BOARD OF DIRECTORS' MANAGEMENT REPORT

AT DECEMBER 31, 2017

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MEDICREA INTERNATIONAL

A French corporation *(société anonyme)* with share capital of €2,413,265.76
Registered office: 5389, route de Strasbourg – 69140 RILLIEUX-LA-PAPE
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BOARD OF DIRECTORS' REPORT ON THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017 SUBMITTED TO THE COMBINED SHAREHOLDERS' MEETING OF MAY 17, 2018

MEDICREA specializes in the development of personalized analytical services and implant solutions for the treatment of complex spinal conditions, based on the UNiD® ASI (Adaptive Spine Intelligence) technology.

MEDICREA leads the design, integrated manufacture, and distribution of 30+ FDA approved implant technologies, utilized in over 150k spinal surgeries worldwide to date. Operating in a $10 billion marketplace, MEDICREA is an SME with 170 employees worldwide, which includes 37 at its USA Corp. subsidiary in NYC.

MEDICREA is a company offering ground-breaking technologies for the treatment of spinal pathologies. It is seen as a genuine pioneer in this market by combining health-related IT technologies with the design and manufacture of next generation medical devices, and by prioritizing clinical results from a unique standpoint: improving the benefits of surgery for patients, while generating cost savings at all levels. This new approach relies on compiling and analyzing clinical data using deep learning algorithms and predictive interpretation solutions, which for the first time have led to the treatment of spinal pathologies through the combination of scientific precision and the fitting of patient-specific and modular implants.

The Group is based in Rillieux-la-Pape, near Lyon, France, where it has its own a state-of-the-art implant and surgical instrument manufacturing facility, a manufacturing facility dedicated to the machining and development of 3D-printed, patient-specific implants, as well as four distribution subsidiaries in the US, UK and Poland, and Belgium since February 2018.

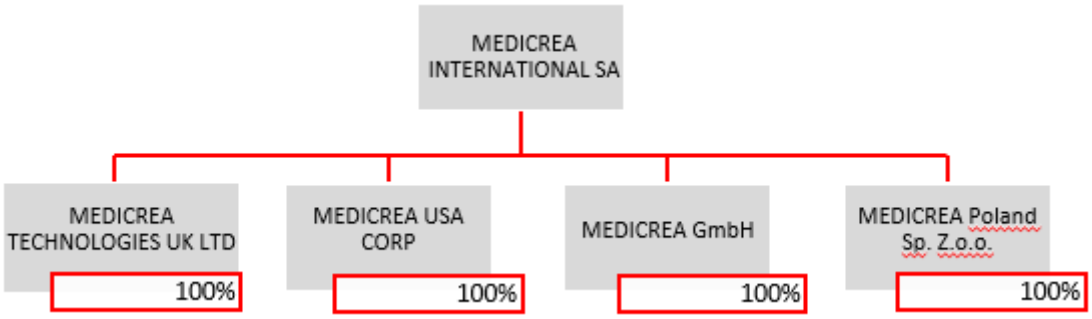
In accordance with the Law and the Bylaws, this Report contains a summary of the position and activity of MEDICREA Group and of the company MEDICREA INTERNATIONAL during the fiscal year ended December 31, 2017. The annual consolidated and parent company financial statements for the fiscal year are subject to the approval of the Shareholders' Meeting.

1. INFORMATION ABOUT THE GROUP

1.1. Group scope

The Group distributes its products in more than 25 countries via four marketing subsidiaries and a network of independent distributors.

At December 31, 2017, MEDICREA Group was structured as follows:



MEDICREA TECHNOLOGIES SAS was wound up with no liquidation process on November 30, 2017 via a decision of the sole shareholder, and merged into MEDICREA INTERNATIONAL.

A table identifying the main subsidiary and investment figures is included in Appendix 1.

1.2. Situation and development of activity over the fiscal year just ended

The following are the highlights of the 2017 fiscal year:

1.2.1 Market and environment

Personalized medicine is an area of research that is active in all areas of healthcare. Better understanding the pathologies of each patient thanks to increasingly accurate diagnostic testing means that patients can be guided toward using a specific treatment, and to avoid others, all in relation to identical clinical symptoms. Each patient is considered to be unique and can receive the treatment with the best chance of being effective.

MEDICREA decided very early on to integrate this shift and adopt a patient-specific approach, being the first spinal company to market patient-specific rods and 3D-printed intersomatic cages.

The Group has become a leading player in personalized medicine and is a pioneer in the spinal field, offering surgeons a previously unseen mix of innovative products and comprehensive services for spinal surgery that is perfectly tailored to the patient.

In capturing a systems-based model for the iterative application of patient-specific spinal technology via UNiD® ASI (Adoptive Spine Intelligence), MEDICREA is leveraging proprietary, industry-leading data sets as the means to answer the full spectrum of demanding clinical and commercial questions adjoining the Degenerative and Complex Spine surgical treatments. MEDICREA is building an iterative virtuous system formulated to deliver strong, tangible value, better outcomes and lower costs, to the Healthcare Shareholders benefiting patients, surgeons, hospitals and payors in the process.

MEDICREA has made tremendous progress in recent years in pioneering a personalized outcome-focused approach to spinal care with the analytical services of UNiD™ LAB and UNiD™ TEK patient-specific implants, to the point that we are truly taking ownership of this market segment and becoming the leader for personalized spinal surgery.

1.2.2 Results and performance

Sales reached a total of €27.1 million in 2017, a decline of 6% compared to 2016. Despite a 15% increase in sales on the French market, two factors put pressure on the development of the business activities:

- First, the need to reregister all of the Group's products with the Brazilian Healthcare Authorities, which resulted in no invoices in Brazil in 2017 (compared with the €2 million invoiced the previous year);

- Second, the reorganization of the sales force carried out in the United States, in order to focus marketing efforts on the development of the UNiD ASI™ patient-specific implant technology, which temporarily affected the level of the subsidiary's sales, including standard implants. However, this strategy is expected to pay off in the medium term with a 36% increase in the number of UNiD™ surgeries in 2017.

The gross margin, which is structurally high, amounted to 73%, a fall of 3 points compared with the previous fiscal year, as a result of significant use of sub-contracting, and of the temporary duplication of some positions as part of the transfer of the La Rochelle production site to the new site in Lyon. However, the gross margin ratio improved during the second half, and the trend is expected to continue in 2018.

Operating costs increased €0.6 million in comparison with 2016, linked to new building infrastructures coming into service in Lyon and New York, as well as the resources mobilized by the Group both in terms of R&D and sales and marketing efforts to promote its UNiD™ ASI products and services, notably the digital UNiD™ HUB accessible to surgeons for the planning of their patient-specific spinal surgeries.

In view of these factors, the operating loss before non-recurring expenses was €7.6 million compared with a loss of €4.5 million in the previous year.

Other non-recurring expenses, which amounted to €0.9 million, primarily included the costs relating to the court case that the Group launched against K2M Spine, Inc., and to the investigation conducted by the US Department of Justice (DOJ). Expenses were also incurred as part of the restructuring of the MEDICREA GMBH subsidiary, and of the reorganization of a portion of MEDICREA INTERNATIONAL's Management Committee.

The cost of net financial debt increased by €1.2 million, following the arrangement of a €15 million bond loan in August 2016, the interest on which applied through the entire 2017 fiscal year, compared with five months during the previous year.

Loss before tax amounted to €11.2 million, versus a loss of €7.8 million for the year ended December 31, 2016.

The Group had available cash of €12 million at December 31, 2017.

1.2.3 Product portfolio and research and development

MEDICREA is the first company in the spinal industry to offer a complete set of surgical planning services based on data and patient-specific implants. Over the course of 2017, the Company continued its expansion along this strategic axis and the fiscal year was marked by several major achievements.

UNiD™ osteosynthesis patient-specific rods

The Company expanded its range of UNiD™ patient-specific rods by offering a new implant tailored to minimally invasive percutaneous surgery. The first surgical procedure using a UNiD™ MIS patient-specific rod was thus performed in the United States in July 2017.

The Company also received FDA 510(k) clearance in August 2017 for surgical planning with UNiD™ HUB, its data-driven digital portal which provide surgeons with surgical strategy and predictive modeling functionality.

Lastly, in October 2017 MEDICREA published a major scientific white paper which shows that, relative to manually bent rods, patient-specific rods generated using Medicrea's UNiD™ ASI technology greatly reduce the incidence of postoperative rod breakage in adult complex spine surgical cases.

Patient-specific, 3D-printed interbody cages

The systematic approach to spinal column disorders implemented by MEDICREA, through its engineering services and in-house 3D printing resources, makes the Company a unique player and enables it to collaborate closely with surgeons to develop interbody devices that match their technical and clinical preferences.

In order to provide 3D printed, patient-specific interbody implants most suitable for both the patient's pathology and the surgeon's preferences, MEDICREA acquired three patents from Dr. Paul McAfee of University of Maryland St. Joseph's Medical Center, United States, relating to a methodology to measure anatomical parameters and to design the interbody devices used in spinal surgery. These three patents protect an innovative technique that helps to ascertain the physiological height of the intervertebral space by using the anatomy of the patient to accurately select the appropriate interbody device. As such, they enable MEDICREA to strengthen its UNiD™ ASI platform.

In September 2017, the research and development work of the MEDICREA teams came to fruition in the operating room. In September 2017, the Company announced the world's first 360-degree personalized spine surgery in London, U.K., which was completed utilizing a bespoke combination of patient-specific interbody cages and rods, manufactured in-house at the Company's new united production and headquarters campus in Lyon and generated by its proprietary UNiD™ ASI systems technology.

November 2017 marked a major step for the Group when MEDICREA announced it had secured FDA approval for its IB3D range of 3D-printed titanium interbody cages and the launch of AdapTEK, its adaptive technology meeting the specific needs of each surgeon. The first IB3D cages were fitted in the United States in January 2018.

Other products in the range

MEDICREA confirmed in June 2017 the extension of its portfolio of standard products for complex spinal pathologies with FDA clearance of its PASS® TULIP top-loading posterior fixation system. Fixation systems of this type are the global gold standard and the availability of this new product will allow the Group to reach a greater number of surgeons and offer them UNiD ASI™ technology regardless of their preferences in terms of instruments.

1.2.4 Organization

In January 2017, the Group completed the transfer of the factory from La Rochelle to its new Rillieux-la-Pape site. The number of employees who wanted to move to this new site was very low, which resulted in significant disruption to the organizational structure and operation of the new plant during the 1st half of 2017, and in the significant use of sub-contractors on a temporary basis. The situation gradually returned to normal over the 2nd half of the fiscal year.

The Group decided to change its distribution strategy in Germany in June 2017 and mothballed its MEDICREA GmbH subsidiary, which had been launched in 2016. All the transactions relating to the German market are now handled directly from the Head Office in Rillieux-la-Pape.

MEDICREA hired a new Sales Director and a Director of the UNiD ASI™ Platform in the United States in October 2017, as part of the implementation of its new commercial development model.

In November 2017, MEDICREA TECHNOLOGIES was dissolved without liquidation and absorbed by MEDICREA INTERNATIONAL. This decision was taken with a view to simplifying and rationalizing business flows.

Lastly, the Group entered into a partnership with its historical Belgian distributor in February 2018, by purchasing a 51% interest in a company newly founded for that purpose, called MEDICREA BELGIUM.

1.2.5 Financing

MEDICREA performed two capital increases with qualified French and US investors in June and December 2017, in an overall amount of over €20 million. The funds raised will be used to accelerate the development, mainly in the United States, of the UNiD™ ASI platform, to prepare for the commercialization of a new range of 3D-printed titanium interbody cages in the United States and Europe, and to continue extending the distribution network by setting up marketing subsidiaries.

1.2.6 Legal action

The Company and its American subsidiary were involved in two sets of legal proceedings in 2017:

Over the course of the fiscal year, the US Department of Justice (DOJ) opened an investigation to verify MEDICREA's compliance with applicable regulations regarding the transparency of the benefits granted to healthcare professionals, within the context of the Sunshine Act. The investigations carried out confirmed that the Company did comply with the obligations to which it was subject and the case is assumed to have been closed.

In November 2017, MEDICREA USA Inc. filed a lawsuit against K2M Spine, Inc., a rival company within the spinal market, and against several other individuals, before the New York District Court. These proceedings were initiated in response to the unlawful activities committed by K2M and these other persons during the financial year just ended.

MEDICREA has revolutionized spinal surgery with its innovative UNID™ technology, which is the first and only osteosynthesis patient-specific rod to date to have been approved in the United States and wanted to assert its rights in order to protect the Company, which is the leader in this market.

In February 2018, the New York District Court declared it did not have jurisdiction to hear this case, although it did recognize the merits of the complaint lodged by MEDICREA. The Company has decided not to pursue this matter for the time being.

2. REVIEW OF THE FINANCIAL STATEMENTS

The financial statements of MEDICREA Group at December 31, 2017 have been prepared in accordance with IFRS (International Financial Reporting Standards) in force within the European Union, pursuant to European Regulation n° 1606/2002 of July 19, 2002, and available at http://ec.europa.eu/internal_market/accounting/ias/index_en.htm.

The summarized financial statements are as follows:

2.1. Consolidated income statements (IFRS)

(€ K)	**12.31.2017**	**12.31.2016**
Sales	**27,148**	**29,375**
Cost of sales	(7,316)	(6,941)
Gross margin	**19,832**	**22,434**
Research & development costs	(2,017)	(1,064)
Sales & marketing expenses	(15,240)	(16,165)
Sales commissions	(2,776)	(3,426)
General and administrative expenses	(7,400)	(6,224)
Other operating income and expenses	(924)	(2,377)
Operating income before share-based payments	**(8,525)**	**(6,822)**
Share-based payments	(287)	(283)
Operating income after share-based payments	**(8,812)**	**(7,105)**
Cost of net financial debt	(2,249)	(1,085)
Other financial (expenses) / income	(171)	358
Tax (charge) / income	505	263
Consolidated net income/(loss)	**(10,727)**	**(7,569)**

2.2. IFRS consolidated balance sheet

(€ K)	**12.31.2017**	**12.31.2016**
Goodwill	2,627	2,629
Intangible assets	7,883	6,071
Property, plant and equipment	10,772	10,099
Non-current financial assets	686	938
Deferred tax assets	2,044	2,454
Total non-current assets	**24,012**	**22,191**
Inventories	9,813	8,727
Trade receivables	3,973	5,159
Other current assets	2,215	3,511
Cash and cash equivalents	11,981	8,063
Total current assets	**27,982**	**25,460**
Total assets	**51,994**	**47,651**

(€ K)	**12.31.2017**	**12.31.2016**
Share capital	2,413	1,605
Issue, merger and contribution premiums	60,567	42,448
Consolidated reserves	(30,463)	(22,403)
Group net income/(loss) for the year	(10,727)	(7,569)
Total shareholders' equity	**21,790**	**14,081**
Conditional advances	196	317
Non-current provisions	574	514
Deferred tax assets	860	1,408
Long-term financial debt	16,739	18,309
Total non-current liabilities	**18,369**	**20,548**
Current provisions	226	1,125
Short-term financial debt	4,387	3,602
Trade payables	4,673	6,001
Other current liabilities	2,549	2,294
Total current liabilities	**11,835**	**13,022**
Total shareholders' equity and liabilities	**51,994**	**47,651**

2.3. Comments on the consolidated income statement

The Group reported varied commercial performance over the 2017 fiscal year depending on the geographic area:

- In France, under stable market conditions, MEDICREA achieved sales of 6 million euros, up 15% compared to 2016 driven by the adoption of its UNiD™ ASI technology by a growing number of surgeons.

- Following the need to regain registration for all products in the range with the Brazilian health authorities and obtain validation of the new manufacturing facility, no sales were made in this market during 2017 (sales of 2 million euros in 2016). Since the authorizations were re-issued in December, the activity should return to a normative level from 2018. Excluding Brazil, the distribution business grew by 6%, generating sales of €3.6 million.

- In the United States, the Group's primary market, the commercial efforts in 2017 focused exclusively on the development of the UNiD™ ASI patient-specific implant technology and resulted in a 36% increase in the number of surgeries performed (472) compared to 2016, generating a revenue of $8.3 million ($7.2 million in 2016). Overall, sales in the U.S. were down 8% due to a downswing in the traditional sales activity with historic products, whose development no longer represent a strategic objective.

Gross margin was 73% over the 2017 fiscal year compared with 76% over the previous fiscal year. Structurally high, gross margin was negatively impacted during the period due to the use of outsourcing as well as the temporary increase in costs associated with the relocation of the La Rochelle production site to the new Rillieux-la-Pape campus. Gross margin should return to the usual normative level in 2018.

Operating costs decreased €0.9 million in comparison with 2016, following an increase of €0.8 million in the first half of 2017 linked to new building infrastructures coming into service in Rillieux-la-Pape and New York and to the resources mobilized by the Group to develop its UNiD™ ASI products and services, notably the digital portal UNiD™ Hub being made accessible to surgeons for the planning of their patient-specific spinal surgeries.

Within this context, operating loss for the 2017 fiscal year stood at €8.5 million, impacted by the temporary shortfall in sales recorded with Brazil and the temporary decrease in the gross margin rate.

Payroll costs related to share-based payments correspond to the cost of the stock-options and free shares allocated to Group employees.

Movements in exchange rates had no significant impact on operating revenue.

The cost of financial debt increased by €1.2 million in comparison with the 2016 fiscal year, primarily as a result of interest on the €15 million bond loan convertible into shares issued in August 2016 and IFRS rules used to account for those financial instruments.
Taking into account these factors and after recognition of the deferred tax charges primarily related to the capitalization of losses carried forward of the US subsidiary, there was a net loss of €10.7 million. The

Group does not pay any corporate tax and, for its fiscally-consolidated French subsidiaries, has substantial reserves of tax losses carried forward not recognized in its financial statements.

In accordance with the presentation method selected during the transition to IFRS, the research tax credit is recognized as a deduction from research and development expenditure (€0.9 million in 2017 compared with €1 million in 2016).

2.4. Comments on the consolidated balance sheet

Total assets were €52 million, an increase of €4.3 million compared with the previous fiscal year.

Non-current assets, which increased by €1.8 million, represented 46% of total assets.

Intangible assets grew €1.8 million due to continued research and development work in general, the purchase of three patents from Dr Paul McAfee, which protect an innovative technique that helps to ascertain the physiological height of the intervertebral space by using the anatomy of the patient, and the development of UNiD ™ HUB, a proprietary, data-driven surgical planning software package, which was implemented in October 2017

The €0.6 million increase in property, plant and equipment was primarily due to the completion of installation and development works involving video and IT equipment at the new headquarters in Rillieux-la-Pape and MEDICREA USA's offices in New York.

The €0.4 million decrease in deferred tax assets was directly related to consolidation adjustments and changes to tax regulations concerning the US subsidiary.

Within current assets, net inventories increased by €1.1 million in comparison with 2016, after taking into account a €0.7 million increase in impairment provision. The Group experienced a major industrial reorganization in 2017, due to the transfer of its production plant from La Rochelle to Rillieux-la-Pape, which resulted in a large number of organizational changes and to the significant use of sub-contractors on a temporary basis. These factors, combined with a decrease in sales due to the economic environment, had an adverse effect on inventories. The Group has taken these problems into account, and a new industrial and logistics organizational structure based on managing the inventories on a pull-flow principle is currently being introduced, and is expected to produce its initial beneficial effects as from the 2nd quarter of 2018. Impairment charges accounted for 26% of the average gross amounts at December 31, 2017, compared with 24% at December 31, 2016.

Trade receivables decreased due to lower sales and good control of average days sales outstanding, which was 55 days at December 31, 2017, compared with 53 days one year earlier.

The €1.3 million reduction in other current assets was due to lower tax receivables still to be recovered and by a fiscal year cut-off effect related to the recognition of rents.

The strengthening of the net cash position is directly related to the share capital increase completed in December 2017.

Shareholders' equity stood at €21.8 million at the end of 2017. The change in relation to 2016 was due to the share capital increases completed in 2017 and the recognition of a net loss over the fiscal year.

Provisions include retirement severance payments as well as various liabilities for salary disputes.

Gross financial debt stood at €21 million, €1 million lower than in 2016 as a result of repayments made during the 2017 fiscal year under existing amortization schedules, and IFRS recognition procedures for the €15 million bond loan taken out in August 2016.

The fall in deferred tax liabilities was mainly related to consolidation adjustments.

Trade payables returned to a normative level and stood at €4.7 million, down €1.3 million in relation to the previous fiscal year as a result of the extensive use of subcontracting in late 2016, to offset the effects of the closure, in two stages, of the La Rochelle factory, and the gradual ramp-up of the workload at the new site in Rillieux-la-Pape.

Other current liabilities totaled €2.5 million at the end of 2017, relatively stable compared with 2016 and mainly comprised of tax and social security liabilities.

3. DEVELOPMENT AND FUTURE PROSPECTS

MEDICREA started the 2018 fiscal year with fresh momentum. Sales for the first quarter of 2018 totaled €8.2 million, up 25% at constant exchange rate compared with the first quarter of 2017.

In the United States, following a mixed 2017 fiscal year the reorganization of the sales force is starting to bear fruit with a visible impact in the first quarter of 2018 on the evolution of the activity. In dollars, sales amounted to $4.4 million, an increase of 7% compared to the first quarter of 2017. Driven by the increase in the number of personalized surgeries (up 60%), the revenue generated by the UNiD ASI™ technology platform increased by 40% compared to the first quarter of the previous year and now represents 55% of total sales.

Outside of the United States, revenue jumped by 45%, supported by continued gains in market share in France where MEDICREA has become a leading player, and the launch of a new distribution subsidiary in Belgium in February 2018.

MEDICREA is developing its business by opening new markets, both through new distribution agreements and the launch of newly-formed marketing subsidiaries.

In February 2018, MEDICREA signed a joint venture agreement with its historical distributor in Belgium. As such, MEDICREA INTERNATIONAL owns a 51% stake in a newly created company, MEDICREA BELGIUM, which now distributes the Group's products on the Belgian market. Over the next 4 years, MEDICREA INTERNATIONAL will gradually increase its investment in MEDICREA BELGIUM with the aim of owning its subsidiary in full by the end of 2022.

Using a very similar model, the subsidiary MEDICREA AUSTRALIA was created in April 2018. As a result, the Group has established itself in a rapidly growing market which is also one of the most profitable in the world.

The Group is expanding its product portfolio with the marketing in the United States of internally 3D-printed titanium interbody cages since January 2018, and over the course of the fiscal year will provide new solutions and services for personalized spinal surgery.

4. INFORMATION RELATING TO SUBSIDIARIES AND INVESTMENTS

The corporate results of the subsidiaries and significant comments on activity over the 2017 fiscal year are presented below:

4.1. MEDICREA INTERNATIONAL SA

Information about the company MEDICREA INTERNATIONAL SA is identical to that provided in Paragraph 9 of this Report.

4.2. MEDICREA TECHNOLOGIES SAS

MEDICREA TECHNOLOGIES was wound up with no liquidation process on November 30, 2017 and merged into MEDICREA INTERNATIONAL. MEDICREA TECHNOLOGIES' 2017 fiscal year, before the transfer of its assets to MEDICREA INTERNATIONAL, therefore includes 11 months to be compared with a 12-month fiscal year in 2016.

(€ K)	**2017 (11 months)**	**2016**	**2015**
Sales	3,024	7,610	7,806
Operating income	8	(71)	330
Net financial income / (expense)	11	4	8
Net exceptional income/(expense)	50	(1,202)	31
Net income / (loss)	69	(1,249)	265
Workforce size (excluding trainees)	-	28	30

The change in sales between 2017 and 2016 is analyzed by customer as follows:

(€ K)	**2017 (11 months)**	**2016**	**Change**
MEDICREA INTERNATIONAL	2,233	6,792	-67%
Repair center	790	788	+0%
Other	1	30	N/S
Sales	**3,024**	**7,610**	**-60%**

The 2017 and 2016 fiscal years are different in terms of duration and type of activity, with the Group's entire production having been transferred to MEDICREA INTERNATIONAL in its Rillieux-la-Pape factory in January 2017. 2017 sales made through MEDICREA INTERNATIONAL are primarily comprised of the sale of inventories of raw materials and semi-finished products that were still held by MEDICREA TECHNOLOGIES at the end of the transfer. Sales from February to November 2017 were made exclusively through the repair center.

4.3. MEDICREA USA CORP

(€ K)	2017	2016	2015
EUR/USD exchange rate	1.125	1.106	1.115
Sales	16,001	17,656	16,342
Operating income	(4,080)	(2,016)	(1,486)
Net financial income / (expense)	(121)	14	3
Net income / (loss)	(4,201)	(2,002)	(1,634)
Workforce size (excluding trainees)	37	42	30

Sales for the 2017 fiscal year fell 9.4% (7.8% at constant exchange rates). This decrease was due to the concentration of marketing efforts on developing the UNiD™ ASI patient-specific implant technology to the detriment of the traditional business. As such, teams have been mobilized to roll out solutions and services that enable surgeons to offer patients completely personalized treatment solutions. This refocusing effort had a visible impact on the number of UNiD™ patient specific procedures carried out in 2017, which grew by 36% in comparison with 2016 and generated revenue of €8.3 million.

In dollars, operating costs stood at $14.4 million compared to $15.3 million in 2016, representing a fall of $0.9 million, despite the strategic recruitments in late 2017 of a new Executive Vice-President of Sales and a new Executive Vice-President of the UNiD™ ASI platform.

Against this backdrop of strategic shift, the operating loss was €4.2 million in 2017, compared with a loss of €2 million for the previous fiscal year.

4.4. MEDICREA TECHNOLOGIES UK LTD

(€ K)	2017	2016	2015
EUR/GBP exchange rate	0.873	0.813	0.728
Sales	468	522	833
Operating income	(486)	(784)	(333)
Net income / (loss)	(406)	(703)	(229)
Workforce size (excluding trainees)	6	7	6

The 2017 fiscal year fell short of Group expectations and the potential of the UK market. Despite a large and innovative product portfolio, MEDICREA was unable to convert new surgeons and actually saw its revenue fall 4% in the local currency. A new sales structure was implemented at the start of 2018. The Group hopes to rediscover positive momentum in the UK from the 2nd half-year thanks to a more honed strategy of targeting hospitals.

4.5. MEDICREA GMBH

(€ K)	2017	2016	2015
Sales	121	66	-
Operating income	(323)	(782)	(206)
Net income / (loss)	(331)	(786)	(206)
Workforce size (excluding trainees)	-	5	2

The Company, which was created in 2015, did not achieve the development objectives the Group was expecting. Since then, the Company has been mothballed and the German operations are now being conducted via a new distributor.

4.6. MEDICREA POLAND

(€ K)	2017	2016
EUR/PLN exchange rate	4.262	4.362
Sales	121	0
Operating income	(222)	(27)
Net income / (loss)	(224)	(27)
Workforce size (excluding trainees)	3	2

MEDICREA POLAND's 2017 fiscal year was marked by the launch of the subsidiary with the recruitment of two sales representatives responsible for promoting MEDICREA products within strategic hospitals in the country. A third person has also been hired to oversee day-to-day administrative and logistics management with the primary task of bidding for various tenders.

The development strategy has been paying off since the first fiscal year, with sales of €121K generated as a result of 13 hospitals listing the Group's products. 8 tenders were secured from leading hospitals in 2017 and will have a significant impact on sales growth in 2018. The sales team will also be strengthened in order to intensify presence on the ground and further target healthcare facilities.

5. RESEARCH AND DEVELOPMENT ACTIVITIES

The Group has made extending its range of products a key priority and for several years has dedicated a significant amount of its financial resources to research and development activities. Spending has progressed as follows:

(€ K)	2017	2016	2015	2014	2013
Capitalized R&D costs	1,892	2,281	1,886	1,069	1,017
Expensed R&D costs (1)	2,914	2,055	1,960	1,893	1,729
- of which amortization charge of R&D costs	(1,492)	(1,284)	(993)	(904)	(842)

(1): before allocation of the Research Tax Credit

In June 2017, MEDICREA confirmed the extension of its portfolio of products for complex spinal pathologies with FDA clearance of its PASS ® TULIP top-loading posterior fixation system. The Company also received FDA 510(k) clearance for surgical planning with UNiD™ HUB, its data-driven digital portal for the Company's ASI – Adaptive Spine Intelligence – which provide surgeons with surgical strategy and predictive modeling functionality.

In November 2017, MEDICREA secured FDA approval for its IB3D range of 3D-printed titanium interbody cages and launched AdapTEK, its adaptive technology meeting the specific needs of each surgeon.

The Group firmly believes that computer-assisted patient-specific surgery is the most appropriate solution to spinal column pathologies, a view that has been confirmed by the growing interest manifested in its solutions by surgeons and patients alike.

6. SOCIAL AND ENVIRONMENTAL INFORMATION

6.1. Corporate information

At December 31 2017, the Group's workforce comprised 172 employees, including 2 part-time, 1 on a skills-training contract and 1 on an apprenticeship, as well as several interns for whom contracts are signed throughout the year.

126 people are employed in France, 37 work for the US subsidiary, 6 for the UK subsidiary and 3 for the Polish subsidiary. The German subsidiary no longer employs any staff.

The average gross salary for the 2017 fiscal year stood at €5,719 (€6,010 in 2016). Excluding the remuneration of employees of the US subsidiary, the average gross salary was €4,778 (€4,471 in 2016).

The gender breakdown by staff category is as follows:

	12.31.2017			12.31.2016		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**
Executives	50	34	84	53	31	84
Supervisors - Employees	51	37	88	51	34	85
Total	**101**	**71**	**172**	**104**	**65**	**169**

6.1.1 Training

Payments made to collecting bodies for continuous in-service training amounted to €128,689 in 2017 (€62,900 in 2016) for the French companies, amounts that were used in full to train Group employees and were higher than the legal training obligation.

Work placement agreements are signed with educational establishments on a regular basis with the aim of enabling students to learn a skill and familiarize themselves with life in a company. These work placements, which more specifically involve the Research and Development, Marketing and Regulated Affairs Departments, at a rate of one to two trainees per year per department, confer entitlement to incentives generally lasting for a period of four to six months. They are not a substitute for permanent positions, with specific one-off assignments being given to trainees. Skills training and/or apprenticeship contracts, of which there are generally between one and three per year, may also be agreed, for a duration of between one and two years.

6.1.2 Safety

After the Group's production activities and headquarters were brought together at a single, extremely spacious and state of the art site, operating conditions have been optimized. The production workshop, logistics department and repair center for motors for surgical devices enjoy dedicated areas adapted for the different activities meaning a high level of safety can be ensured and risks related to accidents at work can be mitigated in a satisfactory manner.

A comprehensive risk management assessment has been prepared and is updated annually.
By virtue of its medical device design and manufacturing operations, the Group is also subject to Public Health Code regulations.

6.1.3 Staff retention

Employees of MEDICREA INTERNATIONAL have access to a Group Savings Plan, thereby entitling them to subscribe for Company shares. potentially supplemented by an employer contribution of 50% on the occasion of any share capital increase. There was no share capital increase reserved for employees during the 2017 fiscal year.

In addition, in 2017 the Board of Directors made use of the delegation granted to it by the Shareholders' Meeting of June 15, 2017 and November 8, 2017 by allocating 160,000 and 500,000 share subscription options to French and American employees, respectively.

Since MEDICREA INTERNATIONAL is in a tax loss situation, mechanisms for legal employee profit-sharing do not apply.

6.1.4 Subcontracting

As part of its manufacturing business, the Group relies on a network of qualified subcontractors and currently has no facilities in controlled environments such as cleanrooms. The ultra-clean processing and the sterilization using gamma irradiation of sterile products are also subcontracted. The use of subcontracting increased sharply in relation to the previous fiscal year following the transfer and two-step shut down of the La Rochelle production unit, and the need to continue to guarantee supplies to customers and to ensure their requirements were met. In early 2017, the new site at Rillieux La Pape secured the necessary certification to operate the factory. Purchases of components during the 2017 fiscal year totaled €3 million (€3.4 million in 2016).

6.2. Environmental information

Environmental risks are virtually non-existent, except for the activity managing and monitoring the rotating instrument sets lent to hospitals, which expose the individuals handling medical devices to products that may be contaminated by biological pathogens and are sources of infection risks. Working procedures that limit employee exposure are in place and waste disposal channels for healthcare activities involving risks of infection and similar are respected. Safety procedures regarding the handling and disposal of these products comply with the legislative and regulatory provisions in force in the countries concerned.

The Rillieux-la-Pape, governed by the legal entity MEDICREA INTERNATIONAL where the manufacture of medical devices now takes place, is ISO 13485 2012 version and ISO 9001 certified, as well as CE marked. The Group has introduced a program of overseeing processes and of quality control inspections, specifically a set of operating procedures, and processes and specifications designed to ensure compliance with best practices in relation to the development and manufacture of products, and of monitoring the environmental impact.

Moreover, the legislative and regulatory provisions defined by ANSM (French National Drug Safety Authority), the European Commission, the FDA and regulatory and health authorities in the other countries where the Group markets its products, provide a very strict framework for activities involving the design and manufacture of medical devices. They set the essential safety requirements and define the assessment and compliance procedures that are integrated into the quality management system. These very strict rules have implications at every level of the Group and help to strengthen the measures taken to keep the industrial assets in optimum condition for use and in compliance with the applicable standards.

7. RISKS

7.1. Risks associated with the Company's business

The spinal surgery market is highly competitive. Powerful players have extensive distribution networks enabling them to sell standard products from their ranges and restrict market access for smaller companies seeking to distribute their innovations.

This market is also highly concentrated, for the most part localized to the US, with 10 leading players who share approximately 80% of the global market, and who enjoy considerable financial resources to conduct ambitious research and development programs for new products and ensure their future commercialization, as well as firmly established relations with both surgeons and healthcare facilities.

7.2. Regulatory environment risks

The products manufactured and distributed by the Group are subject to strict and increasingly stringent regulations. Medical devices can only be marketed in Europe if they bear the CE mark which guarantees compliance with the essential health and safety requirements defined by regulations. Marketing of the products in countries other than those in the European Union also necessarily involves specific procedures for obtaining the authorizations required, notably in the United States, a priority country for the development of the Group's operations. In this way, the US market is governed by the regulations laid down by the Food and Drug Administration (FDA). The marketing of medical devices on this market may, according to device class, be subject to 510K procedures or pre-authorization applications required by the FDA (PMA). These authorization application processes can be long and costly. FDA authorizations may also be subsequently suspended, and the FDA may require product recalls, prohibit sales or seize products. These draconian measures are often related to serious problems identified when the products are used (case of vigilance) or following inspections of companies.

The departments in charge of quality assurance have been continually strengthened since 2012, notably in relation to the monitoring of international standards and to regulatory requirements.

Two certification audits were successfully completed by LNE/G-MED (Group for the Assessment of Medical Devices) in October 2016 and March 2017 for the renewal of CE certification, and by the FDA (Food and Drug Administration) in February 2017 for the marketing of implants in the United States. These audits specifically confirmed the level of expertise in the various skills used within the Group, with areas for further improvement, in particular in the field of formally setting out "good practices".

7.3. Risks associated with the malfunction of industrial processes

The Group's quality assurance system includes procedures intended to detect any non-compliant products, internally or externally, in accordance with regulatory requirements. These procedures are integrated into a non-conformity management system known as CAPA (Corrective Action & Preventive Action). This system enables 1) a case of non-compliance to be identified and declared, 2) all the investigations related to analyzing the causes and risks to be recorded, 3) any non-compliance to be addressed and 4) the effectiveness of the action taken to rectify the instance of non-compliance to be measured.

Non-conformities can be identified internally throughout the design process, as part of the manufacturing of medical devices, during pre-release/release inspections, during (external or internal) audits or regulatory inspections, or reported by end users or customers.

In addition, any incidents affecting patients and/or users are stipulated in the regulatory framework of medical device vigilance, which describes how to report an issue to the competent authorities.

Every incident is analyzed using the CAPA system in order to reduce risks and prevent issues recurring. Risk management reviews are implemented within the Company to detect and assess any problem.

All these procedures to record and analyze defective or potentially defective products therefore allow MEDICREA Group to continually improve in order to reduce product related risks wherever possible. Nevertheless, a lack of compliance with applicable standards could result in suspension or withdrawal of CE certification and other accreditation delivered by a competent health authority, thus preventing the product concerned from being sold.

7.4. Intellectual property risks

The Group's commercial success depends on its ability to acquire, maintain and protect its patents and other intellectual property rights. In the field of medical devices for spinal column surgery, patent law continues to evolve and is subject to uncertainties. When a patent is filed, other patents may already have been filed but not yet published.

Thus, the granting of a patent guarantees neither validity nor applicability, which can both be challenged by third parties.

As a result, the Group cannot guarantee:

- that pending patent applications will actually result in patents being issued,
- that patents delivered or licensed out to the Group or its partners will not be challenged by others or invalidated,
- that the extent of the protection conferred by patents is sufficient to protect it from its competitors,
- that its products are not infringing patents owned by others.

Moreover, the trend in the medical and surgical equipment industry is towards an increase in disputes and litigation in the field of industrial and intellectual property. Consequently, any action brought against the Group could result in substantial costs and have a significant impact on the development of its business.

7.5. Litigation risk

The Group believes that the provisions allocated to cover the disputes or litigation known at the year-end are sufficient to avoid its consolidated net worth being materially affected in the event of an unfavorable outcome.

7.6. Risks related to changes in raw material prices

Implant manufacture requires purchasing specific materials such as titanium, cobalt chromium and PEEK. As suppliers of these raw materials are few in number, the Group is subject to changes in market price which are difficult to predict or control, and which could have a negative impact on its financial performance.

Purchases of these materials are not the subject of hedging contracts. They account for a relatively small part of the cost price of products manufactured (approx. 5%). As such, fluctuations, both upward and downward, in the price of these raw materials would only have a limited impact on the Group's profitability.

7.7. Risks associated with changes to medical device reimbursement policies

Against a backdrop of low economic growth in most global regions, governments and other third party payers (private health insurance cover, healthcare management organizations) are actively working to contain healthcare costs by limiting and/or reducing cover and the reimbursement rate for medical devices and surgical procedures. It is likely that new measures aimed at regulating health reimbursement systems and controlling healthcare spending (especially in France and the rest of Europe) could be integrated into governments' finance laws and legislative proposals in the coming years.

7.8. Liquidity risks

In previous fiscal years, the Group has faced temporary liquidity crises that have slowed its development.

The financial resources secured following fundraising transactions total approximately €72.9 million, as detailed in the table below:

Date	Nature	Amount (€)
June 2006	Share capital increase by means of a public offering	11,587,604
December 2007	Share capital increase	7,000,002
November 2008	Share capital increase	1,155,928
April 2009	Issue of new shares with share warrants	1,176,000
May 2009	Issue of new shares with share warrants	767,621
June 2009	Share capital increase	621,942
December 2009	Share capital increase	1,395,608
December 2009	Exercise of share warrants	582,831
May 2010	Issue of bonds redeemable in new shares	1,928,624
June 2010	Share capital increase	594,740
November 2011	Issue of new shares with share warrants	1,534,500
August 2012	Share capital increase	762,000
June 2015	Share capital increase through private placement	3,543,697
August 2016	Issue of bonds convertible into new shares	15,000,000
August 2016	Share capital increase through private placement	4,999,983
June 2017	Share capital increase through private placement	13,000,003
December 2017	Issue of new shares with share warrants	7,216,957
Total		**72,868,040**

These fund-raising transactions totaling have significantly reduced this liquidity risk and have given the Group the necessary resources to implement its expansion strategy, create new subsidiaries and launch new products.

7.9. Foreign exchange risks

Most of the Group's supplies are denominated in Euros. Sales to US, UK and Polish subsidiaries are made in local currencies, the products then being sold in these markets in the country's functional currency. As a result, subsidiaries are not exposed to an exchange rate risk on purchases but MEDICREA INTERNATIONAL, the Group's parent company, is exposed to an exchange risk on part of its foreign currency-denominated sales, which it hedges against as opportunities arise, mostly by setting up forward sales transactions.

7.10. Interest rate risks

At December 31, 2017, all loans carried a fixed rate.

7.11. Share risks

Any available cash surpluses are exclusively invested in risk-free marketable securities or open-ended mutual funds (SICAV).

7.12. Inflation risks

Group companies do not operate in states with hyper-inflationary economies.

7.13. Risk of changes in exchange rates and impact on key performance indicators

The Group generated 59% of its 2017 consolidated sales in dollars through its subsidiary MEDICREA USA. This proportion should increase over the coming years, with dollar-denominated sales that could potentially represent almost two-thirds of consolidated Group sales.

The US, UK and Polish subsidiaries are invoiced in their functional currency when they are able to settle its trade liabilities owed to the parent company, and foreign exchange hedges have been put in place to cover the risk of fluctuation in the corresponding currencies (mainly dollars).

Intrinsically, the fluctuations of the dollar against the Euro, upward and downward, are therefore likely to materially affect the Group's performance indicators, particularly in terms of sales growth.

In 2017, the dollar has gone up by less than 2% compared to the 2016 average rate and had no material impact on sales and operating income before share-based payments.

A 15% appreciation of the dollar against the Euro, applied to 2017 data, would result in a €2.4 million increase in Group sales and an increase of approximately €0.2 million in operating income based on the results generated by the US subsidiary over the fiscal year 2017, as all its purchases and overheads are denominated in dollars.

Conversely, a 15% depreciation of the dollar against the euro, applied to 2017 data, would result in declines in both Group sales and Group operating income in the same proportions as those indicated above.

7.14. Warranties on UNiD products

As of November 2016 and exclusively for sales in the United States, the Group introduced a lifetime warranty relating to its customized technology UNiD™. It covers all surgical procedures carried out using customized UNiD™ thoraco-lumbar and cervical rods as well as all MEDICREA implants used in combination with these rods. The warranty offered covers all costs related to the use of the analysis services provided by the UNiD™ Lab unit, as well as the replacement at no cost of UNiD™ patient-specific rods and any MEDICREA implants necessary for the treatment of patients requiring corrective surgery.

Since the launch of this lifetime warranty across the United States, no activation request has been recorded. On this basis, the Group did not recognize any provision in its financial statements at December 31, 2017 and, depending on all the data collected in 2018, it will assess whether or not it is necessary to review its position at December 31, 2018.

8. SIGNIFICANT EVENTS THAT OCCURRED BETWEEN THE YEAR-END AND THE DATE OF THE REPORT

No significant event has occurred since the end of the fiscal year other than the creation of MEDICREA BELGIUM mentioned in Paragraph 3.

9. INFORMATION ON THE PARENT COMPANY

9.1. Situation and development of activity over the fiscal year just ended

Details pertaining to the overall background and economic context are provided in paragraph 1 of the Board of Directors' report on the Group.

MEDICREA INTERNATIONAL's financial statements at December 31, 2017 have been prepared pursuant to French generally accepted accounting principles.

The summarized financial statements are as follows:

9.1.1 Income statement

(€ K)	**12.31.2017**	**12.31.2016**
Sales	15,933	14,071
Finished products and work in progress	3,421	290
Own work capitalized	2,067	2,131
Operating grants	13	5
Provision reversals and transfers of charges	353	65
Other revenue	16	32
Operating revenues	**21,803**	**16,594**
Purchases consumed, subcontracting and other supplies	(7,309)	(3,664)
Other external purchases and charges	(7,780)	(6,486)
Taxes and duties	(564)	(235)
Wages and salaries	(5,730)	(3,489)
Social security costs	(2,403)	(1,442)
Amortization and depreciation charges	(3,424)	(2,079)
Provision charges	(898)	(1,525)
Other expenses	(626)	(753)
Operating expenses	**(28,734)**	**(19,673)**
Operating income	**(6,931)**	**(3,079)**
Financial income	282	2,134
Financial expenses	(5,015)	(9,672)
Net financial income / (expense)	**(4,733)**	**(7,538)**
Income/(loss) before tax	**(11,664)**	**(10,617)**
Exceptional income	682	12
Exceptional expenses	(597)	(1,171)
Net exceptional income/(expense)	**85**	**(1,159)**
Corporate tax	897	970
Net income / (loss)	**(10,682)**	**(10,806)**

9.1.2 Balance sheet

(€ K)	**12.31.2017**	**12.31.2016**
Intangible assets	6,651	5,400
Property, plant and equipment	6,170	4,842
Non-current financial assets	7,831	12,019
Non-current assets	**20,652**	**22,261**
Inventories	8,953	5,979
Trade receivables	3,360	2,413
Other receivables	10,004	12,211
Cash and cash equivalents	11,677	7,701
Current assets	**33,994**	**28,304**
Total assets	**54,646**	**50,565**

(€ K)	**12.31.2017**	**12.31.2016**
Share capital	2,413	1,605
Reserves	35,335	28,026
Net income for the year	(10,682)	(10,806)
Shareholders' equity	**27,066**	**18,825**
Conditional advances	196	318
Other equity	**196**	**318**
Long-term financial debt	17,346	19,811
Non-current liabilities	**17,346**	**19,811**
Provisions for liabilities and charges	139	276
Short-term financial debt	3,545	2,716
Group and associates	-	1,021
Trade payables	3,956	6,074
Other liabilities	2,398	1,524
Current liabilities	**10,038**	**11,611**
Total shareholders' equity and liabilities	**54,646**	**50,565**

9.1.3 Comments on the income statement

MEDICREA INTERNATIONAL is the parent company of MEDICREA Group. It markets its products through a network of distribution subsidiaries and via independent distributors in more than thirty countries.

MEDICREA USA, MEDICREA TECHNOLOGIES UK, and MEDICREA POLAND buy directly and solely from MEDICREA INTERNATIONAL. MEDICREA EUROPE FRANCOPHONE, a subsidiary that distributed the products on the French market, was absorbed into MEDICREA INTERNATIONAL in late 2016 via the transfer of all assets and liabilities in order to simplify the business structure.

Until January 2017, MEDICREA INTERNATIONAL acquired the vast majority of its production purchases from its subsidiary MEDICREA TECHNOLOGIES, which owned the La Rochelle factory. The latter was gradually relocated over the course of the 2016 and 2017 fiscal years to the new Rillieux-la-Pape site, which now houses all the Group's operations in France. The La Rochelle factory was permanently closed in January 2017 and MEDICREA TECHNOLOGIES was absorbed via the transfer of all its assets and liabilities to MEDICREA INTERNATIONAL on November 30, 2017 in order to streamline the organizational structure. MEDICREA INTERNATIONAL secured all the necessary regulatory certifications authorizing it to manufacture on its new site, thereby becoming a manufacturer of medical devices for the spinal column in its own right.

The change in sales between 2017 and 2016 is analyzed by customer as follows:

(€)	**2017**	**2016**	**Change**
MEDICREA USA	5,619,069	7,348,225	(24)%
MEDICREA POLAND	656,182	24,997	N/S
MEDICREA TECHNOLOGIES	160,585	941,587	(83)%
MEDICREA TECHNOLOGIES UK	(17,401)	161,856	(111)%
MEDICREA GMBH	(168,768)	364,421	(146)%
MEDICREA EUROPE FRANCOPHONE	-	106,307	(100)%
Total intra-Group sales and rebillings	**6,249,667**	**8,947,393**	**(30)%**
Public hospitals	3,961,527	-	+ 100%
Distributors	3,590,990	5,082,746	(29)%
Private hospitals	2,000,546	-	+ 100%
Repair center	76,444	-	+ 100%
Other	53,830	40,911	+ 32%
Net sales	**15,933,004**	**14,071,050**	**+ 13%**

Sales made via the Company's subsidiaries fell by almost 30% in comparison with the previous fiscal year due to both the transfer of assets and liabilities completed in late 2016 with MEDICREA EUROPE FRANCOPHONE and late 2017 with MEDICREA TECHNOLOGIES, and the mothballing effect related to the subsidiary MEDICREA GMBH during 2017.

The sales generated with international distributors, public and private hospitals in France, and the customers of the repair center, which reflect MEDICREA INTERNATIONAL's direct marketing activities, increased by 13% although the trends were mixed depending on the geographical regions:

In France, under stable market conditions, MEDICREA INTERNATIONAL achieved sales of €6 million in 2017, up 15% compared to the 2016 performance of MEDICREA EUROPE FRANCOPHONE, driven by the adoption of its UNiD™ ASI technology by a growing number of surgeons.
In export markets and with distributors, and following the need to regain registration for all products in the range with the Brazilian health authorities and obtain validation of the new manufacturing facility, no sales were made in this market during 2017 (sales of €2 million in 2016). Since the authorizations were re-issued in December, the activity should return to a normative level from 2018. Excluding Brazil, the distribution business grew by 6%, generating sales of 3.6 million euros.

In France, under stable market conditions, MEDICREA INTERNATIONAL achieved sales of €6 million in 2017, up 15% compared to the 2016 performance of MEDICREA EUROPE FRANCOPHONE, driven by the adoption of its UNiD™ ASI technology by a growing number of surgeons.

The 2017 payroll grew significantly in comparison with the previous fiscal year (up 65%). The change in headcount primarily reflects the consolidation of the Group's French business activities at a single site, and within the same company.

Amortization and depreciation charges grew €1.3 million in correlation with the significant investments made by the Company in recent fiscal years, notably research and development, and fixtures and fittings at the new headquarters, which have been in service since the 4th quarter of 2016. Net provision charges were down €0.6 million in relation to the previous fiscal year, taking account of the reversal of implant inventory impairment recognized in 2017.

Taking into consideration the points specified above, 2017 operating loss was €6.9 million, compared with an operating loss of €3.1 million in 2016.

The net financial expense was €4.7 million due to the €1.2 million cost of financial debt, €2.6 million of equity security and current account impairment (mothballing of MEDICREA GMBH and difficulties of MEDICREA TECHNOLOGIES UK), and €1 million of negative exchange rate effects.

Ultimately, after a research tax credit of €0.9 million was taken into account, a net loss of €10.7 million was recorded, against a net loss of €10.8 million in 2016.

9.1.4 Comments on the balance sheet

Total assets were €55 million, an increase of €4 million compared with the end of 2016.

Non-current assets represented 38% of total assets, compared with 44% in 2016. The main changes related to the effects of the transfer of MEDICREA TECHNOLOGIES' assets and liabilities to MEDICREA INTERNATIONAL for a total negative amount of €3.2 million, the capitalization of research and development costs for the period for a gross amount of €1.8 million, the acquisition of 3 patents for €0.6 million, the relocation of the manufacturing facility from the La Rochelle factory to the new complex in Rillieux-la-Pape for an overall amount of €0.6 million, the completion of fixtures and fittings at the new headquarters for €1 million as well as the write-down of all the MEDICREA TECHNOLOGIES UK and MEDICREA GMBH shares for €0.8 million.

Inventories rose 50% in comparison with the previous fiscal year primarily as a result of the recovery of the MEDICREA TECHNOLOGIES inventories following its absorption.

The €0.9 million increase in trade receivables breaks down between a €1.4 million increase in Group receivables as a result of the transfer of all of the receivables held against the US subsidiary MEDICREA USA to the current account at December 31, 2016, and a €0.5 million decrease in non-Group receivables primarily due to the temporary shortfall in sales made with Brazil.

Other liabilities fell by €2.2 million after recognition of the write-down of all the current accounts of the subsidiaries MEDICREA TECHNOLOGIES UK and MEDICREA GMBH.

The strengthening of the net cash position is related to the share capital increase completed in December 2017 to qualified US investors.

Shareholders' equity was €27.1 million at the end of 2017, up €8.3 million compared with 2016. This change was due to the share capital increases completed in June and December 2017 for an overall net amount of €19 million following deduction of costs on the issue premium, offset by the loss of €10.7 million over the 2017 fiscal year.

Financial debt fell €1.6 million due to the repayments made during the fiscal year as part of existing amortization schedules.

Other current liabilities (excluding financial debt and inter-group current accounts) stood at €6.5 million, down €1.4 million in relation to December 31, 2016 and mainly due to the fall in trade payables which, having grown significantly at the end of last year given the temporary use of subcontracting, returned for a more normative level.

Pursuant to the provisions of Articles L. 441-6-1 and D. 441-4 of the French Commercial Code, information on supplier and customer payment terms is as follows:

	Article D. 441 I. – 1°: Invoices received, unpaid at December 31, 2017					
Trade payables	**0 days**	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 days or more**	**Total 1 day or more**
(A) Late payment ranges						
Number of invoices concerned	**505**					**333**
Total value of invoices concerned exc. VAT	**€1,044,732**	€1,262,238	€331,500	€30,693	€151,595	**€1,776,026**
% of total value of purchases exc. VAT over the fiscal year	**7%**	**8%**	**3%**	**0%**	**1%**	**12%**
(B) Invoices excluded from (A) relating to contested or unrecorded trade payables						
Number of invoices excluded	**0**					**0**
Total value of invoices excluded exc. VAT	**0**					**0**
(C) Payment terms used						
Payment terms used for calculating late payments	**Contractual terms**					

	Article D. 441 I. – 2°: Invoices issued, unpaid at December 31, 2017					
Trade receivables	**0 days**	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 days or more**	**Total 1 day or more**
(A) Late payment ranges						
Number of invoices concerned	**1,146**					**315**
Total value of invoices concerned exc. VAT	**€2,879,936**	€25,757	€65,203	€24,249	€28,585	**€373,794**
% of sales exc. VAT for the year	**18%**	**2%**	**0%**	**0%**	**0%**	**2%**
(B) Invoices excluded from (A) relating to contested or unrecorded trade receivables						
Number of invoices excluded	**14**					
Total value of invoices excluded exc. VAT	**€30,145**					
(C) Payment terms used						
Payment terms used for calculating late payments	**Contractual terms**					

9.2. Development and future prospects

Company growth is directly related to that of the Group, the main trends of which are summarized in paragraph 2 of the Board of Directors' report on the Group.

9.3. Information relating to subsidiaries and investments

Information pertaining to subsidiaries and equity investments is identical to that provided in paragraph 4 of the Board of Directors' report on the Group.

9.4. Research and development activities

Progress in research and development is discussed in paragraph 5 of the Board of Directors' report on the Group.

9.5. Stock market performance

The share has been covered by a market-making contract in partnership with Louis Capital Markets UK LLP since November 2017. The market-making contract was previously managed by the company Gilbert Dupont. The share is listed on Euronext Growth, under the ISIN code FR004178572 and the ticker ALMED.

Major stock market data is analyzed as follows:

	2017	2016	2015
Number of shares at December 31	15,082,811	10,033,067	8,987,588
High price	6.37	7.04	9.34
Low price	2.86	4.33	6.31
Average price for the period	4.51	5.46	7.75
Share price at 12/31	3.00	5.40	6.78
Market capitalization at 12/31	€45,248,433	€54,178,562	€60,935,847
Trading volume	3,000,160	1,937,451	1,638,981
Capital turnover rate	19.9%	20.18%	18.2%

9.6. Report on own share transactions carried out by the Company during the year

Pursuant to the provisions of Article L. 225–211 sub-paragraph 2 of the French Commercial Code, and as part of the authorizations given by the Combined Shareholders' Meetings of June 7, 2016 and June 15, 2017, the Company carried out the following transactions concerning its own shares during the fiscal year ended on December 31, 2017:

- number of shares bought during the fiscal year:	115,632
- number of shares sold during the fiscal year:	113,844
- average price of the purchases:	€5.01
- average price of the sales:	€5.00
- trading fees:	Nil
- number of shares registered in the Company's name at December 31, 2017:	4,438
- value based on the purchase price:	€13,314
- par value of shares:	€0.16
- fraction of share capital represented:	Negligible

These transactions were conducted by the brokers Gilbert Dupont until October 31, 2017, and from November 1, 2017 by Louis Capital Markets, two investment services providers, as part of the liquidity contract drawn up in accordance with the Ethics Code of the AMF.

9.7. Senior executives' threshold crossings, holdings, treasury shares and securities transactions

9.7.1. Information pertaining to the share capital and threshold crossings

Pursuant to the provisions of Article L. 233-13 of the French Commercial Code, and based on the information received pursuant to Articles L. 233-7 and L. 233-12 of said Code, we hereby disclose, as of December 31, 2017:

- the identity of shareholders who directly or indirectly hold more than 5%, 10%, 15%, 20%, 25%, 33.33%, 50%, 66.66%, 90% and 95% of the authorized share capital or voting rights at Shareholders' Meetings.

Furthermore, it should be noted that the statutory provisions impose an obligation to inform if an increase or decrease in the equity holding threshold of 2% of the capital or voting rights is exceeded; this information is renewed every time each additional 2% fraction of the capital or voting rights is exceeded.

	At 12.31.2017		**At 12.31.2016**	
	% share capital	% voting rights	% share capital	% voting rights
More than 5%	Armistice Capital Master Fund Keren Finance Vatel	Armistice Capital Master Fund	Grandeur Peak Advisors	Grandeur Peak Advisors
More than 10%	Orchard International			
More than 15%		Orchard International	Orchard International	
More than 25%				Orchard International

In January 2018, the company Stonespine Capital Management LLC declared it had crossed the threshold of owning 5% of the Company share capital.

9.7.2. Senior executives' and corporate officers' interest in the Company's share capital

Changes in senior executives' and corporate officers' interest in the Company's share capital were as follows:

	12.31.2017			**12.31.2016**		
	Number of shares	% share capital	% voting rights	Number of shares	% share capital	% voting rights
ORCHARD INTERNATIONAL (1)	1,727,490	11.45	19.55	1,727,490	17.22	27.24
Denys SOURNAC (2) (3)	457,488	3.03	2.59	455,732	4.55	3.60
Jean Philippe CAFFIERO	216,089	1.43	2.36	246,089	2.45	3.76
Other Directors						
Pierre BUREL (2)	194,587	1.29	1.10	194,587	1.94	1.53
Patrick BERTRAND (2)	113,968	0.76	0.74	113,968	1.14	1.04
François Régis ORY (2)	108,652	0.72	0.61	108,652	1.08	0.86
Rick KIENZLE	102,880	0.68	0.58	-	-	-
Christophe BONNET	52,128	0.35	0.48	52,128	0.52	0.81
Jean Joseph MORENO	22,000	0.15	0.21	22,900	0.23	0.30
Marc RECTON	18,752	0.12	0.18	18,752	0.19	0.25
Total	**3,014,034**	**19.98%**	**28.40%**	**2,940,298**	**29.32%**	**39.39%**

(1): Shares held by the holding company, ORCHARD INTERNATIONAL. The following table provides details of ORCHARD INTERNATIONAL's shareholding structure as of December 31, 2017:

- Société civile DENYS SOURNAC COMPANY	59.66%
- Société civile PLG INVEST (Jean Philippe CAFFIERO)	35.46%
- AMELIANE SAS	4.72%
- Christelle LYONNET	0.13%
- Denys SOURNAC	0.03 %

(2): Total of the shares held directly and via a holding company

(3): After adjusting for 8,000 shares allocated to Denys SOURNAC in error at 12.31.2016.

9.7.3. Share capital and treasury shares

At December 31, 2017, the Company held 4,468 of its own shares as part of the share's liquidity and market-making contract on the stock market.

At December 31, 2017, share capital totaled €2,413,265.76, and comprised 15,082,911 shares as follows:

- 15,082,811 ordinary shares;
- 100 unlisted preference shares.

Pursuant to the provisions of Article L. 225-211 sub-paragraph 2 of the French Commercial Code and in accordance with the authorizations granted by the Combined Shareholders' Meeting of June 7, 2016 and the Combined Shareholders' Meeting of June 15, 2017, the Company bought back some of its own shares during the year ended December 31, 2017, as described in point 9.6 above.

9.7.4. Securities transactions by senior executives and executive equivalents during the fiscal year

In accordance with the legal and regulatory requirements, we provide a table hereafter which summarizes the transactions carried out in the Company's securities during the fiscal year 2017 by senior executives or by persons closely connected to them, prepared on the basis of information provided to us:

-	Number of securities sold:	30,000
-	Number of securities acquired:	1,756
-	Number of securities subscribed:	0
-	Number of shares exchanged:	0

9.7.5. Employee shareholding

Pursuant to the provisions of Article L. 225-102 of the French Commercial Code, the number of shares of the Company's capital held by employees at the last day of the fiscal year is reported annually, as well as the proportion of share capital represented on December 31, 2017 by shares held by company personnel and personnel of related companies within the meaning of Article L. 225-180 of the French Commercial Code under a company savings plan and a company investment trust.

At December 31, 2017, employees of the Company and related companies held 0.87% of the Company's capital, including less than 0.01% via the company savings plan.

9.7.6. Group savings plan

MEDICREA INTERNATIONAL has implemented a group savings plan (PEG) open to staff members having more than three months' employment. The fund is managed by Crédit du Nord.

There was no capital increase reserved for employees during the 2017 fiscal year, consequently the Company did not pay any employer's matching contributions.

9.7.7. Stock subscription or purchase options – Allocation of free shares

In accordance with the provisions of Article L.225-184 of the French Commercial Code, the Shareholders' Meeting was informed, via a special report, of the stock-option plans implemented.

Pursuant to the provisions of Article L. 225-197-4 Paragraph 1 of the French Commercial Code, the Shareholders' Meeting was informed, via a special report, of the allocations of free shares completed over the course of the fiscal year.

Pursuant to the provisions of Articles L. 225–184 and L. 225-197-4 of the French Commercial Code, a special report on stock subscription or purchase options and a special report on the allocation of free shares will be made available to shareholders.

660,000 stock-options were allocated during the fiscal year ended December 31, 2017. No allocation of free shares took place.

Taking into account the employees who left between the 2008 and 2017 fiscal years, the exercise of options and the plans that have lapsed, the free shares (including free shares allocated but whose retention period has not yet expired) and stock options allocated to employees stood at 158,273 and 706,592 respectively at December 31, 2017.

9.8. Agreements referred to in articles l. 225-38 *et seq.* of the French Commercial Code

The Statutory Auditors will read their report, which states that no new agreement was approved by the Board of Directors in relation to the fiscal year ended December 31, 2017, and details the agreements approved in respect of previous fiscal years that remained in force during the fiscal year, including in particular the agreement concluded with ORCHARD INTERNATIONAL for the amount of €572,012 (€557,659 in 2016).

9.9. Approval of share subscription or purchase option plans

We remind you that the Shareholders' Meeting of June 15, 2017 and the Shareholders' Meeting of November 8, 2017 authorized the Board of Directors, pursuant to the provisions of Articles L225-177 and subsequent of the French Commercial Code, to grant share purchase and/or subscription options in the Company.

Article 422 of the US Internal Revenue Code requires, in order to allow the issue of the Incentive Stock Options provided for in the 2017 and 12-2017 plans for the benefit of employees resident in the United States for tax purposes, that said plans be approved by the Shareholders' Meeting within a period of 12 months from their adoption by the Board of Directors. We therefore propose that you adopt said plans.

9.10. Proposed appointment of a new director

We propose that you appoint, with effect from the Combined Shareholders' Meeting of May 17, 2018, Pierre OLIVIER, born April 7, 1966 in Saint Adresse (Department 76), residing at 626 San Luis Road, Berkeley CA, 94707, USA, to the role of new Director, for a term of 6 years, that is to say until the end of the Ordinary Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2023.

9.11. Social and environmental information

The very nature of MEDICREA INTERNATIONAL's activities is unlikely to present significant risks to the environment, as described in paragraph 7. "Risks" of this report.

9.12. Proposed allocation of 2017 income

It is requested that the financial statements be approved as presented (balance sheet, income statement and notes), showing a net loss of €10,681,570.45 for the fiscal year of December 31, 2017, which the Board of Directors proposes at the Shareholders' Meeting to allocate it in its entirety to Retained Losses.

9.13. Dividends paid

Pursuant to the provisions of Article 243 bis of the French General Taxation Code, please note that no dividend has been paid in the last three fiscal years.

9.14. Five-year financial summary

Pursuant to the provisions of Article R. 225-102 of the French Commercial Code, a summary of the Company's earnings over each of the last five fiscal years is appended in Note 2.

9.15. Non-deductible expenses referred to in Articles 39-4 and 223 of the French General Taxation Code

Pursuant to Article 223-IV and 223-V of the French General Taxation Code, the total of expenses and costs that cannot be deducted from earnings as referred to in Article 39-4 of the General Taxation Code, as well as the tax incurred in relation to said expenses and costs, were €164,418 and €46,037 respectively for the fiscal year ended December 31, 2017 (€104,516 and €34,835 respectively in relation to the previous year).

9.16. Significant events that occurred between the year-end and the date of the report

No significant event, other than the creation of MEDICREA BELGIUM referred to in Paragraph 3 of the Group Management Report, has occurred since the end of the fiscal year.

9.17. Authorizations granted to the Board of Directors by the Shareholders' Meeting

a) Renewal of the authorization granted to the Company to purchase its own shares on the stock market

It is proposed to authorize the Company to trade its own shares on the stock market, pursuant to the provisions of Article L. 225-209 of the French Commercial Code, and subject to compliance with legal and regulatory requirements applicable at the time of its implementation, for the sole purpose of, and by order of priority:

- To ensure the stimulation of the secondary market or the liquidity of the MEDICREA INTERNATIONAL share via an investment services provider acting in complete independence under

a liquidity contract in compliance with the AMAFI (French financial markets association) Code of Ethics recognized by the French Financial Markets Authority;
- Ensure the hedging of stock option purchase plans and/or free share allocation plans (or similar plans) for the benefit of Group employees and/or corporate officers;
- To reduce the share capital of the Company through the cancellation of shares within legal limits;
- To retain the purchased shares and subsequently exchange them or use them in payment as part of mergers and acquisitions;
- To implement any market practice that is or may be admitted by the market authorities.

No other use of this share buyback program is considered.

The transactions conducted as part of the buyback program would be carried out pursuant to applicable regulations.

A background document would be distributed according to applicable regulations, stating:

- the maximum number of shares to be acquired: no more than 10% of share capital (including shares already held) of which 5% of share capital if they are shares purchased by the Company to retain and subsequently deliver as payment or in exchange as part of a merger or acquisition transaction;
- the maximum purchase price per share, subject to adjustments relating to any transactions affecting the Company's capital, set at €25 (excluding acquisition costs).

The theoretical maximum amount for the implementation of this program would be €37,707,277.50, financed either by own resources or by the use of short- or medium-term external funding.

Shares could be bought back by any appropriate method, including through acquisition of blocks of securities on one or more occasions, and including while a public tender offer is in progress.

The authorization would be valid from the date of the Annual Shareholders' Meeting called to approve the financial statements at December 31, 2017 and for a period of eighteen months.

If this resolution is adopted, the Board of Directors should report annually on the use of this authorization.

A request is also made to authorize the Board of Directors, for a period of 18 months, with the option to sub-delegate, to cancel at its sole discretion, in one or more transactions, no more than 10% of the capital calculated on the day of the cancellation decision and after deducting any shares canceled during the preceding 24 months, any shares that the Company holds or may hold as a result of repurchases made under the terms of its buyback program and to reduce the share capital proportionately pursuant to applicable regulations. The Board of Directors would therefore have the powers required to take all necessary measures.

b) Proposal to delegate powers to / authorize the Board of Directors to increase the share capital

In particular in order to:

- Strengthen MEDICREA's positioning as the specialist and leader in planned spinal surgery and the overall 3D analysis of the specific balance of each patient;
- Accelerate the digital transformation of all Group companies through the development, integration and distribution of a new UNID proprietary platform;
- Strengthen the teams and the resources for analyzing the clinical data collected by the UNID LAB in order to hone the capabilities of the predictive model and the relevance of the Company's proprietary algorithms identifying the most appropriate implants for each patient;
- Strengthen the Group's foothold in the United States, increase MEDICREA's presence in the main centers specializing in spinal surgery by developing sales teams and the local manufacture of certain patient-specific implants;
- Continue to integrate new manufacturing technologies (3D printing);
- Increase efforts to bring key production and sterile packaging operations back in-house;
- Explore all opportunities relating to acquisitions or tactical or strategic partnerships concerning the products, technologies and patents;
- Accelerate the development of the Group's distribution subsidiaries.

It is proposed to decide on the principle of an increase in share capital with delegation of authority to be granted to the Board of Directors in order to enable the Company, if required, to subsequently tap the financial market and therefore take any development opportunity.

As such, the following is proposed:

1. **To grant the Board of Directors (10th and 11th resolutions), for a period of twenty-six months, a delegation of authority in order to increase the share capital, either by the issue of ordinary shares or of any marketable securities conferring access, with or without retention of the preferential subscription right of shareholders, to the share capital and/or granting entitlement to the allocation of:**

- Existing or new debt securities in the Company and/or a company that holds, either directly or indirectly, more than half its share capital or of which it holds either directly or indirectly more than half of the share capital;
- Existing or new debt securities in the Company and/or a company of which it holds, either directly or indirectly, less than half its share capital or of which less than half of the capital is indirectly held by this company.

The total amount of share capital increases that may be realized now and/or in the future, may not exceed a nominal amount of eight hundred thousand (800,000) euros. The amount of the share capital increases would count towards the Overall Ceiling I mentioned hereafter.

The total amount of marketable securities whose primary security is a debt, notably a bond security, that may be issued in this way may not exceed a nominal amount of twenty-five million (25,000,000) euros or the exchange value of this amount in other currencies. The amount of issues of marketable securities would count towards the Overall Ceiling II mentioned hereafter.

The issue price of the shares that would be issued without preferential subscription rights would be at least equal to the weighted average price quoted over the last ten trading sessions preceding its determination, with the possible application of a deduction of up to 10%.

2. **To grant to the Board of Directors (12th resolution), for a period of twenty-six months, a delegation of authority in order to increase the share capital by the issue of ordinary shares and/or marketable securities conferring access to the share capital of the Company or granting entitlement to the allocation of debt securities with waiver of the preferential subscription right of shareholders within the context of an offer referred to in Article L.411-2 II of the French Monetary and Financial Code.**

The total nominal amount of the share capital increases which may be realized in this way immediately and/or in the future may not exceed 20% of the share capital per annum at the date of the decision of the Board of Directors and the amount of the share capital increases provided for in said delegation shall be deducted from the above-mentioned delegation.

The total nominal amount of marketable securities in the form of receivables giving access to the share capital and likely to be issued in this way may not exceed a nominal amount of twenty-five million (25,000,000) euros or the equivalent value of this amount in other currencies, at the date of the decision regarding the issue, with this amount being deducted from the **Overall Ceiling II** provided for below;

The issue price of the shares would be at least equal to the weighted average price quoted over the last ten trading sessions preceding its determination, with the possible application of a deduction of up to 10%.

3. **to delegate to the Board of Directors (13th resolution), for a period of twenty-six months, the authority to increase the number of securities to be issued as part of one of the share capital increases listed above, in the event of oversubscription, and all under the conditions set out by Article L.225-135-1 of the French Commercial Code and within the limit of Overall Ceilings I and II referred to above.**

4. **to delegate to the Board of Directors (14th resolution), pour for a period of eighteen (18) months, the power to decide on one or more share capital increases via the issue of ordinary shares in the Company or any marketable securities conferring access by any means, immediately and/or in the future, to existing or new ordinary shares in the Company with waiver of the preferential subscription right in favor of a category of individuals meeting specified characteristics pursuant to Article L. 225-138 of the French Commercial Code**.

The total amount of share capital increases that may be completed under the terms of this delegation immediately and/or in the future, may not exceed a nominal amount of eight hundred thousand (800,000) euros. The amount of the share capital increases would not count towards the Overall Ceiling I mentioned hereafter.

The total amount of issues of compound marketable securities whose primary component is a debt, notably a bond, security, may not exceed a nominal amount of twenty-five million (25,000,000) euros. The amount of issues of marketable securities would not count towards the Overall Ceiling II mentioned hereafter.

To allow the entry of new financial partners, the preferential subscription rights of Shareholders to shares or marketable securities covered by this transaction would be canceled and the right to subscribe would be reserved for by a category of individuals defined as follows: International investment funds and/or companies (i.e.: that conduct financial transactions in several countries), active in the field of health and/or medical devices, and which will each participate in the transaction for an amount of no less than one hundred thousand (100,000) euros (in accordance with Article 211-2.3° of the General Regulations of the French financial markets authority).

The issue price of the shares would be at least equal to the weighted average price quoted over the last ten trading sessions preceding its determination, with the possible application of a deduction of up to 10%.

5. **to grant to the Board of Directors (17th and 18th resolutions), for a period of twenty-six months, the authority to complete a share capital increase reserved for all employees in the Company and companies within its Group and to waive the preferential subscription right of shareholders in favor of said employees.**

It is specified that pursuant to the provisions of Article L. 225-129-6 of the French Commercial Code, the Shareholders' Meeting must rule on a draft resolution to conduct a capital increase under the conditions provided for in Articles L. 3332-18 *et seq.* of the French Labor Code:

The total nominal amount of the share capital increases that may be completed in this way under the terms of the delegation may not exceed forty thousand (40,000) euros. The amount of the share capital increases would count towards the Overall Ceiling I mentioned hereafter.

6. <u>to decide (19th resolution):</u>

- that the nominal amount of the capital increases likely to be performed immediately and/or in the future pursuant to the delegations granted to the Board of Directors by this Shareholders' Meeting cannot exceed eight hundred thousand (800,000) euros ("**Overall Ceiling I**");
- that the total nominal amount (i) of the marketable securities representing the receivables conferring entitlement by any means, either immediately or in the future to the share capital and which may be issued under the delegations granted to the Board of Directors (Resolutions 11, 12, 13 and 18) may not exceed a twenty-five million (25,000,000) euros or the equivalent of this amount in other currencies, on the date of the decision to issue them and (ii) shares to be issued as a result of the issue of the compound marketable securities may not exceed a nominal amount of eight hundred thousand (800,000) euros ("**Overall Ceiling II**").

The par value of the shares to be issued in order to protect the rights of the holders of marketable securities or other securities granting access to the Company's share capital and/or issued by a Subsidiary or a parent company as part of the delegations of authority granted to the Board of Directors shall be added to these ceilings, where applicable, in accordance with the law and with the contractual specifications providing for other adjustment cases, where applicable.

c) Authorization to be granted to the Board of Directors (15th resolution) to allocate free shares to Group employees and executive corporate officers

It should be noted that the Combined Shareholders' Meeting of November 8, 2017 authorized the Board of Directors to grant free Company shares to Group employees and executive corporate officers for a period of twenty-six months.

Although this delegation has not yet expired, it seemed appropriate to renew it in order to benefit from new and more advantageous provisions in relation to the employer contributions applicable to this scheme.

Pursuant to the provisions of Articles L. 225-177 *et seq.* of the French Commercial Code, it is suggested that you:

- Authorize the Board of Directors, for a period of 26 months from this Shareholders' Meeting, to allocate, in one or more instalments and at its sole discretion, either existing free shares in the Company resulting from the purchase made by it or free shares to be issued via a share capital increase, in favor of employed members of staff or corporate officers that it selects from the employees and executive corporate officers of the Company and of French or international companies related to it within the meaning of Article L. 225-197-2 I of the French Commercial Code subject to the legal and regulatory provisions in force at the time of its implementation;
- Decide that the cumulative total number of shares issuing (i) both from the free allocation of shares resulting from this authorization, be they existing shares or shares to be issued, and (ii) from the exercise of the purchase and/or subscription options provided for hereafter, may not exceed an overall number equal to 7.5% of the total number of shares comprising the share capital of the Company at the date of allocation;
- Decide that the allocation of shares to their beneficiaries will be definitive at the end of a minimum vesting period of one year;
- Decide that the duration of the vesting period will end early, in the event of the incapacity of the beneficiary falling into the second or third categories provided for in Article L. 341-4 of the French Social Security Code;
- Decide that at the end of the above-mentioned vesting period, the beneficiaries, having definitively become the owners of the shares allocated to them free of charge by the Board of Directors, may only transfer said shares at the end of a retention period whose duration will be determined by the Board of Directors, but which may under no circumstances be less than one year;
- Decide that, for beneficiaries not resident in France for tax purposes, the Board of Directors may annul the above-mentioned retention period provided that the vesting period lasts a minimum of two years;
- Decide that the shares acquired, under this authorization, shall be in registered form;
- Note that, regarding the shares to be issued, (i) this authorization will entail, at the end of the vesting period, a share capital increase by capitalization of reserves, profits or issue premiums in favor of the recipients of said shares and the corresponding waiver by the Shareholders in favor of the beneficiaries of the allocations to the portion of reserves, profits and premiums thus capitalized, (ii) this authorization would automatically entail, in favor of the beneficiaries of said shares, waiver by the shareholders of their preferential subscription right;
- The amount of the share capital increase would not count towards the aforementioned **Overall Ceiling I**.

The Shareholders' Meeting would, for a period of 26 months, delegate full authority to the Board of Directors, who may further delegate to the Chairman and CEO, acting subject to the above conditions, in particular to:

- Implement this authorization;
- Set the terms and conditions and where necessary the criteria for the allocation of the shares;

- Decide on the number of shares to be allocated free of charge;
- Determine the identity of the beneficiaries, the number of shares allocated free of charge to each of them and the procedures for the allocation of shares;
- Agree on any clauses prohibiting the immediate resale of some or all of the shares in the event of allocation to corporate officers;
- In the case of the allocation of shares to be issued, set the amount and nature of the reserves, profits and premiums to be capitalized;
- Record the share capital increase or increases carried out pursuant to this authorization, and amend the Bylaws accordingly;
- and more generally do whatever is necessary.

d) Authorization to be granted to the Board of Directors (16th resolution) to allocate share purchase and/or subscription options to the Group's employees or executive corporate officers

It should be noted that the Combined Shareholders' Meeting of November 8, 2017 authorized the Board of Directors to grant Company share subscription and/or purchase options for a period of twenty-six months.

Although this delegation has not yet expired, it seemed appropriate, as a result of the proposed renewal of the delegation related to the free allocation of shares, to ensure the expiry dates are the same as a result of their shared ceilings.

As a result, it is proposed pursuant to the provisions of Articles L. 225-177 *et seq*. of the French Commercial Code, we suggest authorizing the Board of Directors to grant, on one or more occasions and at its sole discretion, to Company and Group employees and/or executive corporate officers, share purchase and/or subscription options for Company-issued stock within a specific period and subject to certain conditions.

Implementation

The options would include subscriptions to new shares or the purchase of existing shares. Subscription option beneficiaries could subscribe to shares that would be issued as and when options are granted, which would result in capital increases.

Under this authorization and under previous authorizations:

- The total number of subscriptions granted and not yet exercised may not confer the right to subscribe to a quantity of shares exceeding one third of the share capital;
- The total number of these purchase options may not exceed 10% of the total number of shares issued by the Company, the Company not being authorized to hold more than 10% of its own shares.

In any event, the cumulative total number of shares resulting from both (i) the exercise of purchase and/or subscription options that would be granted in respect of this authorization, and (ii) the aforementioned allocation of free shares may not exceed an overall number equal to 7.5% of the total number of shares comprising Company stock at the date of allocation.

Beneficiaries

The beneficiaries of these options may be all or some of the employees or executive corporate officers of the Company and the Group's companies (within the meaning of Article L 225-180 of the French Commercial Code), subject to legal and regulatory provisions applicable at the time of its implementation.

Pursuant to the law, beneficiaries holding more than 10% of the share capital may not be granted options.

We suggest you grant full powers to the Board of Directors in order to determine the beneficiaries of these options.

Price

Pursuant to Article L. 225-177 of the French Commercial Code, the purchase and/or subscription share price would be determined on the day on which the option is granted by the Board of Directors, in accordance with the objective methods applicable to the valuation of shares which takes account, applying a specific weighting, of the Company's net asset position, profitability and business prospects, on a consolidated basis, in the manner determined by the Combined Shareholders' Meeting based on the Statutory Auditors' report.

We therefore suggest determining the method of price calculation as follows: equal to the weighted average of the last 20 trading days prior to the day the option would be granted.

Period of validity

The authorization for the Board of Directors to grant options would be given for 26 months as of the Shareholders' Meeting.

In the absence of specific plan stipulations, the options allocated would be exercisable for a maximum period of 7 years.

The authorization granted by the Shareholders' Meeting would outweigh, in favor of the beneficiaries of the subscription options, any explicit waiver by shareholders of their preferential subscription rights to shares that would be issued as and when the subscription options are exercised.

Capital increase resulting from exercise of share subscription

The capital increase arising from the exercise of share subscription options would be definitively carried out due to the sole fact of the option exercise declaration, accompanied by the subscription form and payment in cash or by offsetting against receivables of an equivalent amount.

The amount of the share capital increase resulting from the exercise of options would not count towards the aforementioned **Overall Ceiling I**.

At the first meeting following fiscal year-end, the Board of Directors would record, if applicable, the number and amount of shares issued during the year, would make the necessary amendments to the Bylaws, and carry out the publication formalities.

Pursuant to the provisions of Article L. 225-184 of the French Commercial Code, each year the Board of Directors would inform shareholders in a special report at the Ordinary Shareholders' Meeting of transactions carried out under this authorization.

Other conditions

Shares acquired or subscribed to in conjunction with the preceding provisions should be registered and would bear rights immediately. For an equivalent par value, they would be entitled to the same dividend as what could be distributed to other shares bearing the same rights.

The Shareholders' Meeting would give full authority to the Board of Directors, who may further delegate such authority to the Chief Executive Officer, to set the other terms under which the options would be granted, such as the beneficiaries, the maximum number of options exercisable by the beneficiary, the exact purchase and/or subscription option price, the opening date and terms of exercise of the options and, more broadly, to establish the rules of the option plan with all restrictions, particularly the exercise and/or retention of shares, and specific conditions pertaining to these options that it would deem appropriate, and generally do whatever is required to implement said authorization and its consequences.

9.18. Statutory Auditors' report

The Statutory Auditors have prepared the following reports, made available to shareholders for review:

- Report on the parent company financial statements
- Report on the consolidated financial statements
- Special report on the agreements mentioned by Articles L. 225-38 *et seq.* of the French Commercial Code;
- Report on corporate governance;
- Certification regarding the information provided pursuant to Article L225-115 4° of the French Commercial Code relating to the total amount of remuneration paid to the highest paid individuals.

The Statutory Auditors have also prepared the following reports, which will be made available to shareholders 15 days prior to the Shareholders' Meeting of May 17, 2018:

- Special report on the cancellation of securities acquired under the Company's program to buy back its own shares;
- Special report on the allocation of stock purchase or subscription options;
- Special report on the allocation of free shares to employees and/or executive corporate officers of the Company and the Group;
- Report on the issue of various marketable securities with or without preferential subscription right;
- Report on the share capital increase reserved for members of a company savings plan.

Appendix 1

List of subsidiaries and equity investments

Entities	Total shareholders' equity	Share capital ownership (%)	Book value of shares owned		Loans and advances granted and outstanding	Guarantees and sureties given by the Company	Net sales for last fiscal year	Net income for last fiscal year	Dividends paid to the parent company
			Gross	Net					
International subsidiaries									
MEDICREA	(195,037)	100%	2,465,018	-	594,645	-	467,935	(406,413)	-
TECHNOLOGIES UK	447,279	100%	7,395,058	7,395,058	6,053,968	-	16,000,915	(4,201,519)	-
MEDICREA USA	(1,222,554)	100%	100,000	-	1,229,795	-	121,164	(330,957)	-
MEDICREA GMBH	(208,798)	100%	47,119	47,119	745,183	-	121,114	(223,676)	-
MEDICREA POLAND									

Appendix 2

Five-year financial summary

(€)	2017	2016	2015	2014	2013
Share capital at year-end					
Share capital	2,413,266	1,605,307	1,438,030	1,357,025	1,355,121
Number of shares outstanding	15,082,911	10,033,167	8,987,688	8,481,405	8,467,505
Transactions and net income for the year					
Net sales	15,933,004	14,071,050	15,693,735	14,335,814	10,630,773
Income before tax, depreciation, amortization and provisions	(4,996,660)	43,546	1,637,488	(127,773)	298,936
Corporate tax	897,375	970,054	1,080,418	451,516	275,905
Employee profit sharing	-	-	-	-	-
Income after tax, depreciation, amortization and provisions	(10,681,569)	(10,805,933)	614,916	241,888	(929,753)
Dividends	-	-	-	-	-
Net earnings per share					
Income after tax, before depreciation, amortization and provisions	(0.27)	(0.01)	0.18	0.04	0.07
Income after tax, depreciation, amortization and provisions	(0.71)	(1.08)	0.07	0.03	(0.11)
Dividend per share	-	-	-	-	-
Workforce					
Average workforce size during the year	107	65	51	40	36
Total payroll for the year	5,730,151	3,489,325	3,076,459	2,329,736	1,810,750
Social security contributions for the year	2,403,316	1,441,946	1,247,209	970,525	801,705