French law and with generally accepted accounting principles in France. Information is expressed in thousands of euros, unless otherwise noted.

General accounting conventions have been applied, in accordance with the conservatism principle, based on the following basic assumptions:

- going concern;
- consistency of accounting policies;
- independence of financial years;

and, in accordance with the general rules for the preparation and presentation of annual financial statements recommended in the chart of accounts and in French Accounting Standards Board (ANC) notice 2014-03.

The basic method used for the valuation of the items entered in the accounts is the historic cost method.

PRINCIPAL JUDGMENTS AND ESTIMATES FOR ANNUAL CLOSING

The 2015-2016 annual financial statements were approved by the Management Board on September 30, 2016.

The financial statements were prepared on a going concern basis. The conditions underlying this principle are detailed in Note 26.2.4.4.8. on liquidity risk.

In the preparation of the Company's financial statements, management uses judgments, estimates, and assumptions that have an impact on the amounts recognized in the financial statements as assets, liabilities, income and expenses.

The Company's management regularly reviews its estimates and assessments based on past experience and other factors it considers reasonable, which constitute the basis for its assessments of the carrying amount of assets and liabilities. These estimates are prepared using information available at the time of preparation. The estimates can be revised if new information becomes available; actual results may differ from these estimates based on different assumptions and conditions.

The main assumptions and estimates used in preparing the financial statements for the fiscal year ended on June 30, 2016 concern the valuation of development costs and equity interests.

INTANGIBLE ASSETS

Research and development costs

In accordance with the regulations, research and development costs are broken down into two stages:

1. research;
2. development. Only the costs incurred for the particular stage can be recognized under assets.

Development

Development costs are capitalized on this line provided that:

1. the projects are clearly individually identified;
2. the costs are clearly identified;
3. the potential technical success and commercial cost effectiveness of the project are well founded.

Development costs are capitalized for all the Company's projects. Costs that do not meet all the criteria above are recognized in expenditure for the fiscal year in which they were incurred.

They are amortized over a period based on their useful lives, not to exceed five years.

Avanquest periodically assesses the commercial prospects and useful life of each capitalized development at the Group level. If the net carrying amount is higher than the estimated value of future income, an allowance for impairment is set aside.

Other intangible assets

Software packages and technologies acquired are measured at their acquisition cost and amortized according to the straight-line method over their useful lives, not to exceed five years.

Goodwill

Goodwill is measured at acquisition value or contribution value.

This value is reconciled with an estimated value in use on the balance sheet date.

When the value in use is lower than the carrying amount, an allowance for impairment is booked in the amount of the difference.

PROPERTY, PLANT AND EQUIPMENT

Valuation

Property, plant and equipment are measured at their acquisition cost (purchase price plus considering costs).

Depreciation

Economically justified depreciation is determined based on the estimated useful life. The depreciable lives used are:

- Fixtures and fittings straight-line 10 years;
- Office furniture straight-line 7 and 10 years;
- IT equipment straight-line 3, 4 and 5 years.

Additional depreciation is booked in the event of loss of value or a change in the useful life. In the event of a change in the estimated useful life, the depreciation period is also adjusted and the annual depreciation changed as a result.

Long-term assets

Equity interests and receivables from equity interests, including subsidiary current accounts

Equity interests are measured at their acquisition value or their contribution value. The acquisition costs of long-term assets are recognized in expenses.

On the balance sheet date, the value of equity interests, receivables from equity interests and current accounts are reconciled with an estimated value in use.

This value in use is reviewed on an annual basis in light of:

- equity;
- unrealized gains;
- return on investment;
- forward-looking information;
- utility for the Company;
- market value.

When the value in use calculated in this way is lower than the acquisition value (including receivables from equity interests), an allowance for impairment is booked for the amount of the difference.

Other long-term assets

These items are measured at their acquisition value and primarily comprise deposits and sureties and receivables from equity interests.

26.2.4.2.2 Inventories and works-in-progress

Stocks of raw materials and supplies are measured at their purchase price, plus procurement costs. Raw materials and supplies are measured at the lower of their purchase cost (based on the last known purchase price method) and the net realizable value.

Goods in inventory are measured at their weighted average price. A provision for impairment is booked when this cost price is higher than the estimated net realizable value.

Finished products and works-in-progress are measured at the lower of their production cost and net realizable value. Production costs include the direct costs of raw materials, labor, and a proportion of direct overhead, excluding general administrative expenses.

The net realizable value of raw materials and other inventories takes into account depreciation for the obsolescence of inventory with a low rate of turnover.

26.2.4.2.3 Receivables

Receivables are measured at their nominal value. Where relevant, a provision for impairment is recognized to take account of collection difficulties that may arise.

26.2.4.2.4 Transactions in foreign currencies

Income and expenditure denominated in foreign currencies are recorded at their counter-value at the rate of exchange applicable in the month prior to the transaction date. Bank accounts in foreign currencies are measured at the rate in effect on the balance sheet date.

26.2.4.2.5 Current investments

Current investments are measured at their acquisition price, in accordance with the first in, first out (FIFO) method.

Where relevant, a provision for impairment is recognized to take account of any loss in value that may arise on the balance sheet date.

26.2.4.2.6 Revenue recognition

Revenue mainly comprises income from the Avanquest group's core business, the sale of software, and from services, particularly from rebilling services provided by the parent to the Group's subsidiaries. The methods for the recognition of revenue and related expenses depend on the type of contracts with customers:

- software license fee revenue is recognized in income when the risk is transferred to the customer. The transfer takes place on the date the product is shipped or downloaded from the Internet. When the software license includes a warranty period, the portion of revenue allocated to the warranty is recognized *pro rata* over the warranty period;
- royalties billed to companies in the Group on the basis of the product revenue generated in the subsidiaries are recognized in income when the revenue is booked by the subsidiaries;
- subcontracted support services are recognized in income according to the statements sent by the subcontractor. The revenue from these services is not spread over time, insofar as the service provider assumes full liability for the subcontracting expense and the corresponding expense is booked as the revenue is booked. Revenue from the sale of support services for which Avanquest is the business getter is recognized in income in the net amount of the commission.

26.2.4.3 ADDITIONAL INFORMATION PERTAINING TO BALANCE SHEET ASSETS

26.2.4.3.1 Development and software costs

Avanquest SA had a development budget of €1.4 million in the 2015-2016 fiscal year, up from €1.3 million in the prior year.

It reviewed the development projects for each Company business during 2015-2016. The impact on fiscal year 2015-2016 for Avanquest SA was:

- amortization of capitalized development costs for myDevices in the amount of €485 thousand;
- accelerated amortization of capitalized development costs for the Avanquest Software business. The net value of capitalized development costs is covered by a capital cost allowance.

This item consists of:

(in € thousand)	Gross	Amortization, depreciation and provisions	Net
Capitalized development costs	9,238	9,148	90
Brands	68	27	41
Software packages acquired	1,163	982	181
TOTAL	**10,469**	**10,157**	**312**

26.2.4.3.2 Intangible assets

(in € thousand)	Gross 7/1/2015	Acquisitions	Sales, transfers between line items	Gross 6/30/2016	Amortization, depreciation and provisions 6/30/2016	Net 6/30/2016	Net 6/30/2015
Development costs	10,143	326		10,469	10,157	312	2,383
Goodwill	6,440	193		6,633	6,633	0	0
Other intangible assets	30	642		672	672	30	30
TOTAL	**16,613**	**1,161**	**0**	**17,774**	**17,432**	**342**	**2,413**

Goodwill corresponds to the technical unfavorable variance resulting from the transfer of all assets and liabilities from Micro Application to Avanquest. It was impaired in full at June 30, 2016 pursuant to the rules and methods described in section 26.2.4.2.1.

Acquisitions relate to the contributions generated during the transfer of all assets and liabilities from EMME SAS to Avanquest, which were fully provisioned or impaired.

26.2.4.3.3 Property, plant and equipment

(in € thousand)	Gross 7/1/2015	Acquisitions	Sales, transfers between line items	Gross 6/30/2016	Amortization, depreciation and provisions 6/30/2016	Net 6/30/2016	Net 6/30/2015
Fixtures, improvements to land and facilities	542		80	462	426	36	83
Office and IT furniture and equipment	1,012	65	40	1,037	975	62	77
TOTAL	**1,554**	**65**	**120**	**1,499**	**1,401**	**98**	**160**

26.2.4.3.4 Long-term assets

(in € thousand)	Gross 7/1/2015	Acquisitions	Merger, sales, transfers between line items	Gross 6/30/2016	Amortization, depreciation and provisions 6/30/2016	Net 6/30/2016	Net 6/30/2015
Equity interests	67,586	8,309	8,319	67,576	63,022	4,554	4,564
Receivables from equity interests	6,602	1,027	214	7,415	3,129	4,286	4,065
Other long-term investments	169	3	24	148	145	3	169
Loans	57	17	0	74	0	74	57
Loans, other long-term assets	390	39	170	259	0	259	390
TOTAL	**74,804**	**9,395**	**8,727**	**75,472**	**66,296**	**9,176**	**9,245**

Movements that affected the "equity interests" line were the transfer of all assets and liabilities of EMME SAS and the disposal of the Avanquest Software Publishing Ltd. subsidiary during the transfer of the asset base.

The "Loans" item refers to the French new housing levy contribution (known as the *"Effort construction"*). The Company opted for a contribution in the form of a loan as of the 2014 levy and has made a minimum five-year commitment.

According to the principles set out in section 26.2.4.2.1, the Company analyzed the recoverable value of equity interests and receivables from equity interests, including current accounts with subsidiaries. The main asset value relates to the Avanquest America Inc. subsidiary for a total of €7.8 million (including securities: €3.5 million and long-term receivables: €4.3 million), as well as a current account with Avanquest North America Inc. for a net amount of €6.8 million). No depreciation or amortization was booked on these assets. The main assumptions underlying this subsidiary's value are its capacity to monetize its PlanetArt business in general and its Mobile-to-Print business in particular. A provision for impairment may be booked on these assets if these assumptions are not realized.

With reference to the rules outlined in section 26.2.4.2.1, the loan on convertible bonds was written down.

The "Loans, other long-term assets" item was reduced following the return of the security deposit on the loan.

26.2.4.3.5 Amortization and depreciation

AMORTIZATION

(in € thousand)	Amort. 7/1/2015	Amortization and depreciation for the fiscal period	Reversals, transfers between line items	Amortization 6/30/2016
Intangible assets				
Development costs	88	80		168
Licenses, patents	7,568	1,879		9,446
Property, plant and equipment				
Fixtures, improvements to land and facilities	459	47	80	426
Office and IT furniture and equipment	935	79	39	975
TOTAL	**9,050**	**2,085**	**119**	**11,016**

DEPRECIATION

(in € thousand)	Provisions 7/1/2015	Provisions	Reversals	Provisions 6/30/2016
Intangible assets				
Development costs		65		65
Licenses, patents	104	420	47	477
Goodwill	6,440	193		6,633
Other intangible assets		642		642
Long-term assets				
Equity interests	63,022	3,400	3,400	63,022
Other long-term investments		145		145
Other long-term assets	2,537	592		3,129
TOTAL	**72,103**	**5,457**	**3,447**	**74,113**

26.2.4.3.6 Breakdown of other receivables

(in € thousand)	**As of 6/30/2016**
Personnel & social security agencies	26
Corporation tax(1)	627
Value added tax	1,408
Other taxes and duties	143
Group and associates' current accounts	18,315
Suppliers – Accrued credit notes	479
Receivable from disposal(2)	1,089
Miscellaneous	25
TOTAL OTHER RECEIVABLES	**22,112**

(1) *The Corporation tax line comprises the French research tax credit (CIR) and the competitiveness and employment tax credit (CICE).*
(2) *The receivable from disposal is the earn-out due for the sale of the subsidiary, Avanquest Publishing Software Ltd. Note that €0.4 million is due in more than one year.*

26.2.4.3.7 Schedule of receivables

The total receivables due in under one year is €22,116 thousand, broken down as follows:

- receivables from capital assets: €749 thousand;
- receivables from circulating assets: €20,424 thousand, of which €8,910 thousand in trade accounts receivable and €8,262 thousand in current accounts;
- prepaid expenses: €943 thousand.

The total receivables due in more than one year is €17,686 thousand, broken down as follows:

- receivables from capital assets: €6,999 thousand, of which €6,873 thousand in receivables from equity interests;
- receivables from circulating assets: €10,687 thousand, of which €10,053 thousand in current accounts.

26.2.4.3.8 Breakdown of accrued income

(in € thousand)	**As of 6/30/2016**
Long-term assets	
Interest	3
Loans – French new housing levy	26
Trade and other receivables	
Unbilled receivables	202
Other receivables	
Suppliers – Accrued credit notes	**479**
Deductible VAT	**161**
Statement – Accrued income	**143**
Other receivables	**25**
TOTAL	**1,039**

26.2.4.3.9 Breakdown of prepaid expenses

(in € thousand)	**As of 6/30/2016**
Advertising, marketing and communications	46
Royalties	457
Rentals – Leasing	244
Insurance	38
Maintenance	38
Other	120
TOTAL PREPAID EXPENSES	**943**

26.2.4.4 ADDITIONAL INFORMATION PERTAINING TO BALANCE SHEET LIABILITIES

26.2.4.4.1 Equity

SHARE CAPITAL

As of June 30, 2016, the share capital of Avanquest SA was made up of 375,318,555 shares with a par value of €0.10, all in the same category.

SHARES AND SHARE CAPITAL

The share capital moved as follows during the fiscal year:

	Units	Amount (in €)
As of June 30, 2015	**374,982,555**	**37,498,256**
Creation of shares following the allocation of bonus shares	336,000	33,600
As of June 30, 2016	**375,318,555**	**37,531,856**

Changes in the share capital during the fiscal year were due to:

- the award of 240,000 bonus shares to Thierry Bonnefoi, by a decision of the Board of Directors on November 6, 2014, giving rise to the issue of 240,000 new shares, each with a par value of €0.10, and officially recorded by the Board meeting on October 8, 2015;
- the award of 96,000 bonus shares to Company staff under the bonus share plan approved by the Board on June 27, 2014.

OTHER SECURITIES GIVING ACCESS TO CAPITAL

The following table, prepared on June 30, 2016, summarizes the main features of the Group's current bonus share plans.

Beneficiaries	Avanquest group employees	Avanquest group employees	Avanquest group employees
Date of Shareholders' Meeting	7/28/2010	11/29/2012	12/10/2013
Number of shares authorized	500,000	900,000	500,000
Date of Board of Directors meeting	11/4/2010	7/25/2013	6/27/2014
Number of shares allocated at 6/30/2016	374,500	900,000	390,000
Number of beneficiaries	16	5	81
▪ of which directors and officers	0	5	1
Vesting period	2-4 years	2-4 years	2-4 years
Vesting conditions	1/2 per year of employment in the Company, or based on share performance	Based on operating targets or share price targets	1/2 per year of employment in the Company, or based on share performance
Rights vested at 6/30/2016	118,250	240,000	96,000
Shares issued at 6/30/2016	118,250	240,000	96,000
Maximum potential number of securities*	245,000	400,000	270,000

* *Taking into account lost or canceled bonus shares.*

Assuming that all rights attached to options, bonus shares, authorized subscription warrants and convertible bonds become exercisable and are exercised, Avanquest's share capital would increase by €91,500.

The share capital would therefore increase from €37,531,856 to €37,623,356, an increase of 0.24%, spread over the period between 2016 and 2018. Note, however, that 100% of the bonus shares would only be definitively awarded on meeting certain share price and profitability targets.

STATEMENT OF CHANGES IN EQUITY

(in € thousand)	**As of 6/30/2016**
Equity at 6/30/2015	44,142
Income for the period	(15,378)
Regulated provisions	48
EQUITY AT 6/30/2016	**28,182**

26.2.4.4.2 Provisions

(in € thousand)	Provisions 6/30/2015	Operating provisions	Financial provisions	Provisions for the fiscal period	Reversal of op. prov.	Reversal of fin. prov.	Reversals for the fiscal year	Application	**Provisions 6/30/2016**
Provisions for foreign exchange risks	634		513			636		536	511
Other provisions for risks(1)	1,443	176		305	41		1,136	897	747
TOTAL	**2,077**	**176**	**513**	**305**	**41**	**636**	**1,136**	**1,433**	**1,258**

(1) Other provisions for risk consist of provisions for restructuring costs (€147 thousand), provisions for risk related to advances on royalties (€404 thousand), tax audit risk (€99 thousand), and product returns as part of the Smart Power socket recall (€45 thousand), described in section 26.2.4.7.8.

26.2.4.4.3 Financial liabilities

At June 30, 2016, the maturity dates for financial liabilities were as follows:

(in € thousand)	Total	Less than one year	From one to five years	More than five years
Credit facilities borrowings	0			
Other financial liabilities	94	94		
Bank account overdrafts	0			
Financial instruments – Liabilities	0			
Accrued interest not yet due	24	24		
TOTAL	**118**	**118**	**0**	**0**

CREDIT FACILITIES

In accordance with the financial restructuring plan, Avanquest repaid the remaining €1.6 million bank debt on receipt of the deferred Arvixe sale price in November 2015.

This sum was paid into an escrow account opened at the *Caisse des dépôts et consignations* under the conciliation agreement so that the repayment had no impact on cash.

OTHER FINANCIAL LIABILITIES

The other financial liabilities of €94 thousand consist of the balance of the Oséo Innovation loan, for an amount of €53 thousand and current accounts of shareholders, for an amount of €41 thousand.

During the fiscal year, BPI Innovation waived €230 thousand in Avanquest receivables, which represented the balance of a loan for which a partial technical failure report was issued.

26.2.4.4.4 Schedule of liabilities

The total debt due in under one year is €8,226 thousand. There is no debt maturing in more than one year.

26.2.4.4.5 Currency risk

The Company's exposure to foreign currency risk relates mainly to current accounts denominated in foreign currencies and to sales negotiated in dollars in the United States and in pounds in the United Kingdom, minus expenses and investments or the repayment of loans denominated in this currency.

The Company may have foreign exchange hedge facilities. When it prepares its budget each year, the Company may use hedging instruments, primarily made up of forward sales intended to at least hedge the budget exchange rate. No hedging instruments were in place at June 30, 2016.

26.2.4.4.6 Interest rate risk

Since the Company repaid its remaining bank debt in full as of November 19, 2015, there is no interest rate risk.

26.2.4.4.7 Share risk

The Company's cash is primarily invested in risk-free monetary investments.

On March 8, 2016, the Company bought back a block of shares at €0.1097 per share for a total of €2.6 million. The Company also purchased an additional 3 million shares on the market at a nominal price of €0.10. Accordingly, at June 30, 2016, the Company held 26,844,791 treasury shares, equal to approximately 7.15% of the capital, for which there is a volatility risk.

26.2.4.4.8 Liquidity risk

Prudent management of liquidity risk involves maintaining sufficient liquidity and financial resources through the appropriate credit facilities.

The Company completed its financial restructuring in June 2015, enabling it to recapitalize (by raising €34.5 million) and stabilize its financial position. Cash consumed in fiscal year 2015-2016 was in line with forecasts. In accordance with the business plan, the 12-month cash budget is sufficient to ensure continuity of operation.

26.2.4.4.9 Breakdown of accrued expenses

(in € thousand)	As at 6/30/2016
Loans and borrowings	
Accrued interest	65
Trade payables	
Accruals – unbilled payables	1,135
Liabilities in respect of taxes and wages and salaries	1,089
Other payables	1,764
TOTAL	**4,053**

26.2.4.4.10 Exchange rate differentials on receivables and liabilities denominated in foreign currencies

Type of differential *(in € thousand)*	Asset amount - unrealized loss	Offset by foreign exchange hedges	Provisions for foreign exchange losses	Liability amount - unrealized gain
On non-financial assets				
On long-term assets	216		216	
On receivables	288		288	2,272
On financial liabilities				
On operating liabilities	7		7	70
On fixed asset liabilities				
TOTAL	**511**		**511**	**2,342**

The €2,214 thousand in unrealized gains on receivables relates to cash advances in dollars to the Avanquest North America subsidiary to fund the investments of the digital printing business and myDevices.

26.2.4.4.11 Expense transfers

Expense transfers mainly comprise the expenses paid by Avanquest for its subsidiaries and rebilled in euros as part of the Group's operations.

26.2.4.4.12 Other payables

The amount of other payables essentially comprises royalties due (€1,175 thousand), returns related to trading activities (€252 thousand), and end-of-year discounts (€205 thousand).

26.2.4.5 NOTES ON THE INCOME STATEMENT

26.2.4.5.1 Revenue

Breakdown by region *(in € thousand)*	Amount
France	6,847
United States	1,029
United Kingdom	3,887
Germany	1,529
Other countries in Europe	2,169
Other countries	2,774
TOTAL	**18,235**

Note that revenue from the sale of support services for which Avanquest is the business getter is recognized net as of July 1, 2015. Reported revenue for fiscal year 2014-2015 totaled €26.7 million, but would have been €24.6 million if calculated according to the recognition method used for fiscal year 2015-2016.

26.2.4.5.2 Analysis of net financial income

Net financial income was negative at -€0.8 million, compared with a loss of -€1.7 million in the prior year.

The Company's total deleveraging following repayment of the remaining loan in 2015 reduced the "Interest" item by €0.7 million.

Net financial income for the fiscal year primarily consists of:

- an unfavorable merger variance generated by the transfer of all the assets and liabilities of EMME SAS in the amount of €2.9 million, covered by a provision of €2.4 million;
- exchange rate income net of provisions and reversals of provisions for exchange rate losses representing an expense of €0.2 million;
- €1.2 million in financial income from equity interests;
- a provision for impairment of current accounts with subsidiaries for €1.1 million.

26.2.4.5.3 Analysis of extraordinary profit/(loss)

The extraordinary profit/(loss) was a loss of -€10.1 million, compared with a profit of €2.9 million one year earlier.

The disposal of Avanquest Software Publishing Ltd. generated a net gain of €2.4 million, including the reversal of the provision.

At the same time, Avanquest SA closed the sale of ProcessFlows Ltd. UK, commenced in May 2015, leading to:

- an earn-out of €0.9 million, of which €0.35 million had been booked as a receivable during the disposal;
- waiver of all liabilities and receivables due to ProcessFlows generated €0.3 million in income in the accounts of Avanquest SA.

The Company granted Avanquest North America partial remission of the current account debt, with a $12 million (€10.8 million) claw-back clause to improve its balance sheet and provide it with financial assistance.

Other extraordinary expenses in the amount of €3.5 million are covered up to €0.9 million by a provision. They mainly comprise:

- capital increase expenses (€0.1 million);
- subsidiary disposal expenses (€0.4 million);
- waiver of the Avanquest North America debt (€0.9 million) in respect of trademark license fees (see section 26.2.4.1.6);
- financial and operating restructuring costs (€0.5 million);
- and other exceptional expenses (€0.7 million).

26.2.4.6 NOTES ON OFF-BALANCE SHEET COMMITMENTS

26.2.4.6.1 Earn-out clauses on acquisitions and equity interests

No earn-out clause applies to acquisitions made during prior years.

26.2.4.6.2 Off-balance sheet liabilities

Subsidiary	Date	Type	Amount	Limit	Period
Arvixe LLC	10/31/2014	Asset transfer agreement	Indemnity guarantee related to the amount and type of damage: Maximum: €22,000,000 Minimum: €3,300,000	Breach of representations or warranties (other than "fundamental representations"): 15% of the transfer price; Breach of seller's obligations: 50% of the transfer price; Breach of "fundamental representations" pertaining to exclusion of liability and assets and tax receivables: the transfer price; In the event the buyer is entitled to equitable compensation or in the event of fraud: no ceiling. Transfer price = €22 million.	All claims: one year from the final payment date (which must be with; in 12 months of closing, or by October 31, 2016, at the latest); Tax receivable: 90 days after closing (January 25, 2015); Guarantee in respect of "fundamental representations": five years from the closing date, i.e. until October 31, 2019.
Édition Multimédia Électronique (EMME) – Agreement signed by Avanquest Software SA and SFPI	2/17/2015	Share purchase agreement	Price reduction in line with the amount of damages	€250,000, except for damages related to: (i) current employment disputes and; (ii) the settlement of any tax or social security liability that arose prior to the date of completion or not disclosed to the buyer prior to this date.	18 months from the completion date (February 17, 2015), i.e. until August 17, 2016, except: ▪ for damages related to employment disputes, in which case it is 15 working days following the final court decision on the employment dispute concerned; ▪ for damages related to tax or social security liabilities, in which case it is 15 working days following the expiry of the statutory limitation period.
ProcessFlows (UK) Limited	5/29/2015	Share transfer agreement	Minimum: €4,000,000 Maximum: €5,350,000 + interest on a maximum of €350,000	Price paid to the seller, except in the event of a claim relating to tax or social security receivables or insolvency (in the absence of compulsory administration or liquidation proceedings or an application to appoint a liquidator). In the latter case, the maximum amount is £2,500,000. Floor: £50,000 (except in the event of fraud).	All claims: one year from the transaction completion date, i.e. until May 29, 2016; Tax receivable: seven years from the transaction completion date, i.e. until May 29, 2022.
Avanquest Software Publishing (UK) Ltd.	4/30/2016	Share transfer agreement	Guarantee granted for the amount of losses, guarantees, costs and expenses provided for in some cases by the transfer agreement	£750,000, plus the amount of the earn-out clause. Floor: £2,500 if called upon for a single reason £25,000 if called upon for several reasons.	All claims: two years from the transaction completion date, i.e. until April 30, 2018; Tax receivable: seven years from the transaction completion date, i.e. until April 30, 2023.
Carteland	2/7/2014	Share transfer agreement	Price reduction in line with the amount of damages	€500,000 (except in the event of fraudulent or deceitful practices, non-compliance, error, inaccuracy, omission, false representations or warranties). Floor: €25,000.	Tax and social security representations and warranties: one month following the expiry of the statutory limitation period; All other representations: 18 months following the completion date, i.e. August 7, 2015; "Valisette" Damages related to maternity kit: one month following the completion date, i.e. March 7, 2014.
Avanquest UK Limited	6/30/2016	Comfort letter	N/A	N/A	At least until June 30, 2017.

Avanquest provided a guarantee to the US bank for the amount of the credit facility ($3 million) granted to its subsidiary Avanquest North America, and to Cathay Bank for the new $2 million loan taken out on May 20, 2015.

26.2.4.6.3 Pledges granted

There were no pledges granted as of June 30, 2016.

26.2.4.6.4 Lease financing commitment

Avanquest has no lease financing commitments.

26.2.4.6.5 Retirement benefits

On retirement, some Company employees are entitled to benefits calculated according to the relevant collective bargaining agreement. Total retirement commitments calculated according to the projected benefit method stood at €549 thousand. The actuarial assumptions used are:

- discount rate: 1.05%;
- retirement age: 65;
- rate of salary increase: 2-5% according to age.

Considering the average young age of staff, the Company's policy is not to set aside a provision in respect of theoretical entitlements. Instead it pays the actual cost of retirement benefits during the fiscal year in which the retirement occurs.

26.2.4.6.6 Off balance-sheet assets

The shareholders of Micro Application Europe provided Avanquest with a guarantee covering the assets and liabilities in the financial statements of the Company and its subsidiaries as of February 11, 2011. This guarantee is currently only valid for tax claims for which the legal limitation period is longer than five years.

The shareholders of PC Helpsoft provided Avanquest with a guarantee covering the assets and liabilities in the Company's financial statements as of March 31, 2011.

The earn-out for the sale of Avanquest Software Publishing Ltd., based on future profits, has not been included in the calculation of the capital loss, and will be recorded in income in the event the profit is realized.

Avanquest SA waived an aggregate amount of $15 million (€13.7 million) in debt for its subsidiary Avanquest North America. The debt waiver is subject to a claw-back clause after net income of $1 million.

26.2.4.7 OTHER INFORMATION

26.2.4.7.1 Workforce

The Company's workforce fell 19% in the fiscal year to an average of 70 people, compared with 86 in fiscal year 2014–2015. Workforce breakdown by category of staff:

White collar workers	17
Engineers and managers	51
Executives	2
TOTAL	**70**

26.2.4.7.2 Compensation of senior management

Total compensation, benefits in kind, and fees paid to the members of Avanquest SA's executive and management bodies for the performance of their duties amounted to €2.3 million. This amount includes the share of compensation related to the financial restructuring in June 2015, which was paid in July 2015.

A total of €116 thousand in directors' fees was paid to the members of the Board of Directors and the Supervisory Board during the fiscal year, including €73 thousand for fiscal year 2014-2015, and €43 thousand for fiscal year 2015-2016. Directors' fees are paid quarterly since the change in governance.

26.2.4.7.3 Related-party transactions

In addition to the compensation paid to the members of the executive and management bodies and off-balance sheet commitments, there are two other transactions with related parties: two debts waived with a claw-back clause: $13 million (€11.8 million) in debt waiver granted to the subsidiary, Avanquest North America.

26.2.4.7.4 Fees paid to the Statutory Auditors

€246 thousand in fees paid to the Statutory Auditors was recognized in the income statement in respect of the statutory audit of the financial statements, and €70 thousand in respect of additional engagements.

26.2.4.7.5 Information on associates and companies with which the Company has an equity interest link

(in € thousand)	Associates at 6/30/2016	Equity interest link at 6/30/2016
Net long-term assets	8,693	149
Net receivables	13,413	
Liabilities	1,208	
Investment income	1,231	7
Financial expenses	2,924	

26.2.4.7.6 Subsidiaries and equity interests

Companies	Share capital	Equity excluding share capital and before earnings	Proportion of dividends	Gross val. sec. Net val. sec.	Loans, advances, sureties	Revenues	Profit/Loss
Avanquest America Inc.* 2711 Centerville Road, Suite 400 Wilmington, DE 19808, United States	24,586,472[1]	33,962,189[1]	100%	59,824,459 3,530,692	11,119,061 -	80,175,895[2]	5,421,595[2]
Avanquest Deutschland GmbH Lochhamer Str. 9 82152 Planegg b. München Germany	66,000	(2,888,053)	100%	4,456,537 -	-	4,016,283	(93,073)
Avanquest Ibérica SL Calle Peru 6, Edificios Twin Golf 28290 Las Matas, Madrid, Spain	10,000	(1,088,569)	100%	10,000 -	15,469 -	-	(8,179)
EMME Deutschland Lochhamer Str. 9 82152 Planegg b. München Germany	76,694	(9,084,267)	100% currently being wound up	1 1	-	-	(58,965)
Avanquest UK Ltd. Sheridan House, 40-43 Jewry Street Winchester, Hampshire SO23 8RY, United Kingdom	54,446[3]	(1,197,164)[3]	100%	1,518,967 -	-	3,363,185[4]	(223,684)[4]
PC Helpsoft 300 – 848 Courtney Street Victoria BC V8W 1C4, Canada	14[5]	(446,064)[5]	100%	876,748 876,748	-	1,097,973[6]	(105,325)[6]
Equity interests							
Antvoice SAS 28, rue du Sentier 75002 Paris, France	ND		1.7%	148,000 -			
Mediaclip 30, rue de Serres Terrebonne, J6Y 1W3, QC, Canada	NA		22%	741,320 146,842	2,827		

(1) 1 USD = €0.90074.
(2) 1 USD = €0.90305.
(3) 1 GBP = €1.20992.
(4) 1 GBP = €1.33253.
(5) 1 CAD = €0.69522.
(6) 1 CAD = €0.68405.
** Consolidated data for Avanquest North America Inc., PlanetArt UK and Avanquest China. Aggregate data for revenue and profit/(loss).*
NA: not available.

Avanquest SA is the consolidating entity of the Avanquest group.

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26.2.4.7.7 Taxes

INCREASE OR DECREASE IN FUTURE TAX LIABILITY

(in € thousand)	As of 6/30/2016	Corporation tax and corresponding contributions*
Provision for advance royalties	336	112
Provisions for foreign exchange losses	511	170
Exchange rate differentials – liabilities	2,342	781
Capital cost allowances	(108)	(36)
Deficit to be carried forward	52,398	17,466
Net reduction	55,479	18,493

* *Corporate tax rate: 33.33%.*

RESEARCH TAX CREDIT

Avanquest booked a €244 thousand research tax credit (CIR) in the 2015 calendar year.

COMPETITIVENESS AND EMPLOYMENT TAX CREDIT (CICE)

Avanquest booked a €70 thousand competitiveness and employment tax credit (CICE) for the 2015 calendar year, deducted from payroll. The competitiveness and employment tax credit will be used by the Company in accordance with the relevant rules of the Tax Code: to fund investment, research, innovation, training, recruitment, and to replenish working capital.

26.2.4.7.8 Legal proceedings and disputes

With the exception of the tax dispute and the product recall procedure described below, there are no pending or potential government, legal or arbitration proceedings, including any proceedings of which the Company has knowledge, which may have or have had during the past 12 months a material impact on the Company's financial position or profitability.

In the Company's opinion this risk is not significant, because the disputes referred to are covered by a provision in the Company's financial statements.

On June 28, 2016, consumer safety concerns were raised in Germany over the Avanquest "Smart Power" product. As a precaution, Avanquest and its European subsidiaries took immediate steps to withdraw the defective products in the interests of safety, even though no incidents had been reported. The Company initiated a product recall procedure, which is currently ongoing. The health risk is considered to be low since the public has been informed. The Group also considers the legal risk to be low. Moreover, the total cost of the product recall is covered since Avanquest SA has established an accounting provision for €45 thousand.

Following a tax audit, Avanquest received a proposed adjustment to the research tax credit amount. The Company replied to the tax authorities. The Company was notified of the proposed adjustment after the reporting date. The amount of the adjustment is slightly less than the provision set aside at June 30, 2016.

26.2.4.7.9 Portfolio securities

Total treasury shares acquired in the period from July 1, 2015 to June 30, 2016 under the share buyback program and the liquidity contract amounted to 27,009,818 shares for 280,501 shares sold.

Type of securities	Quantity at 6/30/2016	Total purchase value in thousands of euros	Value in thousands of euros at 6/30/2016
Treasury shares – Liquidity contract	215,000	21	24
Treasury shares – Buyback of registered shares	23,629,791	2,593	2,599
Treasury shares – Buyback of bearer shares	3,000,000	300	330
TOTAL	**26,844,791**	**2,914**	**2,953**

26.2.4.8 EVENTS AFTER THE REPORTING PERIOD

None.

26.2.5 Statutory Auditors' report on the annual financial statements as of June 30, 2016

To the Shareholders,

In compliance with the assignment entrusted to us by your General Shareholders' Meetings, we hereby present to you our report for the fiscal year ended June 30, 2016 on:

- the audit of the accompanying annual financial statements of Avanquest;
- the justification of our assessments;
- the specific verification and information required by law.

The annual financial statements have been approved by the Management Board. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the annual financial statements

We have conducted our audit in accordance with professional standards applicable in France except for the points set out in the paragraphs below; these standards require that we plan and perform our audit so as to obtain reasonable assurance that the annual financial statements are free of material misstatement. An audit consists of using sampling techniques or other selection methods to obtain evidence supporting the amounts and disclosures in the annual financial statements. It also involves assessing the accounting principles used and significant estimates made as well as the overall presentation of the financial statements. We believe that the evidence we have obtained provides a sufficient and appropriate basis for our opinion.

In our report on the parent company financial statements as of June 30, 2015, we expressed a reservation regarding the impossibility of assessing the assumptions underlying the valuation of equity interests, accounts receivables and capitalized development costs.

- As indicated in paragraph 4.4.2.1.3 of the notes, the value of equity interests, accounts receivables and current accounts is close to an estimated value in use arrived at using several items of evidence. However, the documentation on unrealized capital gains and forward-looking factors is insufficient for us to assess the net value of the equity interests, accounts receivable and current accounts of Avanquest America and PC Helpsoft Inc. amounting to €14.4 million.
- As indicated in paragraphs 4.4.2.1.1 and 4.4.3.1 of the notes, the documentation presented by the company setting out the decisions made by management in the second half of the fiscal year supports the recording of impairment for €485 thousand relating to myDevices intangible assets as of June 30, 2016 and accelerated depreciation relating to Avanquest Software, bringing the value of these assets to zero. The evidence sent to us documents the year-end asset valuation. However, we must express a reservation solely with regard to the level of earnings, as we are unable to assess whether this impairment and the accelerated depreciation should have been recorded in whole or in part in previous fiscal years.

With these reservations, we certify that the annual financial statements, in accordance with French accounting rules and principles, give a true and fair view of the operating results of the fiscal year ended as well as of the assets and liabilities and financial position of the Company at the end of this fiscal year.

II. Justification of our assessments

In accordance with Article L. 823-9 of the French Commercial Code relating to the justification of our assessments, we bring the assessments we carried out, besides those that led to the reservations expressed above, to your attention:

REVENUE RECOGNITION

Section 2.5 of the notes outlines the accounting rules and methods relating to revenue recognition.

As part of our assessment of the accounting rules and principles followed by your Company, we have verified the appropriate nature of the accounting methods referred to above and the information provided in the notes to the annual financial statements and have satisfied ourselves as to their correct application.

These assessments formed part of our audit of the annual financial statements as a whole and therefore contributed to forming our opinion as expressed in the first part of this report.

III. Specific verification and information

In accordance with professional standards applicable in France, we have also conducted the specific verification required by law.

Except for the potential impact of the facts set out in the first part of this report, we have no other observations to make on the truthfulness and congruity with the annual financial statements of the information provided in the Management Board's management report and in the documents addressed to the shareholders on the financial position and the annual financial statements.

With regard to the information provided in accordance with Article L. 225-102-1 of the French Commercial Code on the compensation and benefits paid to corporate officers as well as commitments made in their favor, we have verified its congruity with the financial statements or the data used to prepare the financial statements and, where applicable, with evidence gathered by your Company from entities controlling or controlled by your Company. On this basis, we attest to the accuracy and truthfulness of this information.

In accordance with the law, we have verified that the management report contains various information relating to equity and controlling interests and the identity of shareholders and holders of voting rights.

Paris and Paris-La Défense, October 19, 2016

The Statutory Auditors

APLITEC	ERNST & YOUNG et Autres
Pierre Laot	Franck Sebag

NOTE 1: RESULTS FOR THE PAST FIVE FISCAL YEARS

Date year ended	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012	6/30/2011
Length of fiscal year	12 months	12 months	12 months	12 months	12 months	15 months
Capital at end of fiscal year						
Share capital *(in €)*	37,531,856	37,498,256	27,354,441	18,992,574	18,572,733	18,186,898
Number of shares						
▪ ordinary	375,318,555	374,982,555	27,354,441	18,992,574	18,572,733	18,186,898
▪ preferred						-
Maximum number of new shares to be issued						
▪ from converted bonds	0	0	867,335	867,335	867,376	867,747
▪ from subscription rights	915,000	4,300,167	4,936,667	3,122,583	1,869,633	2,122,750
Operations and results *(in €)*						
Revenue before tax	18,235,344	26,741,425	28,528,645	20,098,629	18,619,141	18,046,887
Earnings before taxes, profit-sharing, depreciation, amortization and provisions	(19,796,678)	(37,237,144)	(8,337,662)	5,348,047	(17,504,557)	(12,968,838)
Income taxes	(260,993)	(205,876)	(262,172)	(214,312)	(285,495)	(334,927)
Employee profit-sharing			-	-	-	-
Depreciation, amortization and provisions	4,157,557	37,004,079	(27,036,015)	(50,006,320)	(16,306,086)	1,082
Net income	(15,378,128)	(27,189)	(35,111,505)	(44,443,961)	(19,486,586)	(12,634,993)
Dividends paid			-	-	-	-
Earnings per share *(in €)*						
Earnings after taxes and profit-sharing before depreciation, amortization and provisions	(0.05)	(0.1)	(0.3)	0.29	(0.17)	(0.7)
Earnings after taxes, profit-sharing, depreciation, amortization and provisions	(0.04)	0.0	(0.3)	(2.34)	(1.05)	(0.7)
Dividends allocated			-	-	-	-
Employees						
Average workforce	70	86	96	69	70	80
Wage bill *(in €)*	3,681,625	3,915,700	4,965,985	3,917,495	4,323,787	5,275,991
Total employee benefits *(in €)*	1,824,908	1,966,522	2,446,671	2,060,604	2,221,807	2,687,652

NOTE 2: DELEGATIONS OF AUTHORITY TO THE BOARD OF DIRECTORS AS OF THE DATE OF THE REPORT

Meeting	Resolution	Subject	Type of security	Issue price	Ceiling	Period	Used (U) Spare (S)
Combined General Shareholders' Meeting of Dec 10, 2013	12th	Delegation of authority to the Board of Directors to allocate existing and/or new bonus ordinary shares	Existing or new ordinary shares	N/A	500,000 shares	38 months	U: 390,000 S: 110,000
Combined Shareholders' Meeting of Nov 30, 2015	14th	Authorization to the Management Board to trade in the Company's shares	Bonus shares	N/A	The number of treasury shares is capped at 10% of the total number of shares making up the Company's share capital.	18 months	U: 7.15% S: 2.85%
	16th	Delegation of authority to the Management Board to increase the capital by issuing ordinary shares and/or securities giving immediate or future access to the Company's capital or to debt securities with preferential shareholder subscription rights	Ordinary shares and/or securities to be determined by the Management Board (excluding new preferred shares or securities giving access to preferred shares)	The price of each ordinary share issued under this delegation must be at least equal to the par value of the Company's ordinary shares as of the issue date of said securities.	€8 million (excl. share premium)	26 months	U: 0% S: 100%
	19th	Authorization to the Management Board to increase the number of new securities in the event of excess demand at the time of issuing ordinary shares and/or securities, with or without preferential subscription rights, capped at 15% of the initial issue	Ordinary shares and/or securities to be determined by the Management Board (excluding new preferred shares)	The price will be identical to the issue price.	15% of the total issue	26 months	U: 0% S: 100%
	21st	Delegation of authority to the Management Board to issue ordinary shares and/or securities so as to compensate contributions in kind granted to the Company outside of an exchange offer	Ordinary shares and/or securities to be determined by the Management Board (excluding new preferred shares)	The price will be set by the Management Board when it uses the delegation.	Capital increase nominal amounts: ▪ 10% of the Company's share capital on the date the Management Board decides to use the delegation; ▪ up to €12 million (excl. share premium).	26 months	U: 0% S: 100%
	23rd	Delegation of authority to the Management Board to grant stock options without preferential subscription rights	Stock options	The price will be set by the Management Board on the day the options are granted.	▪ Total number of shares: 5% of the share capital on the date of the Management Board's decision; ▪ Capital increase nominal amount: €12 million (excl. share premium).	26 months	U: 0% S: 100%

26.3 REPORT OF THE CHAIRPERSON OF THE SUPERVISORY BOARD ON INTERNAL CONTROL FOR 2015-2016

Report of the Chairperson of the Supervisory Board on the composition of the Board and its gender balance, the conditions in which the Board's work was prepared and organized, and the internal control and risk management measures put in place by the Company.

On January 1, 2016, Avanquest SA's mode of governance changed from a Board of Directors to a Management Board and a Supervisory Board in accordance with the 15th resolution of the Combined General Shareholders' Meeting of November 30, 2015. This mode of governance is henceforth in place and the Management Board and Supervisory Board have been set up.

Articles L. 225-37 par.6 and L. 225-68 par.7 of the French Commercial Code require the Chairperson of the Supervisory Board to give account "of the composition of the Board and the application of the principle of gender balance within it, of the conditions in which the Board's work is prepared and organized, and of the internal control and risk management measures put in place by the Company".

The purpose of this report is therefore to disclose the information required by law. The first part of the report sets out the composition of the Supervisory Board and its gender balance and the conditions in which the Board's work was prepared and organized, and the second part outlines the internal control and risk management measures put in place by Avanquest (the "Company").

The members of the Management Board, Financial Department, Legal Department, and the financial and executive departments of the subsidiaries were involved in drafting this report.

The scope of this report comprises the Group's parent company (the Company) and its consolidated subsidiaries.

This report was presented and submitted to the Supervisory Board for its approval at its meeting of September 30, 2016.

I COMPOSITION OF THE SUPERVISORY BOARD AND CONDITIONS IN WHICH THE BOARD'S WORK WAS PREPARED AND ORGANIZED

A. Composition of the Supervisory Board and conditions in which its work was prepared and organized

Avanquest follows corporate governance principles and applies those best suited to its size in particular. Avanquest refers to the MiddleNext Corporate Governance Code for small and mid cap stocks, dated December 2009. The Code can be viewed on the MiddleNext website (www.middlenext.com).

Avanquest has chosen to follow several recommendations of the Code, in particular by forming an Audit Committee and an Appointments and Compensation Committee within the Supervisory Board, establishing internal regulations and internal rules for each of the two committees, and, since its stock market listing, ensuring the permanent presence of independent Board members as defined by Recommendation no. 8 of the MiddleNext Code. As of the date of this report, all members of the Company's Supervisory Board are independent.

The Supervisory Board has also noted the watch-points of the MiddleNext Code and considers that it adheres to all the recommendations specified therein, with the exception of recommendation No. 2, "Definition and transparency of the compensation of executive corporate officers". The qualitative third of senior managers' variable compensation is not determined in advance but at the end of the fiscal year in question. The Company expects to comply with the recommendation as of the next fiscal year (2016-2017, ending June 30, 2017).

1. COMPOSITION AND ROLE OF THE SUPERVISORY BOARD

The creation of a Supervisory Board has enabled a transition from governance shared between the Chief Executive Officer and the Board of Directors to tighter governance based on a Management Board under the control of a Supervisory Board, for optimal management of the business.

Members of the Supervisory Board are appointed, reappointed or dismissed by the Ordinary General Shareholders' Meeting and are always re-eligible. The term of office of a member of the Management Board or Supervisory Board is a period of six years ending at the close of the Ordinary General Shareholders' Meeting called to approve the financial statements for the fiscal year ended held in the year their term ends.

Members of the Supervisory Board are appointed and replaced in accordance with the legislation in force with which the Company's Articles of Association and the Board's internal regulations are aligned.

Composition of the Supervisory Board as of the date of this report:

- Caroline Bouraine Le Bigot, Chairwoman and independent member;
- Luisa Munaretto, Vice-Chairwoman and independent member;
- Jean-Loup Rousseau, independent member.

The Supervisory Board does not have a member elected by employees, nor does it have a member representing employee shareholders. However, a representative of the employees attends the meetings of the Supervisory Board in an advisory capacity. The Company deems the three independent members to be such by virtue of meeting the criteria set out in Recommendation no. 8 of the MiddleNext Code since their appointments, namely:

- not being a salaried employee or executive corporate officer of the Company or of a company forming part of its Group, nor having been so within the last three years;
- not being a significant customer, supplier or banker of the Company or of its Group, or for whom the Company or its Group represents a significant proportion of its business;
- not being a major shareholder of the Company;
- not having any close family tie with a corporate officer or with a major shareholder of the Company; and
- not having been an auditor of the Company within the last three years.

Gender balance

The Board took note of Act 2011-103 of January 27, 2011 on gender balance within supervisory boards with the appointments of Luisa Munaretto and Caroline Bouraine Le Bigot to the Board. Therefore, two of the three members of the Company's Supervisory Board are women. In accordance with the law on gender balance within governance bodies, women make up 67% of the Supervisory Board.

Changes following the change in governance

Several changes have taken place since the change in governance which took effect on January 1, 2016 was decided on November 30, 2015 by the Combined General Shareholders' Meeting in its 15th resolution.

The terms of office of all members of the Company's former Board of Directors ended on December 31, 2015. The term of office of each member of the Company's Supervisory Board began on January 1, 2016.

The Combined General Shareholders' Meeting had appointed Luisa Munaretto, Marc Goldberg, Marie-Christine Levet and RE Finance Consulting SA (represented by Frédéric Paul) to the Supervisory Board.

On January 26, 2016, the Supervisory Board appointed Marc Goldberg as Chairman of the Board and Luisa Munaretto as Vice-Chairwoman. At that same meeting, the Board also created an Audit Committee comprising Frédéric Paul and Marc Goldberg, with the latter appointed its Chairman, as well as an Appointments and Compensation Committee comprising Luisa Munaretto and Marie-Christine Levet, with the latter appointed its Chairwoman.

Since then, RE Finance Consulting SA (represented by Frédéric Paul), Marie-Christine Levet and Marc Goldberg tendered their resignations to the Chairperson of the Supervisory Board on March 8, April 2 and June 3, 2016, respectively.

Caroline Bouraine Le Bigot was then coopted by the Supervisory Board to replace RE Finance Consulting SA at its meeting of April 1, 2016 and appointed Chairwoman of the Board at its meeting of June 3, 2016. At the same meeting, Jean-Loup Rousseau was coopted onto the Board in replacement of Marie-Christine Levet.

The General Shareholders' Meeting will be asked to ratify the co-options of Caroline Bouraine Le Bigot and Jean-Loup Rousseau at its very next meeting, scheduled for November 30, 2016.

Offices and posts held by members of the former Board of Directors, the Supervisory Board and the Management Board

The following table lists the offices and positions held within the Company or in other companies by (i) members of the Company's former Board of Directors for the period from July 1, 2015 to December 31, 2015, and (ii) members of the Supervisory Board and the Management Board starting from the change in governance on January 1, 2016.

	Start of term of office	End of term of office	Other terms of office and positions held in French companies	Terms of office and positions held in foreign companies
Chairman of the Management Board:				
Pierre Cesarini	**Chairman and CEO** 6/23/2015 **Chairman of the Management Board** 1/1/2016	12/31/2015 1/1/2022	**Chairman:** ■ LCT Technologies SAS ■ EMME SAS[(1)] **Manager:** ■ Elendil Sarl ■ Fangorn SCI	**Chairman of the Board of Directors:** ■ Avanquest America[(1)] **Director:** ■ Avanquest North America, Inc.[(1)]
Member of the Management Board:				
Sébastien Martin	1/1/2016	1/1/2022	**Chairman:** ■ InFusio Consulting	**Director:** ■ Avanquest America[(1)] ■ PC Helpsoft[(1)]
Chairwoman of the Supervisory Board:				
Caroline Bouraine Le Bigot	**Member of the Supervisory Board** 4/1/2016 **Chairwoman of the Board** 6/3/2016	AGM 2021	-	-
Members of the Supervisory Board:				
Luisa Munaretto	**Director:** 7/22/2015 **Member of the Supervisory Board** 1/1/2016	12/31/2015 AGM 2021	**Director:** ■ IndEU Capital SAS	**Director:** ■ IndEU India Luxury Holding Pte (Singapore) ■ RockNShop.com (India) ■ The LabelLife.com (India)
Jean-Loup Rousseau	**Member of the Supervisory Board** 6/3/2016	AGM 2021	**Chairman:** ■ Proveho SAS **Director:** ■ Porcher Industries SAS ■ Ascometal SAS	
Marc Goldberg[(2)]	**Director** 7/22/2015 **Chairman of the Supervisory Board** 1/1/2016	12/31/2015 Resigned 6/3/2016	**Director:** ■ Maslow Capital Partners	
RE Finance Consulting SA[(2)]	**Member of the Supervisory Board** 1/1/2016	Resigned 3/8/2016		
Marie-Christine Levet[(2)]	**Director** 7/22/2015 **Member of the Supervisory Board** 1/1/2016	12/31/2015 Resigned 4/2/2016	**Director:** ■ Iliad ■ Mercialys ■ BPI Financement ■ HI-PAY	
Directors:				
Frédéric Paul[(2)]	**Director** 7/22/2015	CGM 11/30/2015		**Manager:** ■ FPB Invest (Brussels)

(1) Companies belonging to Avanquest.
(2) Resigned.

	Start of term of office	End of term of office	Other terms of office and positions held in French companies	Terms of office and positions held in foreign companies
Philippe Misteli	**Director** 9/29/2014	12/31/2015	**Chairman:** ▪ 1050 Partners SASU **Manager:** ▪ PJMM Investissements **Chairman and director:** ▪ Lineis SAS **Director:** ▪ HPC SA	**Director:** ▪ Crownstone European Properties
Todd Helfstein	**Director** 12/10/2013	CGM 11/30/2015	-	**Chairman and director:** ▪ Avanquest North America, Inc.(1) **CEO:** ▪ PlanetArt LLC (USA)(1) **Director:** ▪ PlanetArt Ltd (UK)(1)
Roger Bloxberg	**Director** 3/28/2007	12/31/2015	-	**CEO and director:** ▪ Avanquest North America, Inc.(1) **CEO:** ▪ PlanetArt LLC (USA)(1) ▪ Avanquest America Inc.(1) **Director:** ▪ PlanetArt Ltd (UK)(1)
Ariane Gorin(2)	**Director** 12/10/2013	Resigned 7/16/2015	-	-
Roger Tondeur(2)	**Director** 9/28/2009	Resigned 7/15/2015	-	**Chairman:** ▪ MCI Group Holding SA **Director:** ▪ Subsidiaries of MCI group ▪ Creative Factory Holding **Chairman and Director:** ▪ Event Holding Malta **Partner:** ▪ Rely Consulting
Amélie Faure(2)	**Director** 7/20/2012	Resigned 7/17/2015	**Chairwoman of the Board of Directors:** ▪ Augure **Director:** ▪ risq ▪ Cameleon Software ▪ QuelleEnergie.fr ▪ Distribeo ▪ Riplay	-

(1) Companies belonging to Avanquest.
(2) Resigned.

Avanquest's Supervisory Board adopted its internal regulations on January 26, 2016. The purpose of these regulations is to define, as part of good governance, the role and duties of the members of the Supervisory Board including the obligation of confidentiality, duties of independence and of loyalty, the obligation of diligence, the duty of transparency and disclosure of information concerning the Company and the obligation to comply with stock market regulations, specifically that of abstinence from market participation when in possession of privileged information.

The Supervisory Board exercises permanent oversight over the Management Board's running of the Company. It may perform the verifications and checks it deems necessary at any time of the year, and it may request from the Management Board any documents it deems useful for the performance of its mission.

Supervision is carried out as follows:

- ensuring the absence of any serious fault in the executive function including the choice of strategic options that could compromise the Company's long-term performance;
- participating in successful governance by following the watch-points set out in the MiddleNext Corporate Governance Code;
- reporting to shareholders on their supervisory duty through the Board's report to the General Shareholders' Meeting to approve the annual financial statements and through the report of the Chairperson of the Supervisory Board on the conditions in which the Board's work was prepared and organized and on internal control and risk management, and assuming responsibility for them.

The Management Board for its part is vested with the most extensive powers in order to act in the name of the Company under all circumstances, within the limits of the corporate purpose and subject to the limits expressly reserved for Shareholders' Meetings and for the Supervisory Board by law and by the Articles of Association. In its relations with third parties, the Company is committed by the actions of the Management Board even if they are not relevant to the corporate purpose, unless it can prove that the third party in question knew that the action exceeded this purpose or could not be unaware of this fact given the circumstances, with the exclusion that the publication of the Articles of Association alone shall not constitute sufficient proof. The members of the Management Board may, with the authorization of the Supervisory Board, distribute the management tasks among themselves. Nevertheless, under no circumstances may this distribution have the effect of removing from the Management Board its position as the entity that collectively ensures the overall management of the Company.

Restrictions imposed by the Supervisory Board on the Management Board's powers

The following transactions require the prior authorization of the Supervisory Board:

- selling buildings;
- selling equity interests in whole or in part;
- posting collateral or giving sureties and guarantees.

Up to whatever amounts it decides and under the conditions and for the duration it sets, the Supervisory Board can authorize the Management Board in advance to carry out one or more of the transactions mentioned above or set an annual overall amount or an amount below which its authorization is not necessary.

Each quarter, the Management Board presents a report to the Supervisory Board outlining the main actions or events concerning the Company's management, including all matters required to provide the Board with a clear view of the development of the Company's corporate activity, as well as a full report on business activity for the quarter.

Following the end of each fiscal year and within the statutory time frame, the Management Board presents the Supervisory Board with the Company's annual financial statements, the consolidated financial statements and its report to the General Shareholders' Meeting, for the purposes of verification and control.

Before each review of related-party agreements by the General Shareholders' Meeting, the Management Board draws up a statement of ongoing agreements and reviews the interests involved in each one, while specifying those which will fall under the Statutory Auditors' report and those which have not been changed. A presentation is then given to the Supervisory Board as part of the Management Board's report. If the Supervisory Board has any questions concerning these agreements, it may address them to the Management Board. If the Supervisory Board has any observations on the agreements, they will be detailed in its report to the General Shareholders' Meeting.

Prior to the conclusion of each related-party agreement, a draft agreement and a presentation of the Company's corresponding interest are submitted to the Supervisory Board for its authorization as part of the internal control.

In general and independently of Supervisory Board meetings, all members of the Supervisory Board are constantly kept up to date and receive financial and operating reports on the Company from the Management Board. The Supervisory Board sends working documents to its members as part of preparing and organizing its work.

2. THE COMMITTEES

The Supervisory Board may decide to set up permanent or temporary Committees from among its members, intended to facilitate the Board's work and to contribute effectively to its decision-making. These Committees have a role in researching and preparing the Board for certain of its deliberations and they submit their opinions, proposals or recommendations to the Board.

At its meeting on January 26, 2016, the Supervisory Board set up an Audit Committee and an Appointments and Compensation Committee.

The Appointments and Compensation Committee

Avanquest SA set up an **Appointments and Compensation Committee** responsible for making proposals to the Board of Directors with regard to compensation and appointments.

Concerning appointments, the Committee is responsible for:

- presenting recommendations to the Supervisory Board on the composition of the Management Board, the Supervisory Board and its Committees;
- discussing the "independent member" status of each member of the Supervisory Board upon his/her nomination;
- presenting to the Supervisory Board, each year, a list of members who may qualify as "independent members" with regard to the rules and recommendations applicable in France and on the regulated markets where the Company's shares are admitted to trading and, in particular, with regard to the criteria established by the Code of Corporate Governance for small and mid cap stocks, as published by MiddleNext;
- establishing a succession plan for executive corporate officers to deal with unforeseen vacancies and to assist the Board in its consideration and selection of the Chairman of the Supervisory Board, the members of the Supervisory Board and the members of the Management Board;
- organizing a procedure for the selection of future independent members of the Supervisory Board (particularly, carrying out research on potential candidates before approaching them in any way);
- preparing a list of people who may be considered suitable for membership of the Management Board or of the Supervisory Board;
- preparing a list of members of the Supervisory Board who may be considered suitable for membership of one of the Board's committees;
- discussing the industrial and financial skills and/or expertise of members of the Supervisory Board nominated for the Audit Committee, and submitting their opinions to the Supervisory Board.

Concerning compensation, the Committee is responsible for:

- examining the main targets proposed by the Management Board in relation to the compensation of non-executive corporate officers of the Company and of the Group;
- examining the compensation of non-executive corporate officers;
- formulating recommendations and proposals to the Board, concerning:
  - the compensation, pension and insurance protection plan, retirement supplements, benefits in kind and the various pecuniary rights of members of the Management Board,
  - the amount and structure of compensation of Management Board members and, in particular, the rules for fixing the variable portion, taking into account the strategy, targets and performance of the Company and of the Group, as well as market practice. It then monitors the application of those rules;
- examining the total amount of directors' fees and the system for distributing them among members of the Supervisory Board, as well as the conditions for reimbursing expenses incurred by members of the Supervisory Board;
- preparing the corporate governance rules applicable to the Company and monitoring their implementation;
- proposing the procedures for evaluating the work of the Supervisory Board and of its Committees and ensuring their implementation;
- preparing and presenting the reports required according to the Supervisory Board's internal regulations;
- delivering all other recommendations that may be required from it, at any time, by the Supervisory Board or by the Management Board, with regard to compensation.

The role and work of the Committee are governed by internal regulations.

As of the date of this report, the Appointments and Compensation Committee comprised Luisa Munaretto and Caroline Bouraine Le Bigot who will fulfill these duties for the entire duration of their terms of office within the Supervisory Board or until said Board decides otherwise.

The Appointments and Compensation Committee held its last meeting on September 28, 2016.

The Audit Committee

On January 26, 2016, Avanquest set up an Audit Committee comprising two members.

Under the exclusive and collective responsibility of the members of the Supervisory Board, the Audit Committee ensures full monitoring of all matters related to the preparation and control of accounting and financial information. In particular, the Audit Committee is responsible for:

- monitoring the procedures for the preparation of financial information;
- monitoring the effectiveness of internal control and risk management systems;
- monitoring the statutory audit of the annual financial statements and, as the case may be, the consolidated financial statements, by the Statutory Auditors;
- issuing a recommendation on the Statutory Auditors put forward for appointment by the General Shareholders' Meeting and reviewing their payment terms and conditions;
- monitoring the independence of the Statutory Auditors;
- in general, providing any advice and making any appropriate recommendation in the above-mentioned areas.

The Audit Committee is a purely consultative body; it reports regularly to the Supervisory Board on its missions and informs it straightaway of any issues that may arise with regard to its duties.

On the date of this report, the Audit Committee consists of Luisa Munaretto and its Chairwoman, Caroline Bouraine Le Bigot, who will fulfill these duties for the entire duration of their terms of office within the Supervisory Board or until aforesaid Board should decide otherwise.

The Audit Committee held its last meeting on September 28, 2016.

B. Summary of the work of the Supervisory Board in the fiscal year ended

The former Board of Directors and the Supervisory Board of Avanquest met 15 times in all during the 2015-2016 fiscal year. The attendance rate of members of the former Board of Directors and the Supervisory Board was 85% for the year.

Various topics were discussed at these meetings.

The former Board of Directors and then the Supervisory Board approved the annual and half-year financial statements. The former Board of Directors called the Shareholders' Meeting held on November 30, 2015. In the 2015-2016 fiscal year, the former Board of Directors also reviewed the Group's strategic plan during its meeting of October 8, 2015. The Supervisory Board which succeeded it also conducted regular strategic reviews during its meetings. The review of the forward-looking management documents was submitted for approval to the members of the Supervisory Board at its meeting of September 30, 2016.

The Supervisory Board approved the Chairperson's report on the composition and work of the Board, internal control and corporate governance, as well as the Board's management report.

The Supervisory Board also discussed the proper running of the Company at every meeting.

The Supervisory Board dealt with various matters such as approving related-party agreements, noting the fulfillment of the vesting conditions of certain bonus shares allocated previously, and conducting new reviews of regulated agreements authorized in previous fiscal years.

Since the end of the fiscal year, the Supervisory Board met once, on July 8, 2016.

C. Principles and rules set by the Supervisory Board to determine the compensation and benefits in kind granted to corporate officers

The compensation of corporate officers is set at the suggestion of the Appointments and Compensation Committee according to the Group's results, with each officer receiving variable compensation. The variable portion of the pay of corporate officers who are part of the Group's Management is based on reaching consolidated operating result targets and specific operating objectives. That of corporate officers who head up subsidiaries or business units is based in part on operating result targets for their subsidiaries/business units, in part on specific operating objectives, and in part on consolidated operating result targets. In cases where targets have not been set, the variable portion is set at a fixed amount by the Chairman of the Management Board.

The Combined General Shareholders' Meeting of November 30, 2015 set a total annual amount of €80 thousand in directors' fees to be paid to members of the Supervisory Board for the 2015-2016 fiscal year.

All members of the Supervisory Board are entitled to the reimbursement of their travel expenses incurred in fulfillment of their duties, subject to proof of said expenses and within reasonable limits.

Members of the Supervisory Board receive no other form of compensation from Avanquest other than directors' fees.

D. Restrictions on the powers of the Chairman of the Management Board

At its meeting of June 23, 2015, the former Board of Directors decided to combine the offices of Chairman of the Board of Directors and CEO and appointed Pierre Cesarini as Chairman and CEO of the Company. Following the change in governance, which took effect on January 1, 2016, the Supervisory Board appointed Pierre Cesarini as the Chairman of the Management Board and Sébastien Martin as its second member. Since January 1, 2016, this new collegial management body has been responsible, under the oversight of the Supervisory Board, for organizing and directing the Group's strategy and running the Company properly.

The Supervisory Board is for its part responsible for making sure that the Company is properly run by management and, in particular, for ensuring that the members of the Supervisory Board are able to carry out their duties.

As Chairman of the Management Board, Pierre Cesarini enjoys the broadest powers to act in the name of the Company in all circumstances within the limits of the corporate purpose and subject to the powers expressly reserved by law for the Shareholders' Meetings and the Management Board. The Supervisory Board deemed it unnecessary to limit the powers of the Chairman of the Management Board. Nevertheless, the Supervisory Board considers that its role revolves around two fundamental aspects: decision-making and supervision. Decision-making consists of drawing up basic policies and strategic objectives in concert with the Company's Management and approving certain important actions.

Supervision has to do with reviewing the Management Board's decisions, putting appropriate systems and controls in place, and ensuring that policies are properly implemented.

The Supervisory Board is first and foremost tasked with validating the Company's business direction and the strategy put forward by the Management Board and ensuring that the latter is implemented. The Supervisory Board deals with all matters affecting the proper running of the Company. In particular it:

- appoints and oversees the corporate officers responsible for managing the firm;
- discusses major transactions considered by the Company;
- keeps itself informed of all important events concerning the Company;
- ensures that sound information is conveyed to shareholders and financial markets *via* the financial statements and the annual report prepared by the Management Board and submitted to it for approval;
- conducts the checks and verifications it deems necessary.

This last point involves ensuring that:

- powers are properly distributed within the firm and the Company's management bodies exercise their powers and responsibilities properly;
- internal control mechanisms work properly;
- its Committees work properly.

The Supervisory Board gives an opinion on all decisions relating to the Company's major strategic, economic, social, financial and technological orientations put forward by the Management Board and makes sure they are implemented.

The Company's medium-term business orientations are defined every year in a strategic plan drafted and presented by the Management Board and adopted by the Supervisory Board. This plan includes projected changes in the Company's key operating and financial indicators. The Chairman of the Management Board is responsible for implementing the strategic plan's orientations. He informs the Supervisory Board of any problems and, in general, of any events that can jeopardize the implementation of any of the strategic plan's orientations.

The Chairman of the Management Board represents the Company in all its dealings with third parties. He has the authority to delegate part of his powers to as many officers as he sees fit.

E. Compensation

The table below summarizes the total gross compensation and benefits in kind due to each corporate officer for the 2015-2016 and 2014-2015 fiscal years, from both Avanquest and entities controlled by it within the meaning of Article L. 233-16 of the French Commercial Code.

GROSS COMPENSATION DUE FOR 2015-2016

Granted (in €)	Fixed portion	Variable portion	Benefits in kind	Fees(2)	Allocation of equity or debt securities	Directors' fees	**Total**
Pierre Cesarini	166,667		15,000	327,150			508,817
Sébastien Martin	100,834	103,000		118,741			322,575
Caroline Bouraine Le Bigot						14,000	14,000
Luisa Munaretto						16,000	16,000
Jean-Loup Rousseau						6,000	6,000
Marc Goldberg(1)				444,000		14,000	458,000
Marie-Christine Levet(1)						7,000	7,000
Frédéric Paul(1)						6,000	6,000
Philippe Misteli(1)				150,000			150,000
Roger Bloxberg(1)	270,222	146,370	16,347				432,939
Todd Helfstein(1)	270,222	146,370	31,047				447,639
TOTAL	**807,944**	**395,740**	**62,394**	**1,039,891**	**0**	**63,000**	**2,368,969**

(1) Persons who resigned or whose terms of office ended on the date this report was drafted.
(2) Elendil & Navendis €0.3 million, InFusio Consulting €0.1 million, Maslow Capital Partners €0.4 million, 1050 Partners €0.15 million.

GROSS COMPENSATION DUE FOR 2014-2015

Granted (in €)	Fixed portion	Variable portion	Benefits in kind	Fees(2)	Allocation of equity or debt securities	Directors' fees	**Total**
Bruno Vanryb*	45,833	4,167	1,410	410,000		4,000	465,410
Pierre Cesarini	166,667		15,000	545,833			727,500
Philippe Misteli*				275,000		4,000	279,000
Roger Tondeur*						11,000	11,000
Roger Bloxberg*	248,988	134,869	3,347			4,000	391,204
Todd Helfstein*	248,988	134,869	5,804			4,000	393,661
Amélie Faure*						13,000	13,000
Ariane Gorin*						13,000	13,000
Olivier Hua*						13,000	13,000
Andrew Goldstein*						6,500	6,500
TOTAL	**710,476**	**273,905**	**25,561**	**1,230,833**	**0**	**72,500**	**2,313,275**

* *Persons who resigned or whose terms of office ended on the date this report was drafted.*
Note: compensation paid in a currency other than the euro is converted at the average exchange rate for the fiscal year.

These amounts include the compensation due for fiscal years 2014-2015 and 2015-2016, a part of which is paid during the following fiscal year. Bonuses, which are calculated based on the attainment of consolidated operating results and individual targets, or, for certain executives of subsidiaries, on the operating result of said subsidiary, are paid during the first six-month period following the year end in which they are achieved. Likewise, directors' fees awarded for attending Supervisory Board meetings are paid at the beginning of the following year.

Variable portions are paid upon the attainment of operating result targets and individual targets.

Pierre Cesarini and Sébastien Martin both receive annual variable compensation in accordance with statutory requirements and with the applicable rules of good governance, according to the attainment of operating result targets and income targets.

The maximum annual variable compensation for Pierre Cesarini amounts to €175 thousand.

The maximum annual variable compensation for Sébastien Martin amounts to 50% of his annual fixed compensation, which is €200 thousand. Sébastien Martin has been a salaried employee of the Company since January 1, 2016 and did not therefore receive any compensation during the 2014-2015 fiscal year. His variable compensation for the 2015-2016 fiscal year was calculated according to the criteria set forth below.

At its October 8, 2015 meeting, the Appointments and Compensation Committee made the following recommendations, in anticipation of the Company's planned change in governance to a Management Board and a Supervisory Board, regarding the compensation of managers:

- the variable portion of senior managers' salary is defined as follows:
  - 1/3 based on a revenue criterion (achieving the budgeted revenue for the fiscal year),
  - 1/3 based on an EBITDA criterion (achieving the budgeted revenue for the fiscal year),
  - 1/3 at the discretion of the Chairman of the Management Board (qualitative criterion);
- the calculation base is the average amount for the last three years;
- Pierre Cesarini's bonus is based on the same criteria, but the qualitative third is set by the Supervisory Board.

For the fiscal year ended June 30, 2016, Pierre Cesarini expressly waived this bonus at the Supervisory Board meeting of July 8, 2016.

The qualitative third is determined, as the case may be, by the Chairman of the Management Board or by the Supervisory Board, on a discretionary basis, on conclusion of the fiscal year in question.

Pierre Cesarini has a contract with provision for severance pay in the event that the former Board of Directors were to decide to revoke or not renew his term of office as Chief Executive Officer. This severance pay, equal to eight months gross salary, is subject to various performance criteria. Pierre Cesarini is also bound by a non-competition clause for a period of one year from conclusion of his term of office, renewable once for an additional 12-month period.

Fees due for the fiscal year comprise the following:

At its meeting of July 8, 2016, the Supervisory Board approved the agreement concluded between the Company and Elendil (of which Pierre Cesarini is Chairman). This agreement relates to advisory services concerning financial structuring and raising capital and searching for industrial and financial partners. The amount paid under the agreement was €253 thousand (excluding taxes). Moreover, by virtue of the agreement between Avanquest North America and Elendil (of which Pierre Cesarini is Chairman), the amount paid by the former to the latter was €69,600 (excluding taxes) for the fiscal year. This agreement covers expert advisory services in business management.

At its meeting of September 25, 2013, the former Board of Directors authorized an agreement with Navendis (of which Pierre Cesarini is a shareholder) for the provision of transport services for individuals and companies for a fixed annual amount of €5 thousand (excluding taxes). The Company recognized an expense of €4,550 (excluding taxes) in respect of that agreement in the financial statements for the fiscal year ended June 30, 2016.

At its meeting of June 8, 2016, the Supervisory Board approved the agreement concluded between Maslow Capital Partners (of which Marc Goldberg is Chairman) and the Company for the valuation of the Company's assets in the context of planned mergers/acquisitions. The amounts recognized during the fiscal year for the agreement totaled €444 thousand (excluding taxes).

At its meeting of November 6, 2014, the former Board of Directors authorized an agreement with 1050 Partners for the provision by Philippe Misteli of advisory services in finance, administration, financial structuring and fund raising. Since the agreement ended on June 30, 2015, a new related-party agreement was authorized by the former Board of Directors at its meeting of March 30, 2015, for a period running until June 30, 2016 at the latest. This agreement specifies a flat-rate fee of €12,500, exclusive of tax, per month. As of June 30, 2016, the amounts recognized during the fiscal year for the agreement totaled €150 thousand.

F. Means of attendance of shareholders at General Shareholders' Meetings

The means by which shareholders can attend General Shareholders' Meetings are described in Article 23 (General Shareholders' Meetings) of the Articles of Association available at Avanquest's head office.

II INTERNAL CONTROL MEASURES

Article L. 225-37 par. 6 of the French Commercial Code states that "in entities whose securities are listed for trading in a regulated market, the Chairman of the Supervisory Board […] must give account in a report […] of the internal control and risk management measures put in place".

There is no legal definition of internal control, but many professional bodies and auditing firms have issued their own definitions. As in the previous year, Avanquest relied on the internal control reference framework for small and mid cap stocks defined by the AMF in its recommendation of January 22, 2007 while adapting it to its structure and situation.

The internal control put in place by Avanquest is a process aimed at providing reasonable assurance – not certainty – of fulfilling the Company's basic objectives, namely: to apply the instructions and orientations set by the Management Board, carry out and optimize the instructions and orientations, and ensure that the Company's internal processes function properly, in particular those conducive to the safeguarding of its assets, the reliability of financial information, compliance with the laws and regulations in force to which the firm is subject, and managing or preventing the risk of fraud or errors. The internal control measures cannot be viewed as an absolute guarantee of fulfilling the Company's objectives.

In view of its size and structure, Avanquest has not set up a dedicated internal control division. Internal control is carried out by the Group's Administration and Finance Department in conjunction with the Legal Department and the managers of each subsidiary.

A. Execution and optimization of operations

1. PROCEDURES AT THE GROUP LEVEL

Avanquest is organized in a decentralized manner into business units covering several regions with one or more subsidiaries in each region. This decentralized structure enables it to be responsive and close to its customers, therefore enhancing its effectiveness and their satisfaction.

The Group Management Committee put a certain number of procedures in place at the Group level which apply uniformly to all subsidiaries and business units.

These include, in particular, procedures for signing off on bank transactions, validating and signing contracts, validating purchases, authorizing new hires, and legal procedures.

The Legal Department, which is attached to the Group Chief Finance Officer, secures all of the legal aspects of the Group, be they contractual, corporate, intellectual property or dispute related. The Legal Department works mainly at head office level but also sometimes at the local level, as needed, as is the case with the American business. Cases deemed without significant material impact in financial and/or regional terms are handled locally because the Legal Department does not have sufficient resources to deal with them directly. However, the Legal Department draws up standard contracts to standardize as far as possible the contracts signed by all Group entities and sets up legal channels with local subsidiaries as well as partnerships with law firms.

All internal control measures related to transactions are first implemented at the level of the division or business unit in question by its manager. The Group Finance Department then monitors the implementation and proper working of these measures. Every month, division and business unit managers send the Management Committee a report on the monthly performance of their operations which include financial analyses, significant aspects of the marketing and sales policy and product development, and significant facts and events relating to human resources. This monthly report is also a chance for business unit managers to analyze the strengths, weaknesses, opportunities and risks of their divisions.

For an in-depth analysis of the risk factors impacting Avanquest, please refer to the "Risk Factors" section of the annual financial report.

An extended Management Committee including all subsidiary and business unit managers meets at least once a year to discuss the strategy of the Group and of each of its entities, budgets, and more generally any matter concerning the Group's structure.

2. PROCEDURES AT THE LOCAL LEVEL

Locally, internal control is within the remit of each subsidiary or business unit manager. They are responsible not only for putting the procedures specified by the parent company in place and ensuring that they are working properly, but also for putting appropriate procedures in place with respect to locally identified risks. Therefore, all managers must follow the procedures specified by the Group as well as define and put in place their own procedures for signing off on bank transactions, validating and signing contracts, validating purchases, authorizing new hires, managing human resources, and so on, in their region and under their responsibility and oversight.

For example, French subsidiaries have put in place procedures relating to human resources management, purchasing, securing and protecting electronic data, and separating tasks in the administrative and financial divisions.

B. Reliability of financial and accounting information

As with operations, Avanquest has a decentralized structure with regard to financial information.

The financial statements of each subsidiary are drawn up under the responsibility of their managers by local accounting and financial teams. Local auditors carry out due diligence on local financial statements, and in the case of significant subsidiaries, in conjunction with the auditors of the parent company.

The Audit Committee assists the Management Board in following up on matters relating to compiling and auditing accounting and financial information. It also monitors the processes leading up to preparing the financial statements.

As with operations, subsidiary managers draw up a monthly financial report. This report is sent to the Management Board as well as to the Group's audit office. The latter analyzes both the financial reports and the accounting positions of the subsidiaries every month. The Group's audit office also conducts specific analyses and audits at the request of the Management Board to which it submits its findings.

The consolidated financial statements are drawn up by the Group Finance Department on the basis of data gathered by its information systems and the financial statements drawn up by the subsidiaries.

Avanquest's consolidated and parent company financial statements are approved by the Management Board which then sends them to the Supervisory Board for its approval.

In general, all Group financial information is compiled by the Group Finance Department under the oversight of the Management Board with the Supervisory Board responsible for its final approval.

The Group Finance Department also monitors off-balance sheet commitments and assets under the oversight of the Management Board.

C. Compliance with the laws and regulations in force

Avanquest is a incorporated company *(société anonyme)* with a one-tier Board system listed on the Eurolist of the Euronext Paris stock exchange. As a result, it is subject to the requirements inherent to listed firms which it does its best to comply with.

Its main businesses are digital printing (Web and Mobile-to-Print) and software publishing and republishing, which are in the main governed by intellectual property rights as well as industrial property rights.

Avanquest's structure is far more centralized when it comes to procedures ensuring compliance with the laws and regulations in force. Such matters fall within the competence of the Legal Department under the responsibility of the Group Chief Finance Officer.

The Legal Department works closely with subsidiary and business unit managers and coordinates corporate actions outside France with the help of the Company's external consultants.

D. Risk management and prevention

Apart from market risks (foreign currency risk, interest rate risk, equity risk and liquidity risk) presented in the annual financial report and inherent to any international listed company, Avanquest's major risk factors are intellectual property risk and risks related to defective software and potential resulting damages.

Risk prevention is the duty and personal responsibility of every Avanquest employee. Nevertheless, subsidiary and business unit managers are first and foremost responsible for managing and preventing risk within their organizations.

Because risks to the firm's finances are the most prominent, they are mitigated by procedures for signing off on banking transactions, verifying and validating financial information, and securing electronic data.

Moreover, Avanquest has put appropriate safeguards in place which are regularly reviewed by the Finance Department and the Management Board.

Avanquest's development has endowed it with a very flexible structure. The procedures described above are therefore designed to constantly adapt to changes in the Company's structure. The aim of the Management Board and Supervisory Board is for the level and structure of internal control within the firm to be suited to the Group's structure while enabling it to retain the flexibility and responsiveness that are key to Avanquest's success in a fast-changing economic and technological environment.

Caroline Bouraine Le Bigot

Chairwoman of the Supervisory Board

26.4 REPORT ON THE CHAIRPERSON OF THE SUPERVISORY BOARD'S REPORT ON INTERNAL CONTROL

APLITEC
Les patios Saint-jacques
4-14, rue Ferrus – 75014 Paris
S.A.S. with share capital of €2,386,360

Statutory Auditors
Member of the Compagnie Régionale de Paris

ERNST & YOUNG et Autres
1/2, place des Saisons
92400 Courbevoie – Paris-La Défense 1
S.A.S. with variable capital

Statutory Auditors
Member of the Compagnie Régionale de Paris

Avanquest

Fiscal year ended June 30, 2016

Report of the Statutory Auditors, drawn up in accordance with Article L. 225-235 of the French Commercial Code, on the report of the Chairperson of the Supervisory Board of Avanquest

To the Shareholders,

In our capacity as Statutory Auditors of Avanquest and in accordance with Article L. 225-235 of the French Commercial Code, we hereby present to you our report on the report drawn up by the Chairperson of your Company in accordance with Article L. 225-68 of the French Commercial Code for the fiscal year ended June 30, 2016.

It is the responsibility of the Chairperson to draw up and submit for the approval of the Supervisory Board a report giving account of the internal control and risk management measures put in place within the Company and giving the other information required by Article L. 225-68 of the French Commercial Code relating to corporate governance.

It is our responsibility to:

- make any observations we may have on the information contained in the Chairperson's report with regard to internal control and risk management measures relating to the preparation and processing of accounting and financial information; and
- confirm that this report contains the other information required by Article L. 225-68 of the French Commercial Code, bearing in mind that it is not our responsibility to verify the fairness of this other information.

We have conducted our work in accordance with the professional standards applicable in France.

Information on internal control and risk management measures relating to the preparation and processing of accounting and financial information

Professional standards require that we carry out the necessary procedures to assess the fairness of the information concerning the internal control and risk management measures relating to the preparation and processing of the accounting and financial information contained in the Chairperson's report. These procedures consist mainly of:

- obtaining an understanding of the internal control and risk management measures relating to the preparation and processing of the accounting and financial information underlying the information set out in the Chairperson's report and of existing documentation;
- obtaining an understanding of the work involved in preparing this information and of existing documentation;
- determining if any material weaknesses in the internal control measures relating to the preparation and processing of accounting and financial information that we would have noted in the course of our work are properly disclosed in the Chairperson's report.

On the basis of our work, we have no observations to make on the information on internal control and risk management measures relating to the Company's preparation and processing of the accounting and financial information contained in the report of the Chairperson of the Supervisory Board drawn up in accordance with Article L. 225-68 of the French Commercial Code.

Other information

We confirm that the report of the Chairperson of the Supervisory Board contains the other information required by Article L. 225-68 of the French Commercial Code.

Paris and Paris-La Défense, October 19, 2016

The Statutory Auditors

APLITEC
Pierre Laot

ERNST & YOUNG et Autres
Franck Sebag

26.5 REPORT ON RELATED-PARTY AGREEMENTS 2015-2016

Special report of the Statutory Auditors on related-party agreements and commitments

General Shareholders' Meeting called to approve the financial statements for the fiscal year ended June 30, 2016

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby present to you our report on related-party agreements and commitments.

It is our responsibility to present to you, on the basis of the information provided to us, the features, main conditions and justifiable benefits to the Company of the agreements and commitments that we were advised of or might have discovered in the course of our work without having to express an opinion on their usefulness or soundness or to ascertain the existence of other agreements and commitments. It is your responsibility under Article R. 225-58 of the French Commercial Code to ascertain the benefits of entering into these agreements and commitments when submitted for your approval.

Moreover, it is our responsibility where applicable to present to you the disclosures required by Article R. 225-58 of the French Commercial Code relating to the execution during the fiscal year ended of the agreements and commitments already approved by the General Shareholders' Meeting.

We have carried out the verifications we deemed necessary with regard to the professional standards and doctrine of the *Compagnie nationale des commissaires aux comptes* (French National Auditors' Association) relating to this assignment. These verifications consisted in checking that the information given to us was consistent with the basic documents from which it derives.

AGREEMENTS AND COMMITMENTS SUBMITTED FOR THE APPROVAL OF THE GENERAL SHAREHOLDERS' MEETING

AGREEMENTS AND COMMITMENTS AUTHORIZED IN THE FISCAL YEAR ENDED

In accordance with Article L. 225-88 of the French Commercial Code, we were advised of the following agreements and commitments approved beforehand by your Supervisory Board.

AGREEMENT CONCLUDED WITH FPB INVEST

Interested party	Frédéric Paul, legal representative of FPB Invest and member of the Supervisory Board until March 8, 2016.
Authorization	Supervisory Board meeting of March 7, 2016
Nature and subject	Off-market buyback of a block of shares.
Conditions	The Supervisory Board meeting of March 7, 2016 authorized the Company to enter into a related-party agreement with FPB Invest, setting out the terms and conditions for the disposal of a block of 23,629,791 shares in Avanquest SA, held by FPB Invest, and the buyback of the block of shares at the price and up to the limit specified in the share buyback program, the total price of the disposal amounting to €2,592,928.97.
Justifiable benefit for the Company	Seeking to grant a request from a shareholder to sell its interest and withdraw capital, the Company implemented an off-market share buyback program.
Amount	At June 30, 2016, your Company recognized marketable securities amounting to €2,592,928.97, exclusive of tax, under balance sheet assets.

AGREEMENTS AND COMMITMENTS NOT AUTHORIZED BEFOREHAND

Agreements and commitments not authorized beforehand but authorized and justified afterward

In accordance with Articles L. 225-90 and L. 823-12 of the French Commercial Code, we note that the following agreements and commitments were not approved beforehand by your Supervisory Board.

It is our responsibility to present to you the circumstances due to which the authorization procedure was not followed.

Agreement concluded with Elendil

Interested party	Pierre Cesarini, Chairman of the Management Board of Avanquest and manager of Elendil.
Nature and subject	Provision of advisory services and support for Indigo project.
Conditions	On January 20, 2016, your Company concluded an agreement for the provision of advisory services and support for the Indigo project for a flat fee of €250,000, exclusive of tax, plus €3,000, exclusive of tax, in sundry expenses, payable upon completion of the project or upon its termination.
Amount	In accordance with the agreement, your Company recognized an expense of €253,000, exclusive of tax, in the financial statements for the fiscal year ended June 30, 2016.

Due to an oversight on the part of your Supervisory Board, the agreements and commitments above were not authorized beforehand as required by Article L. 225-86 of the French Commercial Code.

Note that your Supervisory Board authorized this agreement after the fact at its meeting of July 8, 2016.

Justifiable benefit for the Company	The Supervisory Board decided to authorize this agreement due to the specific need for advisory services to structure and arrange financing for the search for industrial and financial partners enabling the acquisition of Indigo.

Agreement concluded with Maslow Capital Partners

Interested party	Marc Goldberg, director of Avanquest until December 31, 2015 then Chairman of the Supervisory Board until June 3, 2016, and founding partner of Maslow Capital Partners.
Nature and subject	Agreement for the provision of financial advisory services.
Conditions	As part of the Raoul project, your Company concluded an agreement with the financial consultant Maslow Capital Partners on July 10, 2015 to carry out a valuation of Avanquest assets while organizing, negotiating and structuring one or several merger/acquisition transactions. This agreement specifies a fixed fee of €10,000 per month, exclusive of tax, deductible where applicable from the performance fee. Furthermore, a 5% performance fee, plus an additional 2% at the discretion of the Company, is specified in the event of completion of specific merger/acquisition transactions.
Amount	In accordance with the agreement, your Company recognized an expense of €253,000, exclusive of tax, in the financial statements for the fiscal year ended June 30, 2016.

This agreement did not follow the authorization procedure in that the Board initially considered that it would not be treated as a related-party agreement since Marc Goldberg's term of office began on July 22, 2015, *i.e.* after the date on which the agreement was signed. The Board has since reclassified this agreement and has subjected it to the procedure set out in Article L. 225-86 of the French Commercial Code and submitted it for authorization to the members of the Board.

Note that at its meeting of June 8, 2016, your Supervisory Board authorized this agreement after the fact.

Justifiable benefit for the Company	The Supervisory Board decided to authorize this agreement due to the context and the Company's need for advisory and support services with regard to mergers and acquisitions from an experienced and informed financial adviser.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE GENERAL SHAREHOLDERS' MEETING

Agreements and commitments approved in previous fiscal years ongoing during the fiscal year ended

In accordance with Article R. 225-57 of the French Commercial Code, we were advised that the following agreements and commitments already approved by the General Shareholders' Meeting in previous fiscal years were ongoing during the fiscal year ended.

Agreement concluded with 1050 Partners

Interested party	Philippe Misteli, director of Avanquest until December 31, 2015 and Chairman of 1050 Partners.
Nature and subject	Mission to support and develop Avanquest's business.
Conditions	At its meeting of November 6, 2014, the Board of Directors authorized an agreement with 1050 Partners for the provision by Philippe Misteli of advisory services in finance, administration, financial structuring and fund raising. Since the agreement ended on June 30, 2015, it was extended by the Board of Directors at its meeting of March 30, 2015 for a period running until June 30, 2016, at the latest, for a fixed monthly payment of €12,500, exclusive of tax.
Amount	In applying this agreement, your Company recorded an expense of €150,000, exclusive of tax.

Agreement concluded with Navendis

Interested party	Pierre Cesarini, Chairman of the Management Board of Avanquest and Chairman of Elendil.
Subject	Agreement for the provision of advisory services.
Conditions	At its meeting of September 25, 2013, the Board of Directors authorized an agreement with Navendis for the provision of transport services for individuals and companies for a fixed annual amount of €5,000 (excluding taxes).
Amount	Your Company recognized an expense of €4,550 (excluding taxes) in respect of this agreement in the financial statements for the fiscal year ended June 30, 2016.

AGREEMENTS AND COMMITMENTS APPROVED IN PREVIOUS FISCAL YEARS AND NOT EXECUTED DURING THE FISCAL YEAR ENDED

Moreover, we were advised that the following agreements and commitments already approved by the General Shareholders' Meeting in previous fiscal years and not executed during the fiscal year ended remain in force.

Agreement concluded with Pierre Cesarini

Subject	Severance pay and non-competition indemnities.
Conditions	Unless he resigns or is found guilty of serious or gross misconduct, Pierre Cesarini will be paid severance pay, by your Company, equivalent to eight (8) months of his gross compensation, in the event of termination of his position as Chief Executive Officer prior to the end of his term of office or if his position in that office is not renewed. Either way, this severance pay shall be paid subject to satisfaction of the following prior conditions, as ascertained by the Board of Directors: **(x)** The Executive must have received at least 20% of his annual bonus (as defined below) during: **i)** the fiscal year prior to the date of termination of his position as Chief Executive Officer, if that occurs before the end of the second year following his commencement of duties; **ii)** the two fiscal years prior to the date of termination of his position as Chief Executive Officer or non-renewal of that position. **(y)** No significant unfavorable event affecting the business, the financial statements and/or the outlook of your Company resulting from an executive management decision may be found to have occurred on the date of termination of his position as Chief Executive Officer or non-renewal of that position. The gross annual bonus will be calculated according to the attainment of operating result targets and income targets which will be fixed each year by the Board of Directors of your Company. Forty percent of the bonus will be calculated based on operating result targets and 60% will be based on income targets, up to a combined maximum allowed amount of €175,000. In the absence of fixed performance targets and qualitative targets to be achieved during the fiscal year ended June 30, 2014, the Board of Directors' meeting of July 17, 2014 authorized the Compensation Committee's proposal to allocate an amount of variable compensation to Pierre Cesarini equal to 75% of his maximum allowed amount. At its meeting of March 26, 2015, the Board of Directors noted Pierre Cesarini's waiver of the payment due to him amounting to €131,250 in respect of variable compensation for the 2013-2014 fiscal year. At its meeting of February 18, 2015, the Board of Directors noted the absence of any qualitative and performance targets in respect of the fiscal year ended June 30, 2015, in the context of negotiations with banks and the search for funding to accelerate the Group's new strategy. At its meeting of March 26, 2015, the Board of Directors noted Pierre Cesarini's advance waiver of any variable compensation that may fall due to him in respect of the 2014-2015 fiscal year. At its meeting of October 18, 2015, the Board of Directors indicated that the qualitative and performance targets in respect of the fiscal year ended June 30, 2016 would be fixed at a later date, following recommendations from the Appointments and Compensation Committee. The Supervisory Board meeting of July 8, 2016 noted Pierre Cesarini's waiver of any payment in respect of variable compensation that may fall due to him for the 2015-2016 fiscal year. For a period of 12 months following the termination of his term of office, Pierre Cesarini will be subject to an obligation of non-competition, for which your Company will pay him a monthly non-competition payment of €12,500. This obligation is renewable once for an additional twelve (12) month period.

Agreement concluded with Roger Bloxberg and Todd Helfstein

Subject	Introduction of a plan for share ownership of a subsidiary.
Conditions	As part of the development of the Web-to-Print business activity, an agreement was concluded between Avanquest, its subsidiary Avanquest North America, and Messrs Bloxberg and Helfstein, granting an option to purchase a shareholding in PlanetArt. Under this agreement, Messrs Bloxberg and Helfstein will have the possibility, subject to certain conditions, of acquiring a 10% interest in the Company, once it is created, at a price equal to double Avanquest's investment in the US Web-to-Print business.

Signed in Paris-La Défense and Paris, October 19, 2016

The Statutory Auditors

ERNST & YOUNG et Autres	APLITEC, represented by
Franck Sebag	Pierre Laot

NOTES

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