leading personalized spine

HALF-YEAR REPORT 2016

MEDICREA (IM)PROVE

MEDICREA
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HALF-YEAR REPORT 2016

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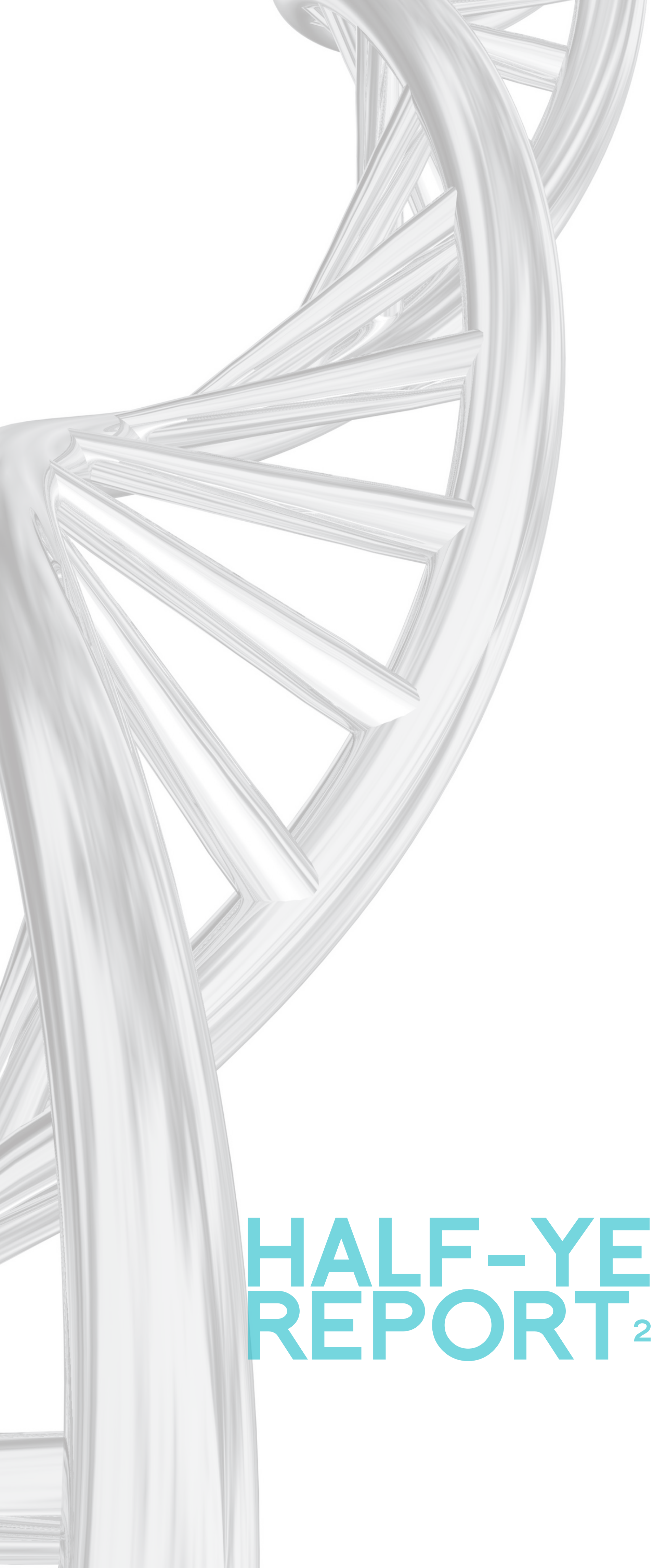
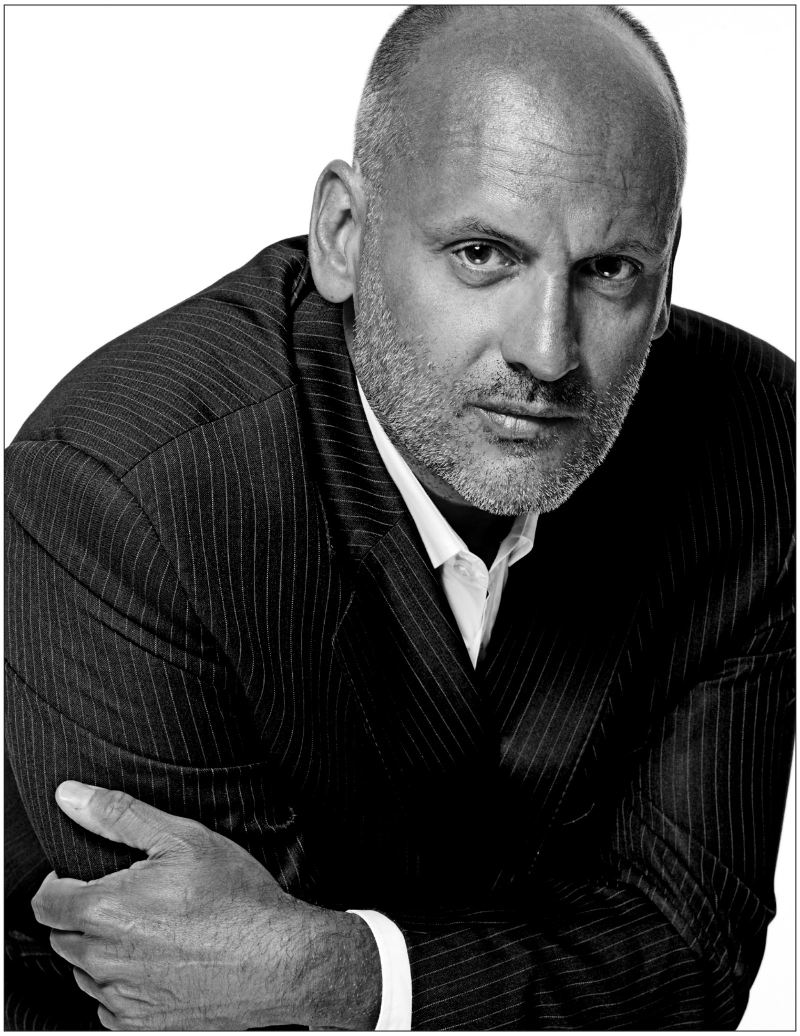


HALF-YEAR REPORT 2016

DREAM IT
DO IT

photo Stéphane de Bourgies



Denys SOURNAC
Chairman and Chief Executive Officer
Co-founder of MEDICREA

CHAIRMAN'S MESSAGE

"With an aging population and the increase in degenerative spinal pathologies, spinal implants are becoming a real public health issue.

Not only are pathologies evolving, but the medical model is also undergoing enormous change. Personalized treatment is an innovative concept that is becoming one of the biggest challenges facing medicine in the 21st century. A better understanding of each patient and their pathologies, thanks to increasingly accurate diagnoses, means they can be guided toward personalized individual treatment. What makes each patient unique is analyzed in greater detail in order to identify the treatment with the best chance of success.

The adventure that we set off on 20 years ago is still driven by the same vision – in order to improve the operative comfort of the practitioner, reduce the intervention time, offer long-term relief to patients, even for the most complicated indications, we have developed unique expertise and a business unlike any other. Independent and people-friendly, we combine the spirit of a start-up with the tools and processes of a Fortune 500 company.

Listed on Alternext Paris since 2006, we invest 10% of our sales in research & development. Our flexibility means we have the best responsiveness in the industry. We go where others don't, using new materials and processes that have never been used before.

We offer alternatives to techniques that previously set the standard.
We control the entire chain, from design and manufacture by our French factory to distribution on five continents. Placing creativity above any other consideration, believing in the power of invention of our engineers and surgeon partners, MEDICREA is recognized as a development laboratory that is ahead of its market.

The advent of personalization in spinal surgery was long awaited. With progress in scientific knowledge regarding sagittal balance, better understanding of spinal deformities, improvements in imaging, increased capabilities in terms of individual patient analysis and the emergence of new manufacturing technologies from digital files, it became clear that patients and surgeons could be offered patient-specific implants. To understand this challenge, and bring together and integrate all the pieces of the puzzle, a complex process combining research and development with industrial aspects had to be undertaken. We had to bet on the future and have a pioneering vision. That is what we have done.

With our patient-specific rods in 2013, morphologically adapted implants in 2014 and more than 500 surgical plans completed at December 31, 2015, we have shown our expertise and we are developing a new relationship with our customers. We are positioning ourselves as a genuine partner to surgeons from operation planning onwards and we offer an unrivaled mix of innovative products and comprehensive pre- and post-operative services. Improving is a never-ending process. We are working tirelessly to make surgery simpler, safer and quicker, and less invasive.

I am very proud that this new vision of our industry is due to MEDICREA.
We are a young business, but we are also bold, and we aim to see far into the future of the industry.
We dream, but most of all, we act. "

Denys SOURNAC


NO
THING
IS
IMP
OSS
IBLE
DREAM IT
DO IT
PATIENT-SPECIFIC IMPLANTS ARE A REALITY
medicrea.com
leading personalized spine

“Personalized Spine” does not simply mean being capable of creating made to measure implants for patients. It means being able to provide surgeons throughout the entire world with a comprehensive and previously unseen service: accurate analysis using a dedicated tool, thorough and controlled planning of each patient’s sagittal profile, production of the specific implant, delivery to the operating room in record time, and post-operative analysis.

By building a unique partnership for each case, MEDICREA is opening the way for personalized spinal surgery.

MEDICREA®
(IM)PROVE

1 KEY FIGURES HIGHLIGHTS

MEDICREA (IM)PROVE

1. 2016 FIRST HALF KEY FIGURES

(€ K)	06.30.2016	06.30.2015
SALES	14,844	13,807
OPERATING INCOME BEFORE SHARE-BASED PAYMENTS	(2,661)	(1,033)
NET INCOME/(LOSS) - GROUP SHARE	(2,671)	(997)
Earnings per share (€)	(0.30)	(0.11)
Earnings per share, diluted (€)	(0.29)	(0.11)
SHAREHOLDERS' EQUITY	12,569	15,431
NET FINANCIAL DEBT	11,391	7,764
Workforce	154	134

2. 2016 FIRST HALF HIGHLIGHTS AND RECENT DEVELOPMENTS

A shift in the healthcare system affecting the orthopedic world is currently taking place at a global level. The sector is now less focused on the implant itself and more concentrated on the outcome of the surgery for a value-based approach to treatments compared to a traditional one. This shift is particularly important for spine, with aging populations causing a significant increase in degenerative pathologies of the spinal column, often accompanied by multiple interventions. Spinal implants are consequently becoming a real public health issue and personalized medicine is taking on its full meaning.

The development of patient-specific medicine is primarily related to the scientific advances made possible by modern analytical software simulations and technologies. Personalized medicine will continue to transform the practice, starting with the personalization of treatment and progressing toward better prevention. Against this backdrop, the role of medical device manufacturers is changing, and they are becoming genuine partners in the research of products and services that will be tailored to the personalized care of each patient.

MEDICREA has taken tremendous strides in recent years in pioneering a personalized outcome-focused approach to spinal care through the surgical simulation and analytical services provided by the UNiD™ Lab and UNiD™ patient-specific implants to the point that the company is truly taking ownership of this market segment and becoming the leader for personalized spinal surgery.

The rate of adoption of the UNiD™ technology, which provides patient-specific osteosynthesis rods and a platform of related patient analyses and pre-operative planning services, is accelerating. The milestone of 900 operating procedures was passed in September, more than 45% of which were performed in the United States where a growing number of devices have been created over the past few months.

The UNiD™ range was expanded following receipt – in 2016 – of FDA approval for the UNiD™ Rod-c patient-specific surgical device used in combination with the PASS OCT® posterior stabilization system for the occipital, cervical and thoracic spine.

With the addition of this new innovation UNiD™ technology, the entire spinal column can be covered by the UNiD™ platform, from the occiput to the sacrum.

From a purely financial perspective, the highlights over the first half of 2016 may be summarized as follows:

- H1 2016 revenue was €14.8 million, up €1 million or 7% compared to H1 2015, driven by growth of 20% in France, the Group's historic market, and 13% in the US, the priority market that represents over 60% of Group sales.

- Gross margin improved by 2 percentage points compared to the first half of 2015 to 81% of revenue. This evolution reflects both the relevance of the industrial strategy and modernization of production means, in which MEDICREA has invested heavily since 2014, as well as the growing importance of the US market in sales revenues.

- Operating income before amortization, depreciation and provisions grew slightly to €0.6 million, compared with €0.5 million over the same period of 2015 against a backdrop of intensified research and development efforts to promote the UNiD™ patient-specific implant technology in the United States and around the world.

- Costs related to relocating the production unit from La Rochelle to Lyon generated an exceptional expense of €1.2 million, for which a provision was recorded in the financial statements for the period ended June 30, 2016.

In August 2016, MEDICREA raised €20 million in financing, which consisted of €15 million in convertible bonds subscribed by Athyrium Capital Management, a US investor strongly regarded as a specialist in the sector, and €5 million in equity through a private placement, in which Denys SOURNAC, President and CEO, and Richard KIENZLE, founding member of Globus who joined the MEDICREA Group at this time, participated.

2 BUSINESS REPORT

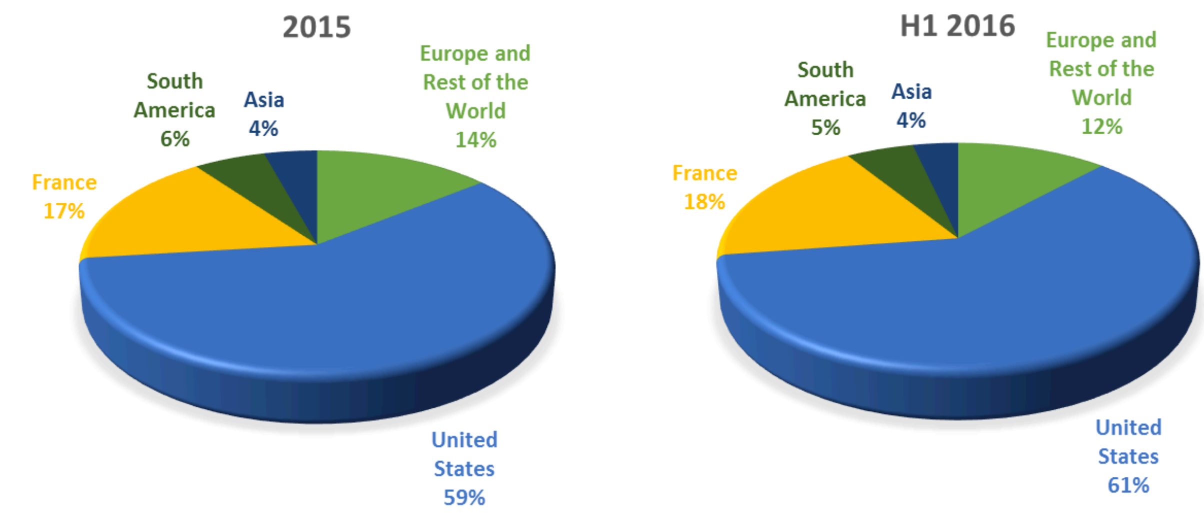
1. BUSINESS REVIEW

The Group posted sales growth of 7% over the first half of 2016 in comparison with the same period of 2015. In France, the Group's historic market, MEDICREA continued to gain market share with a 20% increase in sales over the first half of the year, to €2.8 million. In the United States, where the Group generates more than 60% of its business, sales grew 13% in comparison with the first half of 2015 and totaled €9 million. A growth trend has been seen in the countries where MEDICREA operates via subsidiaries; conversely, progress has slowed in countries where the Group is represented via indirect distribution, notably where it is experiencing the uncertainties of the economic climate (Brazil in particular).

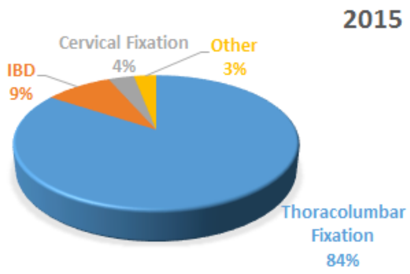
Changes in foreign exchange rates had no material impact on sales for the period.

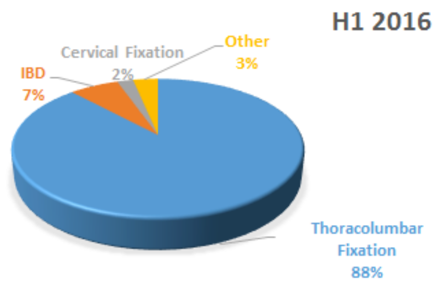
MEDICREA saw a significant acceleration in the adoption of its patient-specific UNiD™ technology over the first half of 2016, notably on the US market. The number of UNiD™ procedures more than doubled in the United States over the first part of the year in comparison with 2015, with a total of 345 procedures on this market by the end of June 2016 and more than 800 procedures worldwide at that time. The medical community and now patients themselves are paying increasing attention to this technology. Surgeons as well as healthcare professionals are aware of the benefits put forward by UNiD™ patient-specific technology and are beginning to appreciate the longer term clinical and economic interest of a personalized treatment of spinal pathologies.

At June 30, 2016, the contribution of the distribution subsidiaries to Group sales stood at 81%, up 3 percentage points in comparison with 2015. The following charts provide a breakdown of changes in the business by geographic region:



The breakdown of sales by product changed slightly, with the share represented by thoraco-lumbar indications increasing by 4 percentage points, as detailed below:





The Group continued its investments in industrial equipment initiated in 2014. Combined with the increase in sales in the United States, this had a positive effect on the gross margin rate which improved by 2 percentage points in relation to the first half of 2015 and stood at 81%.

Research and development efforts also intensified in order to strengthen the UNiD™ patient-specific implant technology in the United States and around the world. Sales and marketing teams expanded, notably with the creation of a subsidiary in Germany where the Group is still evaluating the potential of Europe's biggest market. The Group's workforce expanded thusly from 134 employees at the end of June 2015 to 154 at the end of June 2016.

Excluding the commissions that exclusively concern indirect sales made by agents in the United States and which are proportional to sales, sales and marketing expenditure is primarily made up of salaries and social security expenses. The increase was 16% in comparison with the first half of 2015 as a result of new hires and marketing expenses incurred in particular for the promotion of the UNiD™ patient-specific rods.

Administrative costs grew 3% in relation to the first half of 2015.

Operating income before amortization, depreciation and provisions stood at €0.6 million, up slightly in comparison with the same period of the previous fiscal year. The exceptional charge of €1.2 million at June 30, 2016, which takes into account all the costs related to the relocation of the La Rochelle factory and the Neyron headquarters to new facilities near Lyon, which will house all of the production, research and development, sales and administrative teams, has significantly impacted operating income before share-based payments, leading to a loss of €2.7 million at June 30, 2016, compared with a loss of €1 million over the first half of 2015.

The cost of financial debt is made up of interest and charges paid to financial institutions guarantying the financing. An increase was seen in connection to the loans put in place gradually over the 2015 fiscal year and the first six months of 2016, notably the bonds of €1,150,000 issued in February 2016. Other financial expenses and income primarily comprise exchange rate gains and losses.

Deferred taxes mainly relate to the recognition / capitalization of losses carried forward for the period generated by the US subsidiary.

2. CHANGE IN FINANCIAL POSITION

Changes in the balance sheet structure are analyzed as follows:

(€ K)	06.30.2016	12.31.2015	06.30.2015
Non-current assets	16,476	15,238	14,198
Deferred tax assets	859	698	(11)
Operating working capital requirements	8,379	7,673	8,949
Non-operating working capital requirements	(1,754)	291	59
TOTAL	23,960	23,900	23,195
Shareholders' equity	12,569	15,238	15,431
Net financial debt	11,391	8,662	7,764
CAPITAL EMPLOYED	23,960	23,900	23,195

Non-current assets are made up of the net value of goodwill, intangible assets (research and development costs, patents and brands), property, manufacturing and equipment and financial assets. Their change in comparison with December 31, 2015 was primarily due to the following factors:

- The capitalization of research and development costs over the period, patent-related expenditure as well as software and licenses related to the development of a software package;

- The continued renewal and modernization of the installed base of machines with the acquisition of an automatic contouring machine for the manufacture of UNiD™ patient-specific rods;

- The provision to hospitals of new sets of instruments, mainly intended for the US subsidiary;

- The purchase of fixtures and fittings for the Group's new headquarters currently undergoing final construction.

A detailed analysis of the movements that took place over the half-year in the various intangible asset items in gross and net values is set out in Note 6, Paragraph 6.6 of the consolidated financial statements.

Deferred taxes are presented net of balances. They are mainly made up of consolidation adjustments and tax losses carried forward related to the US subsidiary, which the Group expects to be able to recover within a short time. Analysis of the tax rate is provided in Note 12, Paragraph 12.1 of the consolidated financial statements.

Operating working capital requirements are made up of trade receivables, plus inventories and less trade payables. Its significant increase in relation to December 31, 2015 is related to:

- The increase in sales over the period, thereby generating a far higher level of trade receivables than at December 31, 2015;

- The launch of new products, a large proportion of which are still at the evaluation stage and which are contributing to the significant growth in inventories of finished products over the period.

The Group places specific importance on controlling working capital requirements particularly for inventories, given the distinctive characteristics of its activity necessitating the provision of numerous implants in different sizes to healthcare establishments. Multiple initiatives are underway to optimize the level of inventories but the growth phase in which the Group is involved makes it impossible to provide immediate tangible results.

Non-operating working capital requirements at June 30, 2016 were impacted by an exceptional provision for charges of €1 million corresponding to relocation and redundancy charges for employees as well as to costs related to the restoration of premises to their original condition as part of the relocation of the headquarters and the production unit.

The Group continued its manufacturing investments in line with the 2014 and 2015 fiscal years, mostly financed by bank loans. Bonds of €1,150,000 were also issued in February 2016 to consolidate financing requirements. Financial debt increased by €2.7 million over the first half of 2016, the Group having utilized all its overdraft facilities to accommodate the numerous orders made with its subcontractors as part of the launch of several new product ranges.

3. OUTLOOK FOR THE SECOND HALF-YEAR

Sales for the third quarter slowed down in comparison with previous quarters, reaching €6.8 million, equating to a 3% decrease compared to the third quarter of 2015, due to a downturn in the Group's business in Europe related to the economic climate. Year-to-date 2016, Group sales have increased by 3% attributed to its priority markets, the United States (+9%) and France (+13%) where the adoption of UNiD™ patient-specific technology is continuing with more than 100 surgeons utilizing this service and the significant 1,000 UNiD™ surgery milestone down the road.

In August 2016, Medicrea raised €20 million in financing, which consisted of €15 million in convertible bonds, subscribed by Athyrium Capital Management, a US investor strongly regarded as a specialist in the sector, and €5 million in equity through a private placement, in which Denys SOURNAC, President and CEO, and Richard KIENZLE, founding member of Globus who joined the MEDICREA Group at this time, participated. This financing will enable accelerated market penetration in the US of the UNiD™ patient-specific rods, the commercialization of UNiD™ technology to be launched in new international markets and new distribution subsidiaries to be created in strategic markets where the Group is not yet present.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2016

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CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED JUNE 30, 2016

1.1 CONSOLIDATED INCOME STATEMENT

(€)	Notes	Total IFRS 06.30.2016	Total IFRS 06.30.2015
Net sales	4.1	14,843,675	13,807,004
Cost of sales	4.2	(2,865,111)	(2,869,544)
Gross margin		11,978,564	10,937,460
Research & development costs		(523,647)	(841,960)
Sales & marketing expenses		(8,145,353)	(6,723,841)
Sales commissions		(1,812,970)	(1,443,036)
General and administrative expenses		(2,988,936)	(2,887,201)
Other operating income and expenses	4.5	(1,168,551)	(74,754)
Operating income before share-based payments		(2,660,893)	(1,033,332)
Share-based payments		(14,076)	(20,546)
Operating income after share-based payments		(2,674,969)	(1,053,878)
Cost of net financial debt	10.4	(186,216)	(161,189)
Other financial (expenses) / income	10.4	(63,272)	50,502
Tax (charge) / income	12.1	253,464	167,130
Consolidated net income/(loss)		(2,670,993)	(997,435)
Attributable to the Group		(2,670,993)	(997,435)

Earnings per share	14.2	(0.30)	(0.11)
Diluted earnings per share	14.2	(0.29)	(0.11)

The accompanying notes form an integral part of the consolidated financial statements.

1.2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€)	Notes	Total IFRS 06.30.2016	Total IFRS 06.30.2015
Attributable to the Group		(2,670,993)	(997,435)
Translation adjustment	2.3.1	(94,004)	286,769
Consolidated comprehensive income		(2,764,997)	(710,666)

The accompanying notes form an integral part of the consolidated financial statements.

1.3 CONSOLIDATED BALANCE SHEET

(€)	Notes	Total IFRS 06.30.2016	Total IFRS 12.31.2015	Total IFRS 06.30.2015
Goodwill	6.1	2,630,276	2,637,014	2,635,306
Intangible assets	6.6	5,679,416	4,901,518	4,144,253
Property, plant and equipment	6.6	7,520,225	7,012,731	6,960,865
Non-current financial assets	6.6	645,915	686,901	457,199
Deferred tax assets	12.2	1,354,559	1,021,671	224,707
Total non-current assets		17,830,391	16,259,835	14,422,330
Inventories	7	7,795,122	7,018,645	6,892,727
Trade receivables	8	5,478,327	4,709,894	5,483,588
Other current assets	8	2,997,600	2,902,154	2,431,772
Other current financial assets		-	-	17,409
Cash and cash equivalents	10.1.3	1,077,879	2,168,215	4,229,582
Total current assets		17,348,928	16,798,908	19,055,078
Total assets		35,179,319	33,058,743	33,477,408

(€)	Notes	Total IFRS 06.30.2016	Total IFRS 12.31.2015	Total IFRS 06.30.2015
Share capital	14	1,440,698	1,438,030	1,438,030
Issue, merger and contribution premiums	14	37,701,645	37,635,654	37,794,724
Consolidated reserves	14	(23,902,320)	(22,320,502)	(22,804,323)
Group net income/(loss) for the year	14	(2,670,993)	(1,515,306)	(997,435)
Total shareholders' equity		12,569,030	15,237,876	15,430,996
Conditional advances	10.1.2	362,500	403,750	431,250
Non-current provisions	9	501,156	460,933	372,439
Deferred tax assets	12.2	495,598	324,098	236,024
Long-term financial debt	10.1.1	7,369,545	7,156,452	8,209,732
Total non-current liabilities		8,728,799	8,345,233	9,249,445
Current provisions	9	1,044,110	30,888	4,321
Short-term financial debt	10.1.1	4,734,718	3,270,073	3,353,005
Other current financial liabilities		-	10,575	-
Trade payables	11	4,894,770	4,055,971	3,523,845
Other current liabilities	11	3,207,892	2,108,127	1,915,796
Total current liabilities		13,881,490	9,475,634	8,796,967
Total shareholders' equity and liabilities		35,179,319	33,058,743	33,477,408

The accompanying notes form an integral part of the consolidated financial statements.

1.4 CONSOLIDATED CASH FLOW STATEMENT

(€)	Total IFRS 06.30.2016	Total IFRS 12.31.2015	Total IFRS 06.30.2015
Consolidated net income/(loss)	(2,670,993)	(1,515,306)	(997,435)
Property, plant and equipment depreciation and intangible asset amortization	2,061,614	3,135,346	1,444,474
Provisions for impairment	1,207,300	543,446	124,854
Proceeds from sale of non-current assets	89,658	424,087	169,316
Share-based payments	14,076	45,218	20,546
Change in deferred taxes	(161,388)	(810,347)	(101,457)
Corporate tax	(528,084)	(976,587)	(537,689)
Cost of net financial debt	186,216	328,738	161,189
Self-financing capacity	198,399	1,174,595	478,907
Change in inventories and work in progress	(952,049)	(1,028,268)	(648,917)
Change in trade receivables	(746,716)	(386,908)	(1,110,504)
Change in trade payables and liabilities relating to non-current assets	838,798	(124,376)	(656,502)
Change in other receivables and payables	1,536,461	506,289	131,344
Cash flow from working capital requirement	676,494	(1,033,263)	(2,284,579)
Taxes paid / refunded	(4,058)	(9,587)	9,401
Net cash flow from operating activities	870,835	131,745	(1,796,271)
Acquisition of non-current assets	(3,507,490)	(5,896,896)	(2,993,329)
Disposal of non-current assets	-	-	-
Impact of changes in scope	-	-	-
Government grants received / (repaid)	(41,250)	(51,250)	(23,750)
Net cash flow from investment activities	(3,548,740)	(5,948,146)	(3,017,079)
Share capital increase	-	3,590,607	3,590,607
Proceeds from new borrowings	1,476,287	6,801,271	6,080,287
Repayment of borrowings	(1,399,040)	(3,178,129)	(1,326,619)
Interest paid	(173,782)	(299,674)	(133,986)
Other movements	(128,185)	(38,645)	(115,828)
Net cash flow from financing activities	(224,720)	6,875,430	8,094,461
Translation effect on cash and cash equivalents	22,083	(16,467)	(21,547)
Other movements	84,539	115,577	(96,804)
Change in cash and cash equivalents	(2,796,003)	1,158,139	3,162,760
Cash and cash equivalents - beginning of year	1,791,515	633,376	633,376
Cash and cash equivalents - end of year	(1,004,488)	1,791,515	3,796,136

Positive cash balances - beginning of year	2,168,215	1,181,506	1,181,506
Positive cash balances - end of year	1,077,879	2,168,215	4,229,582
Change in positive cash balances	(1,090,336)	986,709	3,048,076
Negative cash balances - beginning of year	(376,700)	(548,130)	(548,130)
Negative cash balances - end of year	(2,082,367)	(376,700)	(433,446)
Change in negative cash balances	(1,705,667)	171,430	114,684
Change in cash and cash equivalents	(2,796,003)	1,158,139	3,162,760

The accompanying notes form an integral part of the consolidated financial statements.

1.5 CHANGE IN CONSOLIDATED SHAREHOLDERS' EQUITY

(€)	Number of shares	Share capital	Reserves	Consolidated shareholders' equity
SHAREHOLDERS' EQUITY – 12.31.2014	8,481,407	1,357,025	11,264,447	12,621,472
Share capital increase	506,281	81,005	3,315,897	3,396,902
2015 comprehensive income	-	-	(804,052)	(804,052)
Stock options and free shares	-	-	45,218	45,218
Other movements	-	-	(21,664)	(21,664)
SHAREHOLDERS' EQUITY - 12.31.2015	8,987,688	1,438,030	13,799,846	15,237,876
Share capital increase	16,676	2,668	65,991	68,659
H1 2016 comprehensive income	-	-	(2,764,997)	(2,764,997)
Stock options and free shares	-	-	14,076	14,076
Other movements	-	-	13,416	13,416
SHAREHOLDERS' EQUITY - 06.30.2016	9,004,364	1,440,698	11,128,332	12,569,030

The accompanying notes form an integral part of the consolidated financial statements.

1.6 EXPLANATORY NOTES

The notes form an integral part of the financial statements prepared in accordance with IFRS.

MEDICREA is listed on the Alternext market of Euronext Paris, ISIN FR004178572, Ticker ALMED.

The consolidated financial statements for the first six months of the 2016 fiscal year were approved by the Board of Directors on September 19, 2016. The press release relating to the first half-year results was published on September 22, 2016.

NOTE 1: ACCOUNTING PRINCIPLES

1.1 Accounting framework

The financial statements of MEDICREA Group for the period ended June 30, 2016 have been prepared in accordance with the 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.

These standards include:

- International Accounting Standards (IAS);
- International Financial Reporting Standards (IFRS);
- SIC (Standard Interpretation Committee) interpretations;
- IFRIC (International Financial Interpretation Committee) standards.

1.2 Standards, amendments and interpretations, whose application is mandatory as of January 1, 2016

The main standards, amendments and interpretations applicable as of January 1, 2016 are as follows:

- IFRS annual improvements, cycles 2010-2012 and 2012-2014;
- Amendment to IAS 1 “Disclosure initiative”.

These new texts published by the IASB had no material impact on the Group’s financial statements.

1.3 Other changes in standards and application standards subsequent to January 1, 2016

The effects of applying IFRS 15 on the accounting of sales as of January 1, 2018 are in the process of being analyzed. They should not be material given the nature of the Group’s activities.

The effects of applying IFRS 16 relating to leases as of January 1, 2019 are also being analyzed. They should have material impacts related in particular to the recognition of certain industrial and administrative buildings – which the Group currently leases – under balance sheet assets and recognition of the corresponding financial debt under balance sheet liabilities.

NOTE 2: SCOPE OF CONSOLIDATION

2.1 Consolidation method

Consolidation is based on the statutory financial statements, prepared at June 30, 2016, of the Group's various legal entities.

Subsidiaries controlled directly or indirectly by the Group are fully consolidated. Control of an entity exists when the Group:

- holds power over the entity;
- is exposed or has rights to variable returns from its involvement with the entity;
- has the ability to use its power to influence the amount of its returns.

All transactions between consolidated entities are eliminated, as are intra-group income and losses (capital gains on asset disposals, inventory margins, amortization and depreciation of assets produced and retained by the Group).

2.2 Changes in consolidation scope

The consolidation scope includes the following entities:

- MEDICREA INTERNATIONAL (Group parent company);
- MEDICREA TECHNOLOGIES;
- MEDICREA TECHNOLOGIES UK;
- MEDICREA USA;
- MEDICREA EUROPE FRANCOPHONE;
- MEDICREA GMBH.

Control and interest percentages at June 30, 2016 are detailed in the table below:

	Registered office:	% control	% interest
MEDICREA TECHNOLOGIES	La Rochelle, FR	100%	100%
MEDICREA TECHNOLOGIES UK	Swaffam Bulbeck, UK	100%	100%
MEDICREA USA	New-York, USA	100%	100%
MEDICREA EUROPE FRANCOPHONE	Neyron, FR	100%	100%
MEDICREA GMBH	Köln, GER	100%	100%

2.3 Foreign currency translation

2.3.1 Translation of financial statements expressed in foreign currencies

The presentation currency of the Group's consolidated financial statements is the Euro.

The financial statements of each consolidated Group company are prepared in its functional currency, which is the currency of the principal economic environment in which each subsidiary operates and is the local currency.

The financial statements of entities whose functional currency is not the Euro are translated into Euros as follows:

- for balance sheet items, at the year-end exchange rate;
- for income statement items, at the average exchange rate for the period;
- for cash flow statement items, at the average exchange rate for the period.

Exchange differences arising from the application of these rates are recorded under "Translation adjustment" in shareholders' equity.

At June 30, 2016, the change in the translation adjustment recognized in Shareholders' equity - Group share is analyzed by currency as follows:

(€)	06.30.2016	06.30.2015
US Dollar	(57,830)	233,426
Pound Sterling	(36,174)	53,343
Total	(94,004)	286,769

2.3.2 Foreign currency transactions

Transactions carried out by an entity in a currency other than its functional currency are translated using the exchange rate applicable at the transaction date. Monetary assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Non-monetary assets and liabilities denominated in a foreign currency are recognized at the historical exchange rate applicable at the transaction date.

Differences arising from the translation of foreign currency transactions are generally recognized under net financial income/(expense) in the income statement.

Foreign exchange gains and losses arising from the translation or elimination of intra-group transactions or receivables and liabilities denominated in currencies other than the entity's functional currency are recorded in the income statement unless they relate to long-term intra-group financing transactions which can be considered as transactions relating to equity. In the latter case, translation adjustments are recorded in shareholders' equity under "Translation adjustment".

2.4 Use of estimates by Management

As part of the preparation of the consolidated financial statements, the valuation of some assets and liabilities requires the use of judgments, assumptions and estimates. This primarily involves the valuation of intangible assets, determining the amount of provisions for current and non-current liabilities and provisions for inventory impairment, the valuation of benefits giving access to the company's share capital, stock options and free shares, and, if applicable, deferred tax assets.

Rapid changes in economic environments increase the difficulties of valuing and estimating certain assets and liabilities, as well as contingencies on business developments. The estimates made by management were based on information available to it at June 30, 2016, after taking account of events subsequent to that period in accordance with IAS 10. These assumptions, estimates and judgments made on the basis of information or situations existing at the date of preparation of the financial statements, may prove different from subsequent actual events.

When new events or situations indicate that the book value of certain items of property, plant and equipment, and intangible assets may not be recoverable, this value is compared to the recoverable amount estimated based on the value in use if the net fair value cannot be estimated reliably. If the recoverable amount is less than the net book value of these assets, the latter is reduced to the recoverable value through the recognition of an impairment loss under operating expenses.

The value in use is calculated as the present value of estimated future cash flows expected from the use of assets or their potential disposal.

At June 30, 2016, the Group was not aware of any changes in estimates having a significant impact during the period.

NOTE 3: SEGMENT REPORTING

In accordance with the provisions of IFRS 8 “Operating Segments”, the segment reporting presented below is based on the internal reports used by Executive Management to assess performance and allocate resources to the various segments. Executive Management is the chief operating decision maker for the purposes of IFRS 8.

MEDICREA Group generates most of its business in a single operating segment, that of spinal implants. Therefore, the Group presents only one level of segment reporting, namely by geographic region, which corresponds to the functional organization of the Group through its marketing entities.

The different geographic regions are:

- France;
- United States;
- United Kingdom;
- Germany;
- Rest of the world.

3.1 Breakdown of sales by geographic region

By geographic region, sales are analyzed as follows:

	06.30.2016		06.30.2015	
	(€)	(%)	(€)	(%)
France	2,739,565	18%	2,337,359	17%
United States	9,017,535	61%	7,933,453	57%
United Kingdom	307,447	2%	498,728	4%
Germany	12,030	0%	-	-
Rest of the world	2,767,098	19%	3,037,464	22%
of which Europe	*1,445,829*		*1,547,943*	
of which South America	*790,124*		*893,404*	
of which Asia	*310,941*		*372,395*	
of which Oceania	*42,592*		*37,469*	
of which Middle East and Africa	*177,612*		*186,253*	
Total	14,843,675	100%	13,807,004	100%

3.2 2016 half year income statement by geographic region

(€)	France	United States	United Kingdom	Germany	Rest of the world	Total IFRS 06.30.2016
Net sales	2,739,565	9,017,535	307,447	12,030	2,767,098	14,843,675
Cost of sales	(619,522)	(951,904)	(36,935)	(2,549)	(1,254,201)	(2,865,111)
Gross margin	2,120,043	8,065,631	270,512	9,481	1,512,897	11,978,564
Research & development costs	(429,993)	(93,654)	-	-	-	(523,647)
Sales & marketing expenses	(2,288,841)	(4,158,881)	(400,949)	(383,231)	(913,451)	(8,415,353)
Sales commissions	(31,878)	(1,779,292)	-	-	(1,800)	(1,812,970)
General and administrative expenses	(2,009,250)	(811,582)	(109,247)	(47,100)	(11,757)	(2,988,936)
Other operating income and expenses	(1,152,951)	-	-	(15,600)		(1,168,551)
Operating income before share-based payments	(3,792,870)	1,222,222	(239,684)	(436,450)	585,889	(2,660,893)
Share-based payments	-	(14,076)	-	-	-	(14,076)
Operating income after share-based payments	(3,792,870)	1,208,146	(239,684)	(436,450)	585,889	(2,674,969)
Cost of net financial debt	(186,216)	-	-	-	-	(186,216)
Other financial (expenses) / income	(61,525)	(80)	(1,667)	-	-	(63,272)
Tax (charge) / income	17,511	230,953	5,267	(267)	-	253,464
Consolidated net income/(loss)	(4,023,100)	1,439,019	(236,084)	(436,717)	585,889	(2,670,993)
Attributable to the Group	(4,023,100)	1,439,019	(236,084)	(436,717)	585,889	(2,670,993)

3.3 2015 half year income statement by geographic region

(€)	France	United States	United Kingdom	Rest of the world	Total IFRS 06.30.2015
Net sales	2,337,359	7,933,453	498,728	3,037,464	13,807,004
Cost of sales	(721,864)	(887,300)	(78,256)	(1,182,124)	(2,869,544)
Gross margin	1,615,495	7,046,153	420,472	1,855,340	10,937,460
Research & development costs	(788,716)	(53,244)	-	-	(841,960)
Sales & marketing expenses	(2,132,205)	(3,546,456)	(445,604)	(596,576)	(6,723,841)
Sales commissions	(13,041)	(1,429,995)	-	-	(1,443,036)
General and administrative expenses	(1,917,674)	(847,973)	(102,210)	(19,344)	(2,887,201)
Other operating income and expenses	(79,154)	-	-	4,400	(74,754)
Operating income before share-based payments	(3,315,295)	1,165,485	(127,342)	1,243,820	(1,033,332)
Share-based payments		(20,546)	-	-	(20,546)
Operating income after share-based payments	(3,315,295)	1,144,939	(127,342)	1,243,820	(1,053,878)
Cost of net financial debt	(189,932)	1,087	4,968	22,688	(161,189)
Other financial (expenses) / income	82,396	1,805	1,499	(35,198)	50,502
Tax (charge) / income	100,215	110,034	862	(43,981)	167,130
Consolidated net income/(loss)	(3,322,616)	1,257,865	(120,013)	1,187,329	(997,435)
Attributable to the Group	(3,322,616)	1,257,865	(120,013)	1,187,329	(997,435)

Expenses of the Research and Development, Marketing, Export Distribution, Finance, and General Administration departments incurred by Group head office are all presented under the segment “France”, with no analytical reallocation to other geographic regions.

3.4 2016 half year balance sheet by geographic region

(€)	France	United States	United Kingdom	Germany	Rest of the world	Total IFRS 06.30.2016
Goodwill	2,630,276	-	-	-	-	2,630,276
Intangible assets	5,325,102	354,314	-	-	-	5,679,416
Property, plant and equipment	4,903,139	2,160,605	266,888	103,673	85,920	7,520,225
Non-current financial assets	317,350	308,495	-	20,070	-	645,915
Deferred tax assets	495,598	885,724	(26,496)	(267)	-	1,354,559
Total non-current assets	13,671,465	3,709,138	240,392	123,476	85,920	17,830,391
Inventories	548,843	6,707,329	416,055	122,895	-	7,795,122
Trade receivables	1,333,304	3,018,413	80,708	10,810	1,035,092	5,478,327
Other current assets	1,830,640	1,133,781	11,047	21,834	298	2,997,600
Cash and cash equivalents	535,724	476,686	52,702	12,767	-	1,077,879
Total current assets	4,248,511	11,336,209	560,512	168,306	1,035,390	17,348,928
Total assets	17,919,976	15,045,347	800,904	291,782	1,121,310	35,179,319

(€)	France	United States	United Kingdom	Germany	Rest of the world	Total IFRS 06.30.2016
Share capital	1,440,698	-	-	-	-	1,440,698
Issue, merger and contribution premiums	37,701,645	-	-	-	-	37,701,645
Consolidated reserves	(38,066,175)	12,221,240	865,247	631,613	445,755	(23,902,320)
Group net income/(loss) for the period	(4,023,100)	1,439,019	(236,084)	(436,717)	585,889	(2,670,993)
Total shareholders' equity	(2,946,932)	13,660,259	629,163	194,896	1,031,644	12,569,030
Conditional advances	362,500	-	-	-	-	362,500
Non-current provisions	501,156	-	-	-	-	501,156
Deferred tax assets	495,598	-	-	-	-	495,598
Long-term financial debt	7,369,545	-	-	-	-	7,369,545
Total non-current liabilities	8,728,799	-	-	-	-	8,728,799
Current provisions	1,044,110	-	-	-	-	1,044,110
Other current financial liabilities	4,734,603	-	-	115	-	4,734,718
Trade payables	3,670,371	989,222	113,227	76,822	45,128	4,894,770
Other current liabilities	2,689,025	395,866	58,514	19,949	44,538	3,207,892
Total current liabilities	12,138,109	1,385,088	171,741	96,886	89,666	13,881,490
Total shareholders' equity and liabilities	17,919,976	15,045,347	800,904	291,782	1,121,310	35,179,319

3.5 2015 half year balance sheet by geographic region

(€)	France	United States	United Kingdom	Rest of the world	Total IFRS 06.30.2015
Goodwill	2,635,306	-	-	-	2,635,306
Intangible assets	3,961,907	182,346	-	-	4,144,253
Property, plant and equipment	5,004,874	1,683,171	204,405	68,415	6,960,865
Non-current financial assets	326,130	131,069	-	-	457,199
Deferred tax assets	236,017	(179,315)	168,005	-	224,707
Total non-current assets	12,164,234	1,817,271	372,410	68,415	14,422,330
Inventories	5,747,839	948,062	196,826	-	6,892,727
Trade receivables	1,325,391	2,959,669	172,376	1,026,152	5,483,588
Other current assets	2,031,525	390,428	9,819	-	2,431,772
Other current financial assets	17,409	-	-	-	17,409
Cash and cash equivalents	3,360,249	622,916	246,417	-	4,229,582
Total current assets	12,482,413	4,921,075	625,438	1,026,152	19,055,078
Total assets	24,646,647	6,738,346	997,848	1,094,567	33,477,408

(€)	France	United States	United Kingdom	Rest of the world	Total IFRS 06.30.2015
Share capital	1,438,030	-	-	-	1,438,030
Issue, merger and contribution premiums	37,794,724	-	-	-	37,794,724
Consolidated reserves	(27,458,276)	3,873,324	904,488	(123,860)	(22,804,323)
Group net income/(loss) for the period	(3,322,616)	1,257,865	(120,013)	1,187,329	(997,435)
Total shareholders' equity	8,451,862	5,131,190	784,475	1,063,469	15,430,996
Conditional advances	431,250	-	-	-	431,250
Non-current provisions	372,439	-	-	-	372,439
Deferred tax assets	236,024	-	-	-	236,024
Long-term financial debt	8,209,732	-	-	-	8,209,732
Total non-current liabilities	9,249,445	-	-	-	9,249,445
Current provisions	4,321	-	-	-	4,321
Other current financial liabilities	3,353,005	-	-	-	3,353,005
Trade payables	1,997,898	1,367,887	134,462	23,598	3,523,845
Other current liabilities	1,590,116	239,269	78,911	7,500	1,915,796
Total current liabilities	6,945,340	1,607,156	213,373	31,098	8,796,967
Total shareholders' equity and liabilities	24,646,647	6,738,346	997,848	1,094,567	33,477,408

NOTE 4: OPERATIONAL DATA

4.1 Revenue

In accordance with IAS 18, revenue is recognized net of any trade discounts, volume rebates, credit notes and settlement discounts. Revenue is recognized when:

- it is probable that future economic benefits will flow to the Group;
- the amount of revenue can be measured reliably;
- at the transaction date, it is probable that the amount of the sale will be recovered.

Sales comprise the value excluding tax of goods and services sold by consolidated entities as part of their ordinary activities, after elimination of intra-group sales.

Sales are recognized on the date the significant risks and rewards of ownership are transferred, which most frequently takes place when the products are shipped. In certain specific cases, when the Group delivers directly to certain healthcare institutions, implants and instruments are held on consignment. They are not invoiced on delivery and remain recognized as Group assets. Only implants that have been placed and/or broken or lost instruments are subsequently invoiced.

Regular inventories of assets held on consignment are made, either directly on site, or after the assets are returned and reviewed at the Group's distribution centers, and any necessary accounting adjustments are recognized in the financial statements.

Gains and losses resulting from the unwinding of exchange rate hedges relating to commercial transactions are presented as other operating income and expenses.

4.2 Amortization, depreciation and impairment charges

Amortization and depreciation charges included in the income statement relate to the following assets:

Amortization and depreciation	06.30.2016	06.30.2015
Industrial and commercial property rights	109,176	169,725
Other intangible assets	683,950	462,434
Buildings	17,720	2,266
Plant, machinery and tools	1,022,048	648,533
Other property, plant and equipment	228,720	161,516
Total	2,061,614	1,444,474

Impairment	06.30.2016	06.30.2015
Inventories	175,572	87,456
Trade receivables	(21,717)	8,249
Total	153,855	95,705

Amortization and depreciation charges are analyzed as follows:

(€)	06.30.2016	06.30.2015
Cost of sales	250,085	151,343
Research & development and patent costs	793,126	661,314
Sales & marketing expenses	789,683	490,855
General and administrative expenses	228,720	140,962
Total	2,061,614	1,444,474

4.3 Royalties

Royalties paid to certain designer surgeons, related to the purchase of inventors' rights, are calculated and paid quarterly, based on the sales of each product concerned generated by the Group. These royalties are recognized as operating expenses.

Royalties received on patents owned by the Group and used in other medical applications are recognized as operating revenues.

4.4 Other operating income and expenses

Other operating income and expenses include items of revenue which, due to their nature, amount or frequency, cannot be considered as being part of ordinary activities or income from recurring operations.

Other operating income and expenses primarily comprise the costs related to the relocation of the Neyron and La Rochelle operations to the new site at Vancia. These costs, estimated to be €1.2 million at June 30, 2016, principally break down as follows:

- €0.9 million in relocation allowances and/or severance pay relating to employees of the La Rochelle factory;
- €0.1 million to restore the Neyron and La Rochelle sites to their original condition;
- €0.2 million in exceptional depreciation charges relating to the fixtures and fittings of the offices in La Rochelle, and miscellaneous fees.

4.5 Operating income

The key performance indicator used by the Group is operating income before share-based payments. It includes income from ordinary activities and other operating income and expenses, which comprise unusual, non-recurring and material items, and exchange gains and losses on commercial transactions.

NOTE 5: EMPLOYEE COSTS AND BENEFITS

5.1 Workforce

The workforce can be analyzed by category and geographic region as follows:

	06.30.2016	12.31.2015	06.30.2015
Executives	75	72	65
Supervisors - Employees	79	68	69
Total	154	140	134
of which France	*104*	*102*	*96*
of which United Kingdom	*7*	*6*	*7*
of which United States	*39*	*30*	*31*
of which Germany	*4*	*2*	*-*

5.2 Pension plans and post-employment benefits

Defined contribution plans (legal and supplementary pension plans) are characterized by payments to organizations that free the employer from any subsequent obligation, with the organization being responsible for paying the amounts due to staff. Given their nature, defined contribution plans do not give rise to the recognition of provisions as the contributions are recognized as expenses when they are due.

Pursuant to IAS 19 revised, within the context of defined benefit plans, post-employment benefits and other long-term benefits are measured in accordance with the projected unit credit method based on parameters specific to each employee (age, occupational category), and assumptions specific to the company (collective agreement, staff turnover rate, future salary forecasts, life table). Before IAS 19 R came into force, the Group had opted for the immediate recognition of actuarial gains and losses in the income statement. Accordingly, the opening balances of shareholders' equity at January 1, 2013 and January 1, 2014 have not been restated due to the lack of impact of IAS 19 R on the financial statements.

Actuarial gains and losses are generated when differences are noted between actual data and previous forecasts, or following a change in actuarial assumptions. In the case of post-employment benefits, actuarial gains and losses generated are recognized in the statement of comprehensive income net of deferred tax.

Past service costs resulting from the adoption of a new plan or a change to an existing defined benefit plan are immediately recognized in the income statement. The expense includes:

- the cost of services rendered during the fiscal year, past service costs and the potential effects of any plan curtailment or liquidation recognized in operating income;

- the charge net of interest on obligations and plan assets recognized in net financial income/(expense).

The Group does not finance its commitments through payments to external funds.

The servicing of retirement benefits as provided for by the collective agreements applicable to MEDICREA INTERNATIONAL, MEDICREA EUROPE FRANCOPHONE, and MEDICREA TECHNOLOGIES (Import/Export and Charente Maritime Ironworks, respectively) is the subject of a provision recognized in non-current liabilities. The corresponding commitment is measured annually based on the specific features of these entities and external factors, which are summarized as follows:

- retirement age: age at which an employee has acquired sufficient entitlements to obtain a full pension;
- social security rates: adjusted based on the employee and Company status. On average, rates are 44% for executives and 43% for non-executives;
- rate of salary increase: 2%;
- departure mode: at the employee's initiative;
- life table: INSEE 2011-2013 by gender;
- annual mobility: based on category (executive and non-executive) and age, with a turnover rate of 0 after 50 years old;
- discount rate: 2.20%, based on the long-term yields of private sector euro-denominated AA-rated bonds (Corporate bonds AA10+) over a period equivalent to that of commitments (19.5 years), in accordance with IAS 19 and the ANC's recommendation.

The provision for acquired rights was €508,266 at June 30, 2016, compared with €468,043 at December 31, 2015. Movements are analyzed as follows:

(€)	06.30.2016
Actuarial liability at 12.31.2015	468,043
Service cost in operating income	*35,113*
Net financial expense	*5,110*
Charge for the year in respect of defined benefit plans	508,266
Actuarial liability at 06.30.2016	508,266

The members of the Board of Directors and senior executives do not benefit from a supplementary pension plan.

Regarding foreign subsidiaries, a detailed review of retirement commitment obligations is carried out based on the rules applicable to each country and provisions are recognized if necessary.

5.3 Long-service awards

No provision is established for commitments related to long-service awards, since collective agreements do not provide for any specific provision in that regard.

5.4 Share-based payments

Stock options and free shares are allocated to employees of Group entities.

Stock option and free share plans are deemed to be equity-settled plans according to the classification specified by IFRS 2. At the allocation date, the Group estimates the fair value of plan instruments whose payment is based on shares. The fair value of the shares is determined based on the Black & Scholes model, which meets IFRS 2 criteria.

The fair value is recognized in employee costs over the vesting period and offset by a specific reserve account. The amount recognized takes account of the number of beneficiaries, the vesting probability adjusted for departure assumptions, the price of the underlying instrument, the maturity profile of the options, the dividend yield, the volatility of the MEDICREA share, and the risk-free rate. The expense is recognized over the entire vesting period. For stock options, one third of the fair value is recognized in the year options are allocated, one third the following year and the balance two years later. For free shares, the fair value of instruments allocated to the beneficiaries has so far been recognized over two years, except for American employees for whom it is recognized over a four-year period.

The volatility used was determined based on historical observation of the MEDICREA share and was compared with a sample of securities of comparable companies. The risk-free rate corresponds to the 6-year zero coupon Eurozone rate at the allocation date. Cancelled securities were taken into account to ensure only outstanding securities were valued.

At the end of the vesting period, the amount of cumulative benefits recognized is retained in reserves, irrespective of whether options have been exercised or not.

5.4.1 Description of existing plans

At the Shareholders' Meetings of March 10, 2006, June 25, 2009, June 14, 2012, June 25, 2014, June 3, 2015 and December 18, 2015 the authority to allocate share subscription or purchase options and to allocate free shares was delegated to the Board of Directors. At the Board of Directors' meetings of June 5, 2008, June 25, 2009, December 17, 2009, June 17, 2010, June 16, 2011, December 17, 2013, March 27, 2014 and September 3, 2015 share subscription options and/or free shares were allocated.

- **Subscription options**

The main features of current option plans are as follows:

Allocation date (Date of Board of Directors' meeting)	06.05.08	06.25.09	12.17.09	06.17.10	06.16.11	12.17.13	03.27.14	09.03.15
Number of options allocated	25,215	99,200	15,000	112,800	95,500	10,000	30,000	12,000
Subscription price	€6	€6.16	€6.32	€6.14	€9.10	€8.77	€9.10	€6.67
		€6.56*		€6.28*	€11.44*			
Vesting period	0-2 years(1)	1-3 years(1)	0-2 years(1)	1-3 years(1)	1-3 years(1)	1-3 years(2)	1-3 years(3)	1-3 years(4)
Options term	10 years	7 years	7 years	7 years	7 years	7 years	7 years	7 years

* The exercise price is different for American employees since the final vesting dates are effective 20 trading days after the date of the Board of Directors' meeting deciding on the allocation.
(1) Options are fully exercisable
(2) Two thirds of options are exercisable and one third will be as of January 17, 2017
(3) Two thirds of options are exercisable and one third will be as of April 28, 2017
(4) One third of options will be exercisable from October 4, 2016, one third from October 4, 2017 and one third from October 4, 2018.

Exercise of the options is subject to the employee being employed by the Group at the exercise date. Out of a total of 400,815 options allocated, and due to the departure of employees since the first plans were put in place, 133,456 options had lapsed at June 30, 2016. In addition, the exercise period for 66,312 options lapsed at the end of the first half of 2016 and 37,521 options were exercised (15,147 in 2014 and 22,374 in 2015). The number of options that are still exercisable was therefore 161,526 at June 30, 2016.

- **Free shares**

113,284 shares have been allocated since 2008. These shares are vested on the beneficiary at the end of a two-year period for French employees and a four-year period for American employees. Taking account of employee departures in the fiscal years 2008 to 2016, the number of free shares allocated and vested to employees is 94,283.

5.4.2 Change in the number of outstanding securities

Transactions in share-based payment instruments in the first half of 2016 are summarized as follows:

	Subscription options			Free shares		
	Number of options	Average residual contractual life	Average exercise price (€)	Number of shares	Average residual contractual life	
					France	United States
Balance at 12.31.15	229,338	2.36	7.29	-	-	-
- allocated	-	-	-	-	-	-
- canceled	1,500	0.04	7.62	-	-	-
- lapsed	66,312	0.20	6.08	-	-	-
- exercised	-	-	-	-	-	-
Balance at 06.30.16	161,526	2.54	7.74	-	-	-

5.4.3 Reflection of allocated instruments in the financial statements

The accounting impacts of allocated instruments are as follows:

Allocation date	Type	Number of outstanding securities	Exercise price (€)	Share price on the allocation date (€)	Dividend yield	Expected volatility	Risk-free rate	Fair value (€)	H1 2016 accounting charge (€ K)	Cost of plans since inception (€K)
06.05.2008	Option	9,759	6.00	5.73	0%	40%	4.44%	2.74	-	27
06.05.2008	Share	17,163	Free	5.73	0%	-	-	5.73	-	99
06.25.2009	Option	55,700	6.16	6.55	0%	40%	2.89%	2.83	-	158
06.25.2009	Option	12,500	6.56	6.55	0%	40%	2.89%	2.27	-	28
06.25.2009	Share	35,700	Free	6.55	0%	-	-	6.55	-	234
12.17.2009	Option	14,000	6.32	5.96	0%	40%	2.54%	2.31	-	32
12.17.2009	Share	2,000	Free	5.96	0%	-	-	5.96	-	12
06.17.2010	Option	52,000	6.14	6.22	0%	40%	1.83%	2.47	-	130
06.17.2010	Option	22,900	6.28	6.22	0%	40%	1.83%	2.38	-	56
06.17.2010	Share	35,920	Free	6.22	0%	-	-	6.22	-	223
06.16.2011	Option	26,500	9.10	9.40	0%	33%	2.37%	3.06	-	84
06.16.2011	Option	20,000	11.44	9.40	0%	33%	2.37%	4.78	-	95
06.16.2011	Share	3,500	Free	9.40	0%	-	-	9.40	-	33
12.17.2013	Option	10,000	8.77	8.88	0%	36%	2.69%	3.05	2	32
03.27.2014	Option	30,000	9.10	9.15	0%	35%	2.33%	3.02	7	98
09.03.2015	Option	12,000	6.67	6.47	0%	33%	0.37%	1.76	5	26
TOTAL		359,642							14	1,361

This table does not take into account the 37,521 stock options that were exercised in 2014 and 2015 and the 66,312 stock options that lapsed on June 30, 2016 and which may no longer be exercised.

The number of instruments outstanding at June 30, 2016 may be broken down as follows:

Number	06.30.2016
Number of shares allocated and not cancelled	265,359
Number of free shares allocated	94,283
Number of instruments allocated and not cancelled	359,642
Number of options exercised	(37,521)
Number of options lapsed	(66,312)
Number of outstanding securities	255,809

5.5 French Individual Training Right (ITR) now Personal Training Account (PTA)

Only training expenses effectively incurred in respect of the individual training right, as decided jointly by the employee and the Group, are recognized as expenses in the fiscal year. A provision charge is only recognized in the following two instances:

- persistent disagreement over two successive fiscal years between the employee and the Group, if the employee has requested individual training leave from Fongecif;
- resignation or dismissal of the employee, if the latter requests their individual training right before the end of their notice period.

As of January 1, 2015, the ITR was replaced by the Personal Training Account (PTA), which is no longer metered by the Group but by the Caisse des Dépôts et Consignation. The Group's contribution in respect of the PTA (0.2% of French companies' payroll costs) is paid to *Organismes Paritaires Collecteurs Agréés* (OPCAs), which in turn finance the future training programs carried out under this framework.

5.6 US Employee Stock Purchase Plan (ESPP)

A stock purchase plan reserved for MEDICREA USA's American employees has been in place since January 1, 2015. It provides these employees with the opportunity to purchase shares in the parent company MEDICREA INTERNATIONAL, within the strict tax and legal framework specified by US regulations, the main characteristics of which are as follows:

- Employees who have been with the Company for at least 3 months can make monthly transfers to a nominative account;
- The sums accumulated give them the right at the end of each year to purchase MEDICREA INTERNATIONAL shares at a price equal to 85% of the share price at two dates, January 1 and November 30;
- These shares must be retained for 12 months before they can be sold or transferred.

At June 30, 2016, 6 employees had subscribed to 6,299 shares at a price of USD 6.41. The difference between the price actually paid by the Company to acquire the options and the price paid by the employees is recorded as an expense in the fiscal year.

5.7 Senior executives and corporate officers' compensation

MEDICREA INTERNATIONAL has two executive corporate officers. They are Denys SOURNAC, Chairman and Chief Executive Officer of MEDICREA INTERNATIONAL, and Jean Philippe CAFFIERO, Deputy Chief Executive Officer of MEDICREA INTERNATIONAL.

Mr. SOURNAC is not an employee of MEDICREA INTERNATIONAL and is not compensated by the Company for his duties. The management holding company ORCHARD INTERNATIONAL receives fees for the services provided to MEDICREA Group by Mr. SOURNAC. These fees are paid via a service agreement between ORCHARD INTERNATIONAL and MEDICREA INTERNATIONAL. The value of services invoiced by ORCHARD to MEDICREA INTERNATIONAL for the first half of 2016 for work carried out by Mr. SOURNAC was €150,000 exclusive of tax (€146,000 exclusive of tax in the first half of 2015).

Mr. SOURNAC did not receive any direct or indirect compensation from the Company other than that mentioned above.

Mr. CAFFIERO is not compensated for his duties as Deputy CEO. Mr. CAFFIERO's export sales management services are invoiced by ORCHARD INTERNATIONAL to MEDICREA INTERNATIONAL, via the service agreement concluded between the two entities.

In the first half of 2016, ORCHARD INTERNATIONAL invoiced a total of €32,000 exclusive of tax (unchanged compared to the first half of 2015) to MEDICREA INTERNATIONAL for the sales management duties carried out by Mr. CAFFIERO.

Mr. CAFFIERO did not receive any direct or indirect compensation other than that mentioned above.

5.8 Employee costs analysis

Employee costs are analyzed as follows (excluding temporary staff costs), after taking account of the French competitiveness and employment tax credit of €59,011 for the first half of 2016 (€61,237 for the first half of 2015);

(€)	06.30.2016	06.30.2015
Cost of sales	1,217,360	929,507
Research & development costs	837,455	609,242
Share of capitalized expenses	(775,280)	(419,282)
Research & development costs (1)	62,175	189,960
Sales & marketing expenses	4,273,895	3,381,381
General and administrative expenses	1,209,432	1,182,633
Total	6,762,862	5,683,481

(1): corresponds to non-capitalized employee costs

NOTE 6: INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

6.1 Goodwill

As part of a business combination, payments made by the Group in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognized are recorded as goodwill under assets in the balance sheet.

Goodwill primarily relates to MEDICREA TECHNOLOGIES, based in La Rochelle, France, acquired in 2002 following an LBO.

Pursuant to IAS 36, such goodwill is not amortized but is subject to impairment tests at least at each fiscal year end, by comparing total assets with their market value as represented by their market capitalization.

6.2 Non-current assets impairment tests

Impairment testing of property, plant and equipment, and intangible assets is performed when there is any indication of impairment and at least annually for intangible assets with an indefinite life, primarily goodwill. Pursuant to IAS 36, when the net book value of assets with an indefinite life becomes greater than the higher of their value in use or market value, impairment is recorded for the difference. The value in use is based on discounted future cash flows that will be generated by these assets. The market value of the asset is determined by reference to recent similar transactions or to assessments by independent appraisers in the context of a disposal.

For these tests, the assets are broken down by cash generating units (CGUs) that correspond to consistent groups of cash-generating assets. With regard to the Group's organizational structure and the cash flows between the various entities, a single CGU has been identified.

6.3 Intangible assets

Intangible assets include research and development costs, patents and trademarks, and software. Research and development costs are recorded in balance sheet assets when they meet all of the criteria of IAS 38. Capitalized costs are based on precise analytical monitoring, resulting in a breakdown of costs incurred by type and by project. These costs are maintained as assets as long as the Company retains substantially all the risks and rewards of ownership of the assets. Research and development costs are amortized on a straight-line basis over their expected useful lives, which correspond to the duration of expected future economic benefits. This period is usually 5 years.

Pursuant to IAS 23, borrowing costs allocated to the financing of research and development costs and recognized in intangible assets are considered as an element of the cost of these assets and are therefore capitalized.

Patents, licenses and trademarks are amortized over 5 to 10 years, depending on their useful lives.

Software is amortized over periods ranging from one to three years.

6.4 Property, plant and equipment

In accordance with IAS 16, the cost of an item of property, plant and equipment comprises:

- the purchase price, including import duties and non-refundable purchase taxes;
- any costs directly attributable to commissioning the asset in the manner intended;
- trade discounts and rebates deducted from the calculation of the purchase price.

Property, plant and equipment is broken down if its components have different useful lives or if it provides benefits to the Group at a different pace that requires the use of different amortization rates and methods.

The depreciation periods applied by the Group are as follows:

- land is not depreciated;
- fixtures and land improvements are depreciated over 15 years;
- industrial equipment is depreciated over its estimated useful life, ranging from 3 to 10 years;
- machinery and tools are depreciated over their estimated useful lives, ranging from 2 to 3 years;
- technical facilities and fittings are depreciated over their estimated useful lives, ranging from 5 to 10 years;
- other categories of property, plant and equipment, such as office equipment, computer hardware, and furniture are depreciated over their useful lives, ranging from 3 to 10 years.

Assets acquired through lease financing, under which all risks and rewards incident to ownership of the assets are substantially transferred to the Group, are recorded in a manner identical to a credit purchase for the original values of the contract, thus resulting in the recognition of a depreciable asset and a financial liability. The classification of leases is assessed in light of IAS 17. The assets concerned comprise machines and various industrial equipment used in the manufacture of implants and ancillary parts.

Lease-financed assets (mainly computer hardware and office equipment), which are used for their entire useful lives and whose lease covers the price of the financed assets are also recognized in a manner identical to a credit purchase, in accordance with IAS 17.

Ancillary parts included in sets made available to customer health institutions until their replacement for cause of breakage, loss or obsolescence, are depreciated over a period of three years. Demonstration equipment is generally depreciated over 5 years.

6.5 Non-current assets, and amortization and depreciation charges of recent periods

Non-current assets (excluding goodwill) are analyzed as follows:

Non-current assets – €	06.30.2016	12.31.2015	06.30.2015
Research & development costs	9,587,447	8,320,009	7,075,476
Patents and similar rights	3,633,397	3,578,786	3,509,407
Computer licenses and software	1,070,837	828,945	631,199
Brands	25,133	25,133	25,133
Intangible assets	14,316,814	12,752,873	11,241,215
Buildings	22,182	22,182	22,855
Plant & equipment	6,087,849	5,855,467	5,514,117
Demonstration equipment	616,468	690,108	684,107
Instrument sets	5,311,344	5,094,922	4,951,542
Computer hardware and office equipment	1,115,303	1,106,404	1,068,815
Other non-current assets	1,921,848	1,365,476	1,307,164
Property, plant and equipment	15,074,994	14,134,559	13,548,600
Guarantees and deposits	487,292	528,288	298,842
Pledges	158,623	158,613	158,357
Non-current financial assets	645,915	686,901	457,199
Total gross values	30,037,723	27,574,333	25,247,014

Amortization, depreciation and provisions – €	06.30.2016	12.31.2015	06.30.2015
Intangible asset amortization	8,637,398	7,851,355	7,096,962
Property, plant and equipment depreciation	7,554,679	7,121,828	6,587,735
Total amortization, depreciation and provisions	16,192,167	14,973,183	13,684,697
Total net values	13,845,556	12,601,150	11,562,317

Over a 3-year period, changes in non-current assets (excluding goodwill) were as follows:

Net non-current assets – €	06.30.2016	12.31.2015	06.30.2015
At January 1	12,601,150	9,870,385	9,870,385
Investments during the period	3,507,490	5,896,896	2,993,329
Disposals during the period	(123,886)	(430,278)	(169,314)
Amortization, depreciation and provision charges	(2,061,614)	(3,135,346)	(1,444,474)
Translation adjustment	(77,584)	399,493	312,391
At June 30	13,845,556	12,601,150	11,562,317

6.6 Change in non-current assets, and depreciation and amortization during H1 2016

The change in non-current assets, excluding goodwill, is analyzed as follows:

Gross values (€)	01.01.2016	Translation adjustment	Acquisitions	Disposals	06.30.2016
Research & development costs	8,320,009	(6,264)	1,273,702	-	9,587,447
Patents and similar rights	3,578,786	-	54,611	-	3,633,397
Computer licenses and software	828,945	(6,078)	247,970	-	1,070,837
Brands	25,133	-	-	-	25,133
Intangible assets	12,752,873	(12,342)	1,576,283	-	14,316,814
Buildings	22,182	-	-	-	22,182
Plant & equipment	5,855,467	(212)	232,594	-	6,087,849
Demonstration equipment	690,108	(13,215)	111,502	171,927	616,468
Instrument sets	5,094,922	(109,133)	1,006,557	681,002	5,311,344
Computer hardware and office	1,106,404	(7,719)	16,618	-	1,115,303
equipment	1,365,476	(5,835)	563,926	1,719	1,921,848
Other non-current assets	14,134,559	(136,114)	1,931,197	854,648	15,074,994
Property, plant and equipment					
	528,288	(6,768)	-	34,228	487,292
Guarantees and deposits	158,613	-	10	-	158,623
Pledges	686,901	(6,768)	10	34,228	645,915
Non-current financial assets					
	27,574,333	(155,224)	3,507,490	888,876	30,037,723
Total gross values					

Amortization and depreciation (€)	01.01.2016	Translation adjustment	Charges	Reversals	06.30.2016
Research & development costs	4,916,860	(1,104)	601,049	-	5,516,805
Patents and similar rights	2,618,642	-	109,176	-	2,727,818
Computer licenses and software	290,720	(5,979)	82,901	-	367,642
Brands	25,133	-	-	-	25,133
Intangible assets	7,851,355	(7,083)	793,126	-	8,637,398
Buildings	4,462	-	17,720	-	22,182
Plant & equipment	2,182,945	(206)	232,365	-	2,415,104
Demonstration equipment	388,674	(9,053)	107,323	171,927	315,017
Instrument sets	2,768,560	(50,518)	682,360	592,866	2,807,536
Computer hardware and office	807,972	(6,480)	80,260	-	881,752
equipment	969,215	(4,300)	148,460	197	1,113,178
Other non-current assets	7,121,828	(70,557)	1,268,488	764,990	7,554,769
Property, plant and equipment					
	14,973,183	(77,640)	2,061,614	764,990	16,192,167
Total amortization and depreciation					

Net values (€)	01.01.2016	Translation adjustment	Increases	Decreases	06.30.2016
Intangible assets	4,901,518	(5,259)	783,157	-	5,679,416
Property, plant and equipment	7,012,731	(65,557)	662,709	89,658	7,520,225
Non-current financial assets	686,901	(6,768)	10	34,228	645,915
Total net values	12,601,150	(77,584)	1,445,876	123,886	13,845,556

The main changes in non-current assets are as follows:

1 / Research and development activity is structurally important and is a key differentiating factor for the Group. The main costs incurred in H1 2016 include:

- Continued development of a complete solution (UNiD ™) including a software application and an operating assistance and planning unit that make it possible to provide patients with patient-specific implants.
- Development of patient-specific corpectomy implants;
- Finalization of the 3D-printing manufacturing process using additive titanium layers;
- Integration of a rapid prototyping unit.

R&D costs capitalized for the first half of 2016 amounted to €1,273,702 compared with €661,324 in H1 2015. The total amount of R&D costs expensed for the year, after deduction of the research tax credit and capitalization of costs, was €523,647 (€841,960 in H1 2015) including €601,049 in amortization relating to capitalized research costs (€462,434 in H1 2015).

2/ Patent costs capitalized in H1 2016 amounted to €54,611, compared with €45,679 in respect of H1 2015. They mainly related to the band-based thoraco-lumbar fixation system (LIGAPASS®), IMPIX lumbar cages created by 3D printing, the anterior cervical osteosynthesis system C-JAWS® as well as the thoraco-lumbar fixation system PASSLP® and its extensions.

3/ The growth in the number of licenses and software packages is primarily linked to the development of a surgical planning software package.

4/ The Group continued to renew its installed base of machines during the first half of 2016 with an investment of €0.2 million in an automatic contouring machine intended for the manufacture of UNID™ patient-specific rods.

5/ Demonstration equipment is subjected to an exhaustive inventory each year. It includes all products, with their own serigraphy and not saleable in their current condition, used by the sales force to train customers to manipulate implants and instruments. This equipment is regularly updated based on movements in / out of new / old products.

6/ To carry out the surgical procedures, the Group offers its customers sets comprising instruments and implants. This equipment is stored at healthcare facilities or is available on loan. The instruments are recorded under property, plant and equipment and depreciated over a period of 3 years. The development of the Group's activity requires it to increase and renew the assets used by its customers, particularly in the United States and in distribution subsidiaries. Fully-amortized instruments are taken off the books on a regular basis.

7/ The growth in other property, plant and equipment includes initial fittings and fixtures at the Group's new headquarters currently under construction for €0.3 million as well as the start of work to extend MEDICREA USA's offices in New York for €0.2 million.

8/ Depreciation of buildings and other property, plant and equipment includes an exceptional charge of €0.1 million to take the net book value of the fixtures and fittings of the La Rochelle site to a nil amount as a result of the transfer of MEDICREA TECHNOLOGIES' operations to Vancia.

6.7 Leases

6.7.1 Finance leases

Property, plant and equipment acquired under finance leases concern software, technical facilities, equipment and tools and computer hardware. Their net value totaled €2,099,679 at June 30, 2016 compared with €2,219,355 at December 31, 2015 and were analyzed as follows:

(€)	06.30.2016	12.31.2015	06.30.2015
Software	21,700	-	-
Technical facilities and equipment	3,432,347	3,432,347	3,432,347
Computer hardware	397,519	397,519	388,535
Total gross values	3,851,566	3,829,866	3,820,882
Amortization - Software	4,039	-	-
Depreciation - technical facilities	1,417,567	1,305,544	1,199,660
Depreciation - computer hardware	330,281	304,967	273,691
Total amortization and depreciation	1,751,887	1,610,511	1,473,351
Total net values	2,099,679	2,219,355	2,347,531

The increase in gross values seen at June 30, 2016 was mainly due to the acquisition of an industrial programming software package.

Financial debt corresponding to assets financed by these contracts totaled €1,499,634 at June 30, 2016 compared with €1,714,319 at December 31, 2015.

Commitments are analyzed as follows:

(€)	06.30.2016	12.31.2015	06.30.2015
Original value	3,851,566	3,829,866	3,820,882
Depreciation	(1,751,887)	(1,610,511)	(1,473,351)
Of which depreciation charges for the period	*(141,376)*	*(262,173)*	*(125,209)*
Net value	2,099,679	2,219,355	2,347,531
Lease payments			
Total payments from previous years (1)	1,034,543	510,326	1,815,520
Lease payments for the period (1)	255,813	524,217	232,446
Total	1,290,356	1,034,543	2,047,966
Future minimum lease payments			
Within 1 year	467,553	496,359	522,076
1 to 5 years	1,030,699	1,177,429	1,391,074
More than 5 years	47,200	103,840	165,201
Total	1,545,452	1,777,628	2,078,351
Residual values	23,514	23,297	23,296

(1) Total payments from previous years and payments for the period only include lease payments made in relation to leases still in force at period-end. Lease payments related to contracts that expired during one period are not carried over into the following period.

6.7.2 Operating leases

Operating leases mainly include rent payable in respect of buildings used for operational purposes and are analyzed as follows:

Entities	2016 annual rent
MEDICREA INTERNATIONAL — Lyon	€502,000
MEDICREA TECHNOLOGIES — La Rochelle	€144,000
MEDICREA TECHNOLOGIES UK — Cambridge	£10,750
MEDICREA USA — New York *	$330,200
MEDICREA GMBH - Cologne	€24,235

* including six months rent-free in 2016 after the lease was renewed

The lease for MEDICREA INTERNATIONAL's former premises was terminated and extended until October 31, 2016. The move to the new buildings, of which the Company is also a tenant, took effect as of September 23, 2016. The Group therefore centralized the operations of its three French subsidiaries on a single site for an annual rental charge of €1 million and having signed a 12-year rental commitment with the lessor. The provisional lease for the La Rochelle manufacturing site has been terminated with effect from January 31, 2017.

In the United States, the lease expiring at the end of March 2016 was renegotiated and renewed for a term of 10 years, the leased area being increased by an additional floor. The new annual rental charge, which will only take effect from 2017, is €1 million. The commitment only lasts for a period of 48 months. In the event of early termination of the lease, the premises will be re-let easily as a result of their prime location in New York City.

Future minimum operating lease payments are summarized as follows, exclusive of finance leases recognized in property, plant and equipment:

(€)	06.30.2016	Within 1 year	1 to 5 years	5 to 10 years	More than 10 years
Real estate and equipment rental	16,013,158	1,971,875	6,221,405	5,480,930	2,338,948

6.8 Non-current financial assets

These mainly comprise guarantees and deposits, and are not discounted due to the lack of known maturity and their low value. If applicable, impairment is recognized when their book value exceeds their recoverable value.

NOTE 7: INVENTORIES AND WORK IN PROGRESS

Raw material inventories are measured at their weighted average cost, including sourcing costs. Finished and semi-finished goods inventories are valued at cost, excluding sales and marketing expenses. Impairment is recognized when the probable realizable value of inventories is lower than book value.

Gross and net inventories are analyzed as follows:

(€)	06.30.2016	12.31.2015	06.30.2015
Raw materials	484,973	327,852	227,017
Work-in-process	711,942	378,648	626,441
Semi-finished goods	725,705	541,713	476,624
Finished goods	8,081,788	7,804,146	7,342,926
Gross values	10,004,408	9,052,359	8,673,008
Provisions for impairment	(2,209,286)	(2,033,714)	(1,780,281)
Net values	7,795,122	7,018,645	6,892,727

The gross value of inventories increased by 10% compared with December 31, 2015, as a result of the expansion of the range and a high volume of new products in the pre-commercial evaluation phase, which have not yet been the subject of a full-scale launch on the market.

Provisions for impairment by category of inventories are as follows:

(€)	06.30.2016	12.31.2015	06.30.2015
Raw materials	13,237	13,237	13,713
Work-in-process	47,601	47,601	26,436
Semi-finished goods	104,313	16,416	29,944
Finished goods	2,044,135	1,956,460	1,710,188
Provisions for impairment	2,209,286	2,033,714	1,780,281

The increase in provisions is primarily related to the higher gross inventory level.

NOTE 8: TRADE RECEIVABLES AND OTHER CURRENT ASSETS

Trade receivables and other current assets are recorded at their nominal value. A provision for impairment is established where the recoverable value of the receivables, based on the probability of collection, is lower than the book value. The recoverable value is assessed on a receivable-by-receivable basis according to this risk.

The Group factors some of its receivables based on its cash flow requirements. Factored invoices are maintained in trade receivables.

Trade receivables and other current assets are analyzed as follows:

(€)	06.30.2016	12.31.2015	06.30.2015
Trade receivables - gross value	5,526,315	4,779,599	5,503,195
Provision for doubtful debts	(47,988)	(69,705)	(19,607)
Trade receivables	5,478,327	4,709,894	5,483,588
Social security receivables	28,038	31,843	25,868
Tax receivables	1,200,545	1,593,332	958,651
Other receivables	1,228,541	892,408	825,538
Prepaid expenses	540,476	384,571	621,715
Other current assets	2,997,600	2,902,154	2,431,772
Total receivables – gross values	8,523,915	7,681,753	7,934,967
Total receivables – net values	8,475,927	7,612,048	7,915,360

The average settlement period for trade receivables was 53 days at June 30, 2016, against 58 days at the previous year-end.

Trade receivables deemed highly unlikely to be collected are the subject of a provision for impairment.

Tax receivables primarily include the research tax credit, the employment competitiveness tax credit and VAT to be claimed back.

Other receivables include advances and prepayments to suppliers, which include:

- The payment of a $900,000 advance (€810,665 at the closing rate) as part of a cooperation contract with a US IT company (see section 15.1.3). Commissions due under this contract, which stood at €65,570 at June 30, 2016 (€34,616 at December 31, 2015), were subject to a provision that will be allocated to advances already paid.
- The payment of an advance of $59,422 (€53,517 at the closing rate) as part of a contract for the transfer of inventor’s copyright with a surgeon.

NOTE 9: PROVISIONS AND CONTINGENT LIABILITIES

A provision is recognized when there is an actual obligation, legal or constructive, towards a third party resulting from a past event and existing irrespective of future actions, which will result in a probable cash outflow for the Group, the amount of which can be reliably measured.

Provisions are broken down between current and non-current liabilities according to due dates. When the liability settlement date exceeds one year, the amount of the provision is subject to a discount calculation, the effects of which are only recognized in net financial income/(expense) if the impact is material.

Current and non-current provisions include provisions for liabilities and are broken down as follows:

(€)	06.30.2016	12.31.2015	06.30.2015
Provisions for pensions and other employee benefits	508,266	468,043	376,760
Provisions for litigation	10,000	23,778	-
Provisions for charges	1,027,000	-	-
Total	1,545,266	491,821	376,760

As part of the relocation of the headquarters and the transfer of the factory, the provisions for charges correspond to:

- €0.9 million in relocation allowances and/or severance pay relating to employees of the La Rochelle factory;
- €0.2 million to restore the Neyron and La Rochelle sites to their original condition plus miscellaneous fees;

The change in provisions for liabilities can be analyzed as follows:

(€)	06.30.2016	12.31.2015	06.30.2015
At start of period	491,821	347,611	347,611
Provision charges	1,067,223	137,724	29,149
Provision reversals – used	(13,778)	-	-
Actuarial gains and losses	-	6,161	-
Translation adjustment	-	325	-
At end of period	1,545,266	491,821	376,760
Changes in operating income	*1,540,156*	*130,339*	*(29,149)*
Changes in net financial income/(expense)	*5,110*	*7,385*	-

The maturity dates of current and non-current provisions are analyzed as follows:

(€)	06.30.2016	Within 1 year	1 to 5 years	More than 5 years
Provisions for pensions and other employee benefits	508,266	7,110	65,027	436,129
Provisions for litigation	10,000	10,000	-	-
Provisions for charges	1,027,000	1,027,000	-	-
Total	1,545,266	1,044,110	65,027	436,129

NOTE 10: FINANCING AND FINANCIAL INSTRUMENTS

10.1 Net financial debt

10.1.1 Financial debt

Financial debt is recognized at amortized cost, which corresponds to their nominal value, net of associated issue premiums and costs recorded incrementally in net financial income/(expense) until maturity in accordance with the effective interest rate method.

Financial debt is analyzed as follows:

(€)	06.30.2016	12.31.2015	06.30.2015
Bond issue	2,725,913	1,760,662	2,485,890
Loans from credit institutions	5,775,534	6,448,853	6,609,657
Operating leases	1,463,457	1,661,642	1,886,382
Finance leases	36,177	52,677	72,431
Bank overdrafts	1,688,244	376,700	400,000
Factoring	394,123	-	33,446
Accrued bank interest	7,728	7,462	7,689
Accrued loan interest	8,795	9,865	18,132
Other financial debt	4,292	108,664	49,110
Total	12,104,263	10,426,525	11,562,737

At June 30, 2016, all financial debt was taken out in Euros and at fixed rates.

The change in the balance of borrowings from credit institutions is related to repayments made during the first half of 2016 within the framework of existing amortization schedules, and to the following new loans that were taken out:

- 4 contracts at fixed rates of between 0.75% and 1.21% over a duration of 4 to 5 years and for a total of €0.2 million to finance various pieces of industrial equipment;
- €65,000 at a fixed rate of 4.25% over a period of 2 years, to finance certain costs of research and development in 2015 eligible for the research tax credit;

Moreover, as part of the consolidation of its financing requirements and to fund its future investments, in February 2016 the Group issued a two-year bond for €1,150,000 at an interest rate of 7%.

The average interest rate for H1 2016 stood at 3.71% compared with 3.93% for 2015. This rate takes account of the commissions paid to BPI under the guarantees granted in relation to medium-term bank financing.

The maturity dates of financial liabilities are broken down as follows:

(€)	06.30.2016	Within 1 year	1 to 5 years	More than 5 years
Bond issue	2,725,913	383,402	2,342,511	-
Loans from credit institutions	5,775,534	1,808,300	3,802,240	164,994
Operating leases	1,463,457	416,357	995,937	51,163
Finance leases	36,177	23,477	12,700	-
Bank overdrafts	1,688,244	1,688,244	-	-
Factoring	394,123	394,123	-	-
Accrued bank interest	7,728	7,728	-	-
Accrued loan interest	8,795	8,795	-	-
Other financial debt	4,292	4,292	-	-
Total	**12,104,263**	**4,734,718**	**7,153,388**	**216,157**

Securities granted in relation to certain Group assets to guarantee borrowings, as well as early repayment clauses and covenants are detailed in Note 15.1 “Off-balance sheet commitments”.

10.1.2 Conditional advances

Conditional advances mainly result from innovation grants awarded by BPI in the form of repayable advances. Their change compared with the previous year resulted from ongoing repayment plans. No new grants were awarded during the first half of 2016.

10.1.3 Cash and cash equivalents

Cash and cash equivalents include cash and money market investments that are immediately available and with an insignificant risk of changes in value over time. The latter consist primarily of money market funds (SICAV) held as collateral for financing obtained from other sources.

Impairment is recognized when the probable realizable value of these deposits is lower than the purchase cost. Unrealized or realized gains and losses are recognized in financial income/(expense). The fair value is determined by reference to the market price at the balance sheet date.

Net cash and cash equivalents changed as follows:

(€)	06.30.2016	12.31.2015	06.30.2015
Cash	1,077,879	2,168,215	4,229,582
Cash and cash equivalents	**1,077,879**	**2,168,215**	**4,229,582**
Bank overdrafts	(1,688,244)	(376,700)	(400,000)
Factoring	(394,123)	-	(33,446)
Net cash and cash equivalents	**(1,004,488)**	**1,791,515**	**3,796,136**

The deterioration in cash and cash equivalents was the result of a temporary increase in working capital requirements.

10.1.4 Cash flow statement

The cash flow statement is prepared in accordance with IAS 7, starting from consolidated net income. Distinction is made between cash flow from operating activities and cash flow from investment and financing activities.

Group cash, the change in which is analyzed in the cash flow statement, is defined as the net balance of the following balance sheet items: cash and cash equivalents, bank overdrafts and credit bank balances.

The cash flow statement for the past two years is detailed in section 1.4 of the financial statements at June 30, 2016.

10.2 Fair value of financial instruments

Financial instruments comprise financial assets, financial liabilities and derivatives. Financial instruments are included in various balance sheet items. Pursuant to IAS 39, financial instruments are allocated to five categories that do not correspond to IFRS balance sheet items. The allocation determines the applicable accounting and valuation rules, which are described below:

- Investments held to maturity: no instrument of any material value currently meets this definition;

- Assets treated at fair value through profit or loss: this category concerns possible cash investments for which changes in fair value are recognized in income;

- Assets and liabilities recorded at amortized cost: this item includes mainly guarantees and deposits, staff loans, trade receivables, trade payables and financial debt. These assets and liabilities are recognized in the balance sheet originally at fair value, which is in practice close to the contractual nominal value. They are measured at amortized cost and adjusted, where applicable, for impairment;

- Assets available for sale: no instrument held meets this definition;

- Derivatives: the Group may use hedging instruments to limit its exposure to risk. These mainly include currency and interest rate hedging instruments such as forward currency transactions and currency options with premiums. Most hedges outstanding at June 30, 2016 were cash flow hedges.

The Group not having set up documentation to demonstrate the effectiveness of these hedges pursuant to IAS 39, the corresponding changes in fair value of these derivative instruments are recognized directly in other financial income and expenses and derivatives are presented in other current assets or other current liabilities.

10.2.1 Income statement disclosures

The following table presents the impact of financial assets and liabilities on the income statements for H1 2016 and H1 2015, as well as the breakdown of this impact according to the categories outlined in IAS 39.

	Designation of financial instruments	At 06.30.2016	At 06.30.2015
Income / (charges) recognized in operating income		-	7,801
Net exchange gain/(loss) excluding financial instruments	B	-	7,801
Investment income		10	192
Proceeds from sale of marketable securities	A	10	192
Finance costs		(186,216)	(161,189)
Interest charge	B	(186,216)	(161,189)
Other financial income		16,226	149,777
Interest income	B	563	920
Exchange gains	A	5,088	106,346
Changes in fair value of derivatives	A	10,575	42,511
Other financial expenses		(79,508)	(98,545)
Exchange losses	A	(79,508)	(98,545)

10.2.2 Balance sheet disclosures

The following table presents a breakdown of assets and liabilities according to the categories outlined in IAS 39.

	At 06.30.2016			At 12.31.2015		
Sections	Designation of financial instruments	Net book value	Of which measured at fair value (1)	Designation of financial instruments	Net book value	Of which measured at fair value (1)
ASSETS (€)						
Trade receivables	C	5,478,327	5,478,327	C	4,709,894	4,709,894
Other current assets (2)	C	1,228,541	1,228,541	C	892,408	892,408
Cash and cash equivalents	A	1,077,879	1,077,879	A	2,168,215	2,168,215
LIABILITIES (€)						
Negative cash balances (3)	A	2,082,367	2,082,367	A	376,700	376,700
Current and non-current financial liabilities excluding negative cash balances	B	10,021,896	10,021,896	B	10,049,825	10,049,825
Financial instruments	A	-	-	A	10,575	10,575
Trade payables	C	4,894,770	4,894,770	C	4,055,971	4,055,971
Other current liabilities (4)	C	1,022,782	1,022,782	C	116,476	116,476

(1) the net book value of assets and liabilities measured at cost or amortized cost is close to their fair value
(2) excluding tax and social security receivables, and accruals
(3) including bank overdrafts and factoring
(4) excluding tax and social security payables, and accruals

A: assets and liabilities at fair value through profit and loss
B: assets and liabilities measured at amortized cost
C: assets and liabilities measured at cost

Fair value movements and impairment are only recognized through profit and loss. No amount was directly recorded in shareholders' equity.

10.3 Risk management

The Group's market risk management policy is characterized by:

- centralization of risks at MEDICREA INTERNATIONAL level;
- a hedging target;
- risk assessment based on detailed one-year forecasts;
- monitoring of variances between forecasts and actual results.

10.3.1 Risks related to changes in raw material prices

The manufacturing of implants mainly requires the purchase of two materials, titanium and PEEK (PolyEther Ether Ketone). 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 financial performance. Purchases of these materials are not the subject of hedging contracts. They account for a small part of the cost price of products manufactured.

10.3.2 Credit risk

The Group monitors its customers' average payment period on a monthly basis. This ratio was 52 days at June 30, 2016. For international customers not paying in advance, the Group puts in place coverage mechanisms, such as:

- an application for guarantee from Coface. At the end of June 2016, the maximum amount of trade receivables that may be guaranteed by Coface was €1,228,000;
- letters of credit (€89,160 at June 30, 2016).

The Group is not exposed to a significant credit risk as shown in the table below:

(€)	06.30.2016	06.30.2015
Gross trade receivables	5,526,315	5,503,195
Outstanding for more than 6 months	87,493	18,782
% of trade receivables	*1.58%*	*0.34%*
Total provision for doubtful receivables	47,988	19,607
% of trade receivables	*0.87%*	*0.36%*
Bad debt losses	100	-

10.3.3 Liquidity risks

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

The financial resources secured following fund raising transactions totaling approximately €34 million have significantly reduced this liquidity risk and have given the Group the means to implement its expansion strategy, create new subsidiaries and launch new products.

On August 12, 2016, the Group announced the completion of fundraising worth €20 million, comprised of €15 million in convertible bonds, to mature after four years and at an interest rate of 6.75%, and a €5 million share capital increase via private placement. This financial transaction therefore sharply reduced the Group's short-term liquidity risk, with all overdraft facilities having been fully repaid upon receipt of the funds.

Two four-year bank loans totaling €1.5 million taken out in November 2014 are subject to certain clauses, including:

- The ratio of consolidated net financial debt to consolidated shareholders' equity to be below 0.33 at December 31 of each year throughout the loan repayment period;
- The ratio of consolidated net financial debt to consolidated EBITDA to be below 3 at December 31 of each year throughout the loan repayment period;
- A ban on dividends if the consolidated net financial debt to consolidated shareholders' equity ratio at year-end is higher than 0.2 after taking account of any projected dividend payment.

At June 30, 2016, having taken into account the fundraising completed in August, the consolidated net financial debt to consolidated equity ratio was 0.90. Should this situation continue until December 31, 2016, the Group would take the appropriate steps with the financial institution concerned, as was the case at the close of the previous fiscal year, to obtain a waiver without there being any modification to the initial terms of the loans.

10.3.4 Foreign exchange risks

Most of the Group's supplies are denominated in Euros. Sales to US and UK subsidiaries are made in local currencies, the products then being sold in these markets in the country's functional currency. As a result, the subsidiaries are not subject to any exchange rate risk on their purchases but MEDICREA INTERNATIONAL has an exchange risk on its foreign-currency sales.

At June 30, 2016, the Group did not have any ongoing currency hedging.

10.3.5 Interest rate risks

At June 30, 2016, all loans carried a fixed rate. As a result, the Group is not exposed to the risk of changes in interest rates.

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

The Group generated 61% of its H1 2016 consolidated sales in dollars through its subsidiary MEDICREA USA. This proportion should continue to increase over the coming years, with dollar-denominated sales that could potentially represent almost two-thirds of consolidated Group sales.

The US and UK subsidiaries are invoiced in their functional currency and foreign exchange hedges have been put in place on an ad hoc basis 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.

The dollar has only appreciated by 1% since June 30, 2015, automatically increasing sales for the first half of 2016 by €0.1 million but with little impact on operating income before share-based payments. A breakdown of these changes can be found in Note 13.

A 15% appreciation of the dollar against the Euro, applied to H1 2016 data, would result in a €1.6 million increase in Group sales and an increase of approximately €0.3 million in operating income based on the results generated by the US subsidiary over H1 2016, as all its purchases and overheads are denominated in dollars.

Conversely, a 15% depreciation of the dollar against the euro, applied to H1 2016 data, would result in declines in both Group sales and Group operating income in the same proportions as those indicated above.

10.4 Cost of net financial debt and other financial income and expenses

The cost of net financial debt includes the cost of gross financial debt (interest on loans, interest on finance leases and operating leases, bank fees and premiums) less investment income and cash equivalents.

These items are analyzed as follows:

(€)	06.30.2016	06.30.2015
Loan interest	72,567	90,037
Bond interest	83,299	40,270
Finance lease interest	19,227	22,185
BPI loan guarantee	6,351	8,699
Overdraft interest	4,667	(69)
Factoring interest	-	844
Other financial expenses / (income)	105	(777)
Cost of net financial debt	186,216	161,189
Foreign exchange gains / (losses)	(63,795)	50,314
Unrealized capital gains on marketable securities	513	192
Other financial income / (expenses)	10	(4)
Other financial income / (expenses)	(63,272)	50,502

NOTE 11: TRADE PAYABLES AND OTHER CURRENT LIABILITIES

Changes in trade payables and other current liabilities were as follows:

(€)	06.30.2015	12.31.2015	06.30.2015
Trade payables	4,894,770	4,055,971	3,523,845
Social security liabilities	1,965,987	1,740,673	1,511,724
Tax liabilities	219,123	250,978	293,323
Other current liabilities	1,022,782	116,476	110,749
Other current liabilities	3,207,892	2,108,127	1,915,796
Total operating liabilities	8,102,662	6,164,098	5,439,641

At June 30, 2016, the maturity of all operating liabilities was less than one year.

The increase in trade payables was due to growth in Group sales and the postponement into August of the payment of the June maturities following completion of the €20 million fundraising.

The increase in social security liabilities compared to June 30, 2015 is in line with the increase in the Group's workforce, as detailed in Note 5.1.

The increase in other current liabilities in relation to June 30, 2015 mainly includes the effects of a current account contribution of €0.9 million from IDSKAP, a company controlled by Denys SOURNAC. This sum has been incorporated into the share capital of MEDICREA INTERNATIONAL as part of the private placement of €5 million completed in August.

NOTE 12: CORPORATE TAX

Since January 1, 2003, MEDICREA INTERNATIONAL and MEDICREA TECHNOLOGIES have been part of the same tax consolidation group, with MEDICREA INTERNATIONAL acting as parent company and being solely liable for corporate tax on the overall net income achieved by the Group. The wholly-owned subsidiary MEDICREA EUROPE FRANCOPHONE joined the tax consolidation as of January 1, 2015. Savings resulting from the implementation of the tax consolidation agreement are retained by the parent company.

The corporate tax expense corresponds to current tax adjusted for deferred taxes. The latter result from adjustments made to parent company financial statements, as well as temporary differences between accounting income and taxable income, in accordance with IAS 12.

Deferred taxes are calculated according to the liability method in respect of temporary differences existing on the balance sheet date between the tax base and the accounting base of assets and liabilities, as well as for tax losses carried forward. Deferred tax assets and liabilities are calculated taking into account tax rates that have been enacted or substantively enacted and which will apply when the temporary differences are reversed. Deferred tax assets are only taken into account if their recovery is probable due to taxable income expected to be generated in the near future.

Deferred tax assets and liabilities are recognized as non-current assets and liabilities.

Tax credits and tax credits unclaimed in previous years were recorded in operating income in accordance with IAS 20.

The research tax credit was recognized as a €528,084 reduction in research and development costs at June 30, 2016 (€342,580 at June 30, 2015).

12.1 Analysis of the corporate tax rate

The Group's corporate tax charge for the year to June 30, 2016 is analyzed as follows:

(€)	06.30.2016	06.30.2015
Consolidated net income/(loss)	(2,670,993)	(997,433)
Corporate tax	253,464	167,130
Income before tax	(2,924,457)	(1,164,563)
Share-based payments	(14,076)	(20,546)
Taxable income	(2,910,381)	(1,144,017)
Adjustment to the research and employment competitiveness tax credit	(587,095)	(403,817)
Adjustment Federal State taxes (US)	-	6,445
Taxable income after adjustments	(3,497,476)	(1,541,389)
Theoretical tax income / (charge) @33.33%	1,165,709	513,745
Difference in tax rates of other countries	(29,515)	(11,468)
Tax on permanent differences	(38,415)	(79,378)
Non recognized tax losses carried forward	(569,537)	(237,091)
Use of non recognized tax losses carried forward	118,102	75,170
Capping of deferred tax assets	(382,342)	(68,629)
Adjustment of Federal State taxes (US)	-	6,445
Other	(10,538)	(31,664)
Recognized corporate tax income/ (charge)	253,464	167,130

12.2 Analysis of deferred taxation

Deferred tax assets and liabilities are analyzed as follows:

(€)	06.30.2015	12.31.2015	06.30.2015
Tax losses carried forward	1,084,205	733,399	466,310
Temporary tax differences	24,986	44,108	-
Consolidation restatements	245,368	244,164	(241,603)
Total deferred tax assets	1,354,559	1,021,671	224,707
Temporary tax differences	162,117	44,151	22,972
Consolidation restatements	333,481	279,947	213,052
Total deferred tax liabilities	495,598	324,098	236,024

The Group recognizes deferred tax assets on tax losses carried forward providing they can be recovered within 5 years at most.

Recoverability testing of tax losses carried forward, performed on a subsidiary-by-subsidiary basis, led to the non-recognition of tax losses generated by the French entities, MEDICREA TECHNOLOGIES UK and MEDICREA GMBH. Furthermore, for the same French entities, deferred tax assets related to consolidation restatements cannot exceed deferred tax liabilities.

Deferred tax assets not recognized in the balance sheet totaled €9.2 million at June 30, 2016, including €6.7 million of unrecognized tax losses carried forward and €2.5 million related to consolidation restatements.

The following tax losses can be used by the Group:

(€)	06.30.2016	of which capitalized	Corresponding deferred tax
MEDICREA INTERNATIONAL tax consolidation	18,601,613	-	-
MEDICREA UK	1,787,589	-	-
MEDICREA USA	3,097,728	3,097,728	1,084,205
MEDICREA GMBH	623,119	-	-
Total available tax losses	24,110,049	3,097,728	1,084,205

Deferred tax asset movements related to tax losses carried forward are analyzed as follows:

(€)	06.30.2016
Tax losses carried forward at January 1, 2016	733,399
Capitalization of tax losses carried forward - MEDICREA USA	364,871
Translation adjustment	(14,065)
Tax losses carried forward at June 30, 2016	1,084,205

Changes in deferred taxes are primarily due to consolidation adjustments and capping mechanisms for deferred tax assets and liabilities.

NOTE 13: IMPACT OF EXCHANGE DIFFERENCES ON GROUP SALES AND NET INCOME

Changes in average exchange rates were as follows:

Average conversion rate	06.30.2016	12.31.2015	06.30.2015
USD / EUR	1.11062	1.11500	1.12717
GBP / EUR	0.76958	0.72794	0.73847

The impact of currency fluctuations on the comparability of the 2015 and 2016 interim financial statements is as follows:

(€)	06.30.2016 at the 2016 rate	06.30.2016 at the 2015 rate	Impact of exchange rate
Sales	14,843,675	14,724,196	119,479
Operating income after share-based payments	(2,674,969)	(2,705,287)	30,318

NOTE 14: SHAREHOLDERS' EQUITY AND EARNINGS PER SHARE

14.1 Shareholders' equity

14.1.1 Share capital

Following equity transactions carried out during the first half-year, share capital at June 30, 2016 totaled €1,440,698.24 and comprised of 9,004,364 shares with par value of €0.16 each. The number of authorized shares outstanding is as follows:

(€)	06.30.2016	12.31.2015	06.30.2015
Number of authorized shares	9,004,264	8,987,588	8,987,588
Number of preference shares	100	100	100
Number of shares issued and fully paid up	9,004,364	8,987,688	8,987,588
Par value (€)	0.16	0.16	0.16
Number of shares outstanding at end of period	9,004,264	8,987,588	8,987,688
Number of shares with double voting rights	2,673,803	2,641,990	2,744,677
Number of treasury shares held by the Group	-	-	-
Number of treasury shares held by the parent company	3,692	3,046	3,115

Transactions in the share capital of MEDICREA INTERNATIONAL over the period January 1, 2016 to June 30, 2016 are summarized as follows:

- At January 1, 2016, the share capital was therefore €1,438,030.08, represented by 8,987,588 ordinary shares and 100 P preference shares.
- On April 4, 2016, the Board of Directors recognized the share capital increase related to the exercise of 16,676 Stock Options between May and July 2015.
- At June 30, 2016, the share capital was therefore made up of 9,004,264 ordinary shares and 100 P preference shares.

14.1.2 Preference shares

At the Shareholders' Meeting of December 17, 2014, it was decided to issue 100 preference shares to MMCO, a simplified joint stock company *(Société par Actions Simplifiée)* with share capital of €1,000, with its registered office at 14 Porte du Grand Lyon, 01700 NEYRON.

These preference shares will be convertible into ordinary shares of MEDICREA INTERNATIONAL, as determined by reference to the volume-weighted average price of the MEDICREA INTERNATIONAL share between September 17, 2018 and December 17, 2018. The maximum number of ordinary shares that may be issued as a result of the conversion of all preference shares is 210,000, i.e. 2.3% of the Company's share capital at June 30, 2016. These preference shares do not grant voting rights or entitlement to dividends. They are not listed on Alternext.

14.1.3 Treasury shares

The MEDICREA shares held by the Group are recognized at acquisition cost and deducted from consolidated shareholders' equity irrespective of the reason they are held.

When sold, the cost price of the shares is calculated in accordance with the first in, first out (FIFO) method, except for shares held within the framework of option plans, which are calculated on a plan-by-plan basis in accordance with the weighted average price method.

Transfer proceeds are recognized directly in equity net of tax.

14.1.4 Change in shareholders' equity

The change in shareholders' equity for the past two years is detailed in Note 1.5 to the financial statements at June 30, 2016. Translation adjustments related to the consolidation of foreign subsidiaries' financial statements in Euros are included in the "Reserves" column, since their values have no material impact on the financial statements at June 30, 2016.

14.1.5 Issue, buyback and redemption of debt and equity securities

The movements that took place during the first half of the year concern the issue of 16,676 new shares as part of the stock option program.

14.1.6 Dividends paid during the fiscal year

None.

14.2 Earnings per share

Pursuant to IAS 33, earnings per share is calculated based on the weighted average number of shares outstanding over the fiscal year, after deducting the average number of treasury shares.

Diluted earnings per share is calculated based on net income (Group share) divided by the average number of shares comprising the share capital adjusted for the maximum impact of the conversion of dilutive instruments into ordinary shares, and taking account of changes in the number of shares, if any. This includes:

- share subscription options to be exercised at a future date;
- free share allocations;
- the number of treasury shares held at year-end;
- any other instrument giving deferred access to the Company's share capital.

Basic and diluted earnings per share changed as follows:

(€)	06.30.2016	06.30.2015
Net income (Group share)	(2,670,993)	(997,435)
Average number of shares outstanding over the year	*8,986,520*	*8,740,886*
Average number of treasury shares over the year	*-*	*-*
Average number of shares taken into account before dilution	8,986,520	8,740,886
Earnings per share	(0.30)	(0.11)

(€)	06.30.2016	06.30.2015
Net income (Group share)	(2,670,993)	(997,435)
Average number of shares taken into account before dilution	8,986,520	*8,740,886*
Dilution effect of option plans	227,681	*255,359*
Average number of shares taken into account after dilution	9,214,201	8,996,245
Diluted earnings per share	(0.29)	(0.11)

At June 30, 2016, preference shares were not taken into consideration in determining the dilution effect since the conversion criteria were not met. Should preference shares be converted, the maximum number of ordinary shares liable to be issued is 210,000.

NOTE 15: OTHER INFORMATION

15.1 Off-balance sheet commitments

15.1.1 Commitments given in relation to medium-term borrowings

(€)	06.30.2016	12.31.2015	06.30.2015
Pledges of business goodwill (1)	6,844,850	7,564,456	10,010,056
Financial instrument collateral (2)	153,550	153,550	153,550
Joint and several guarantees (3)	500,000	500,000	300,000
Cash collateral (4)	62,500	62,500	62,500

(1) Pledges of business goodwill as security for bank loans (principal + interest)
(2) Money-market funds (SICAV) as collateral for a rent payment bank guarantee
(3) Securities for cash advances
(4) Holdbacks retained by BPI as cash collateral for loans totaling €1,250,000

15.1.2 Commitments received in relation to the establishment of authorized overdrafts and short-term credits

(€)	06.30.2016	12.31.2015	06.30.2015
Assignment of trade receivables	500,000	500,000	400,000
Miscellaneous guarantees and sureties	307,239	307,239	307,239
BPI counter guarantee (1)	2,094,531	2,371,978	2,382,437

(1) counter guarantees granted by BPI to MEDICREA INTERNATIONAL for the benefit of bank partners to arrange certain medium-term financing

The total amount of overdrafts authorized but unconfirmed at June 30, 2016 was €1,233,863.

15.1.3 Other commitments

During the 2013 fiscal year, the Group launched, in cooperation with a US IT firm, the joint development and operation of specific software making it possible to design patient-specific spinal implants, subsequently intended to be manufactured and marketed on an exclusive basis by MEDICREA and its subsidiaries for an initial period of four years and until December 31, 2017.

Contractual terms provide for the payment by MEDICREA of royalties on product sales ordered via the software. The parties have agreed to the annual payment, by MEDICREA, of $400,000 in advances on royalties for the entire term of the contract. As such, royalties due by MEDICREA under the contract will be deducted, with no time limitation, from advances on royalties already received by the US partner.

Pursuant to IFRS, advances on royalties paid by MEDICREA constitute an asset, which is spread in the income statement as services are provided and royalties paid. Amounts already paid totaling $900,000 (€810,665 at the period-end rate) were recognized in other receivables at June 30, 2016. Commissions due under this contract, which stood at €65,570 at the same date (€34,616 at December 31, 2015), were subject to a provision that will be allocated to advances already paid.

15.2 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:

	06.30.2016			12.31.2015		
	Number of shares	% share capital	% voting rights	Number of shares	% share capital	% voting rights
ORCHARD INTERNATIONAL (1)	1,727,490	19.19	29.59	1,727,490	19.22	29.71
Jean Philippe CAFFIERO	246,089	2.73	4.08	246,089	2.74	4.10
Denys SOURNAC (2)	270,547	3.00	2.32	270,547	3.01	2.33
Other Directors						
François Régis ORY (2)	108,652	1.21	0.93	108,652	1.21	0.93
Patrick BERTRAND (2)	93,392	1.04	0.95	93,392	1.04	0.93
Pierre BUREL (2)	87,243	0.97	1.41	91,707	1.02	1.44
Christophe BONNET	52,128	0.58	0.87	52,128	0.58	0.88
Jean Joseph MORENO	22,900	0.25	0.32	22,900	0.25	0.33
Marc RECTON	18,752	0.21	0.27	18,752	0.21	0.27
Total	2,627,193	29.18%	40.74%	2,631,657	29.28%	40.92%

(1): Shares held by the holding company, ORCHARD INTERNATIONAL. The following table provides details of ORCHARD INTERNATIONAL's shareholding structure as of June 30, 2016:

- Société civile DENYS SOURNAC COMPANY	57.15%
- Société civile PLG INVEST (Jean-Philippe CAFFIERO)	37.67%
- AMELIANE SAS (3)	5.01%
- Christelle LYONNET	0.14%
- Denys SOURNAC	0.03%

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

(3): Company held by François-Régis ORY

15.3 Related-party disclosures

As mentioned in section 5.7, ORCHARD INTERNATIONAL invoices MEDICREA INTERNATIONAL for various services, the amounts of which changed over the last three first half-years as follows:

(€)	Amount invoiced, excl. VAT H1 2016	Amount invoiced, excl. VAT H1 2015	Amount invoiced, excl. VAT H1 2014
Management services	150,000	146,000	146,000
Rebilling of employee costs	75,750	75,750	75,750
Rebilling of seconded executive's salary	32,000	32,000	55,801
Rebilling of seconded executive's expenses	4,391	-	4,800
Share of expenses	5,502	5,502	5,500
Rent and rental costs	10,149	10,241	10,229
Total	277,792	269,493	298,080

15.4 Post-balance sheet events

2016 Third Quarter Sales

Sales reached a total of €6.8 million over the third quarter, down 3% compared to the same quarter of 2015, due to a temporary decrease in activity in Europe.

Year-to-date 2016, Group sales have increased by 3% thanks to its priority markets, the United States (+9%) and France (+13%) where the adoption of UNiD™ patient-specific implant technology is continuing with more than 100 surgeons utilizing this service and the significant 1,000 UNiD™ surgery milestone anticipated shortly.

(€ millions)	2015	2016	Change
H1	13.8	14.8	+7%
Q3	7.1	6.8	-3%
9-month total to September 30	20.9	21.6	+3%

Changes in exchange rates had no material impact

Financing

In August 2016, MEDICREA raised €20 million in financing, which consisted of €15 million in convertible bonds, subscribed by Athyrium Capital Management, a US investor strongly regarded as a specialist in the sector, and €5 million in equity through a private placement, in which Denys SOURNAC, President and CEO, and Richard KIENZLE, founding member of Globus who joined the MEDICREA Group at this time, participated.

4 STOCK MARKET INFORMATION

MEDICREA INTERNATIONAL has been listed on the Alternext Paris Stock Exchange since 26 June 2006, under the ISIN code FR0004178572 and the ticker ALMED. Shares were priced initially at €7.94 and have been listed continuously since February 2007.

MEDICREA shares are eligible for the 2015/16 PEA-PME SME equity savings plan, in accordance with Decree n°2014-283 of March 4, 2014 published within the framework of the application of Article 70 of the 2014 Finance Act n° 2013-1278 of December 29, 2013, which defines the conditions for companies to be eligible for the PEA-PME SME savings plan. In this way, investors can continue to add MEDICREA shares to their PEA-PME accounts, which are plans dedicated to small and medium value investments enjoying the same tax benefits as traditional PEA savings plans.

1. STOCK MARKET PERFORMANCE

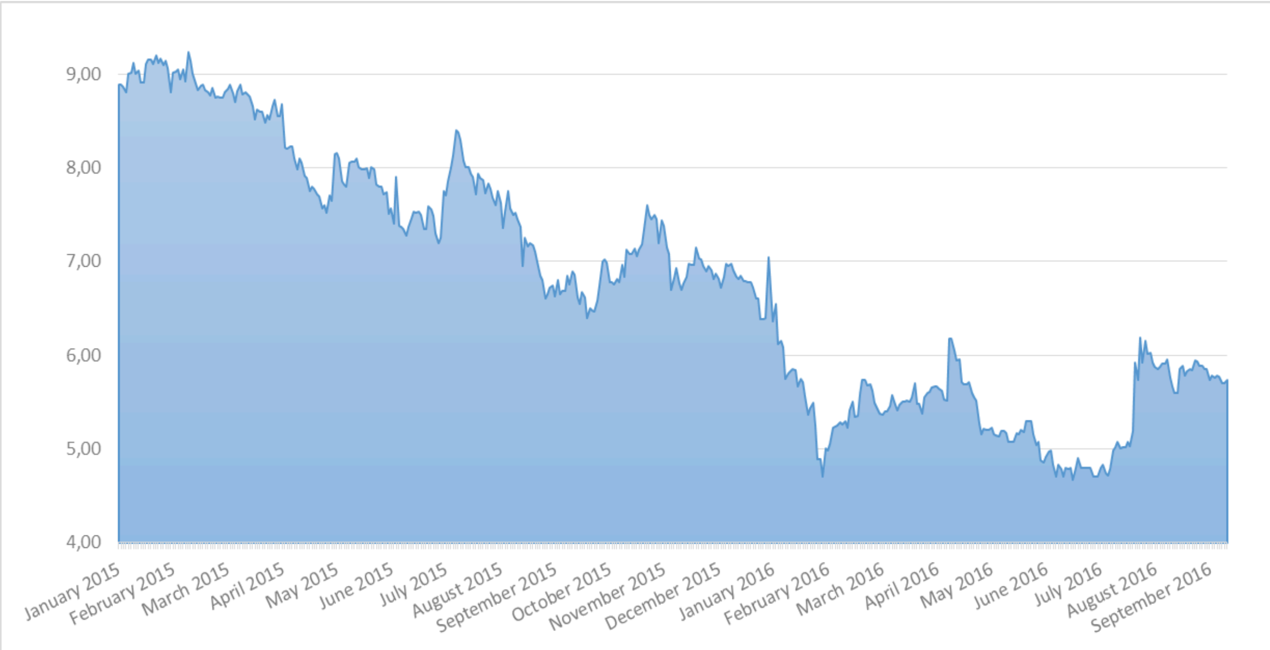
Since January 1, 2016, the share price has evolved as follows:

2. TRADING STATISTICS

The key figures related to MEDICREA shares over the past three financial periods are summarized in the table below *(source Gilbert Dupont).*

	06.30.2016 6 months	12.31.2015 12 months	12.31.2014 12 months
Share price	€4.80	€6.78	€8.70
Market capitalization	€43.2 m	€61.0 m	€73.8 m
High price	€7.04	€9.34	€10.60
Low price	€4.43	€6.31	€7.05
Average price	€5.66	€7.75	€9.10
Period change	(29.2)%	(22.07)%	(2.02)%
Number of transactions	3,121	8,776	20,512
Number of shares traded	466,161	1,638,981	3,609,057
Trading value	€2.6 m	€12.8 m	€32.5 m
Capital turnover rate	6.02%	18.76%	42.6%

Since January 1, 2015, the share price (closing price) has evolved as follows:



3. SHAREHOLDING STRUCTURE

The free float represents more than two thirds of the Group's share capital with the shareholding structure broke down as follows at June 30, 2016, in percentage of share capital and voting rights:

	% share capital	% voting rights
Investment funds	54.50%	44.36%
Founders	24.92%	35.99%
Of which Denys SOURNAC and IDS KAP	*3.00%*	*2.32%*
Of which Jean-Philippe CAFFIERO	*2.73%*	*4.08%*
Of which ORCHARD	*19.19%*	*29.59%*
Business angels	8.87%	9.81%
Employees	0.97%	1.21%
Public	10.74%	8.63%
TOTAL	100.00%	100.00%

During the first half of 2016, the Company carried out a detailed analysis of its shareholding and highlighted the following points:
- 2,500 shareholders in total.
- The leading shareholder is made up of the founding executives who together hold 25% of the share capital;
- The second largest shareholder, represented by an investment fund, holds almost 6% of the share capital;
- The 10 leading shareholders together hold 61% of the share capital. 80% of the share capital is held by 25 shareholders.

The shareholding percentages do not take into account the capital raise carried out in August 2016 which has not significantly altered the shareholding structure.

4. FINANCIAL ANALYSIS AND INFORMATION SOURCES

The brokerage firms Life Science Advisors (US), Gilbert Dupont and Invest Securities track MEDICREA's shares.

All the press releases and financial documents are available on the Group's website at the following url: www.medicrea.com, as well as on the Alternext site: www.alternext.com and on the Euronext site: www.euronext.com.

5. FINANCIAL COMMUNICATION CALENDAR

The following information has been or will be published in 2016/17:

2016 First Quarter Sales	Wednesday, April 6, 2016
2016 Half-Year Sales	Thursday, July 7, 2016
2016 Half-Year Results	Thursday, September 22, 2016
2016 Third Quarter Sales	Thursday, October 6, 2016
2016 Annual Sales	Thursday, January 12, 2017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