ANNUAL REPORT 2015

MEDICREA
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ANNUAL REPORT 2015

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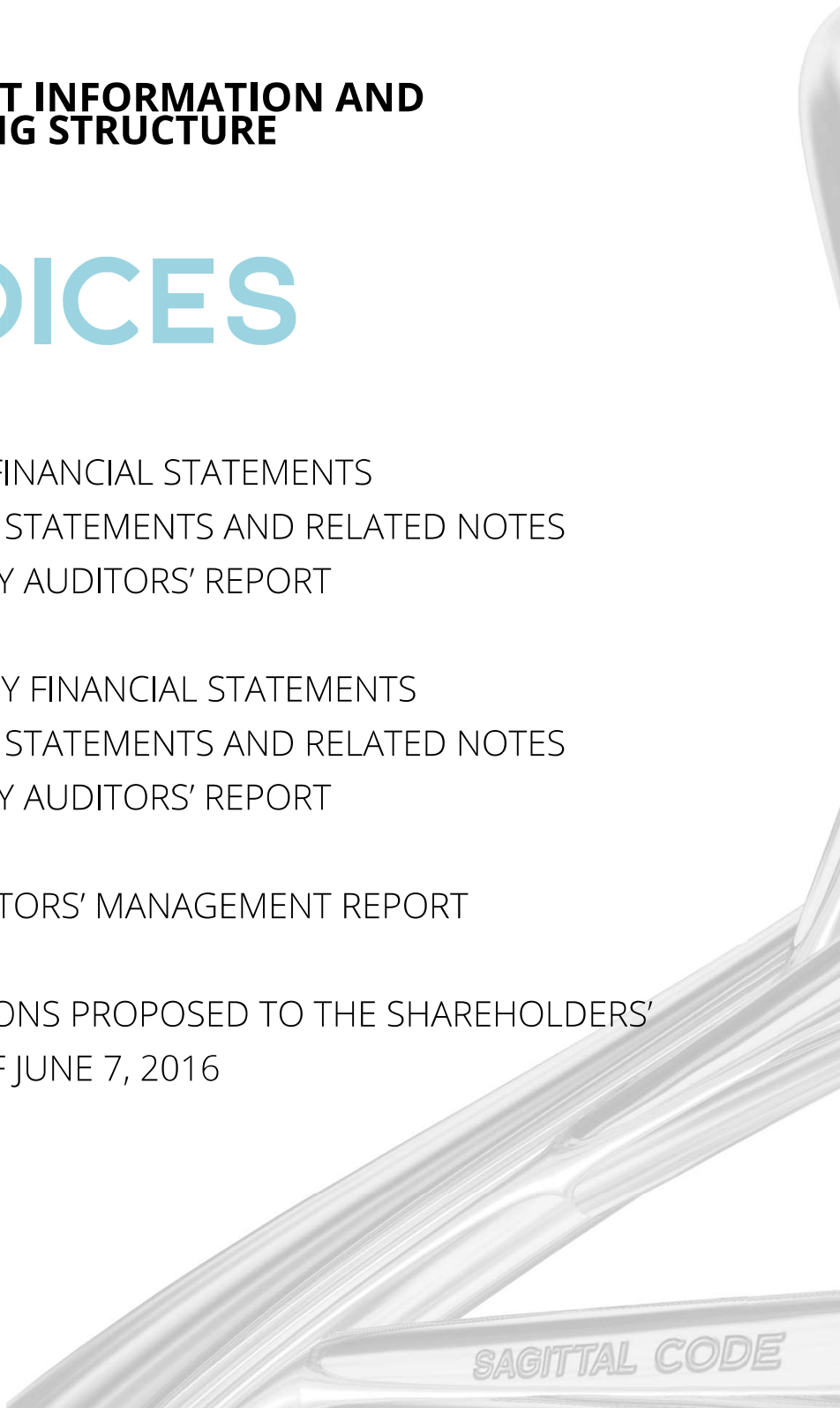

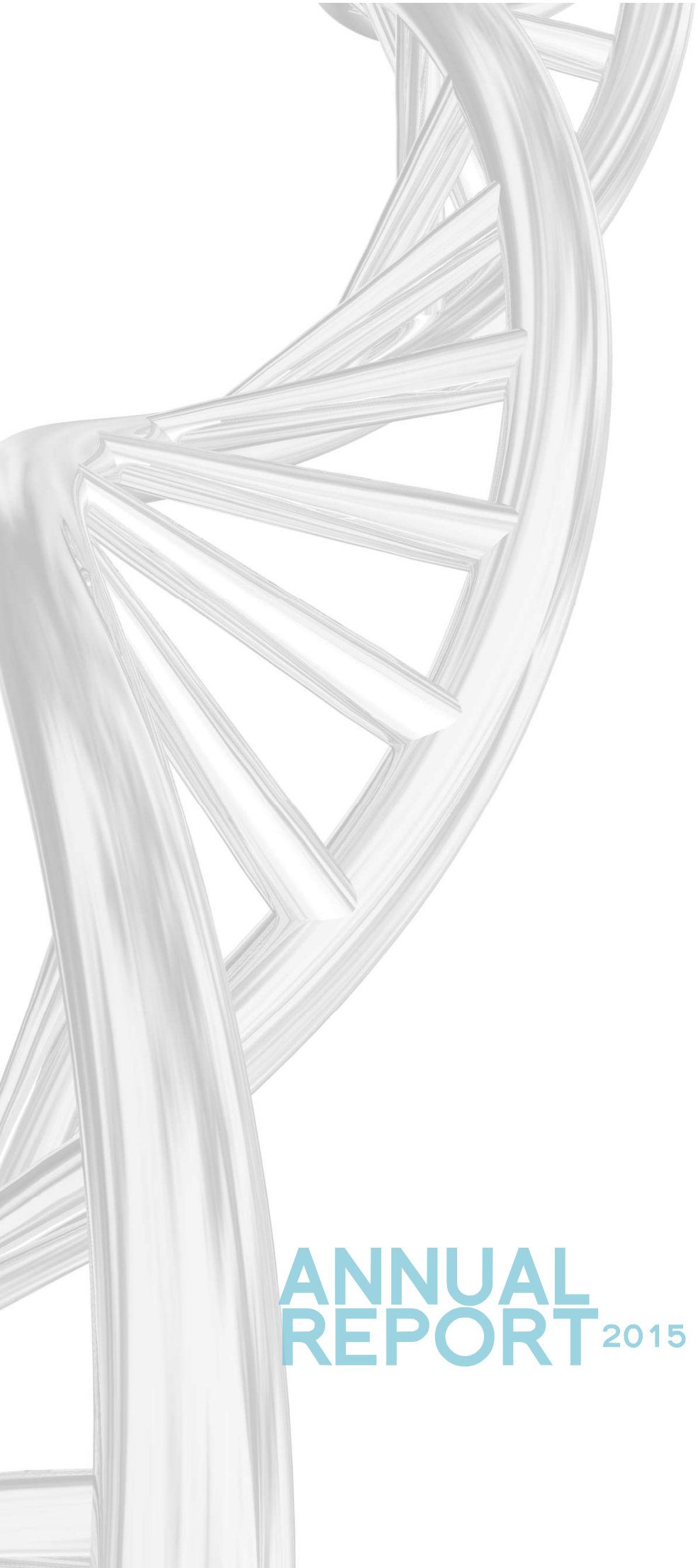

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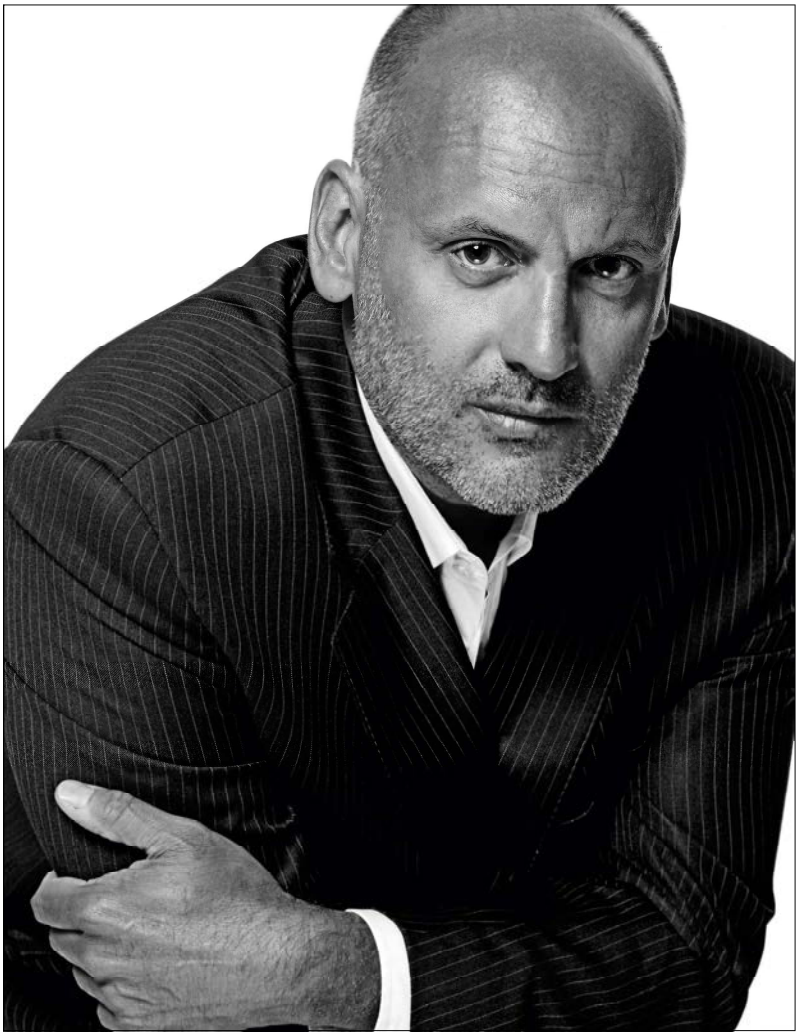
DREAM IT DO IT

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
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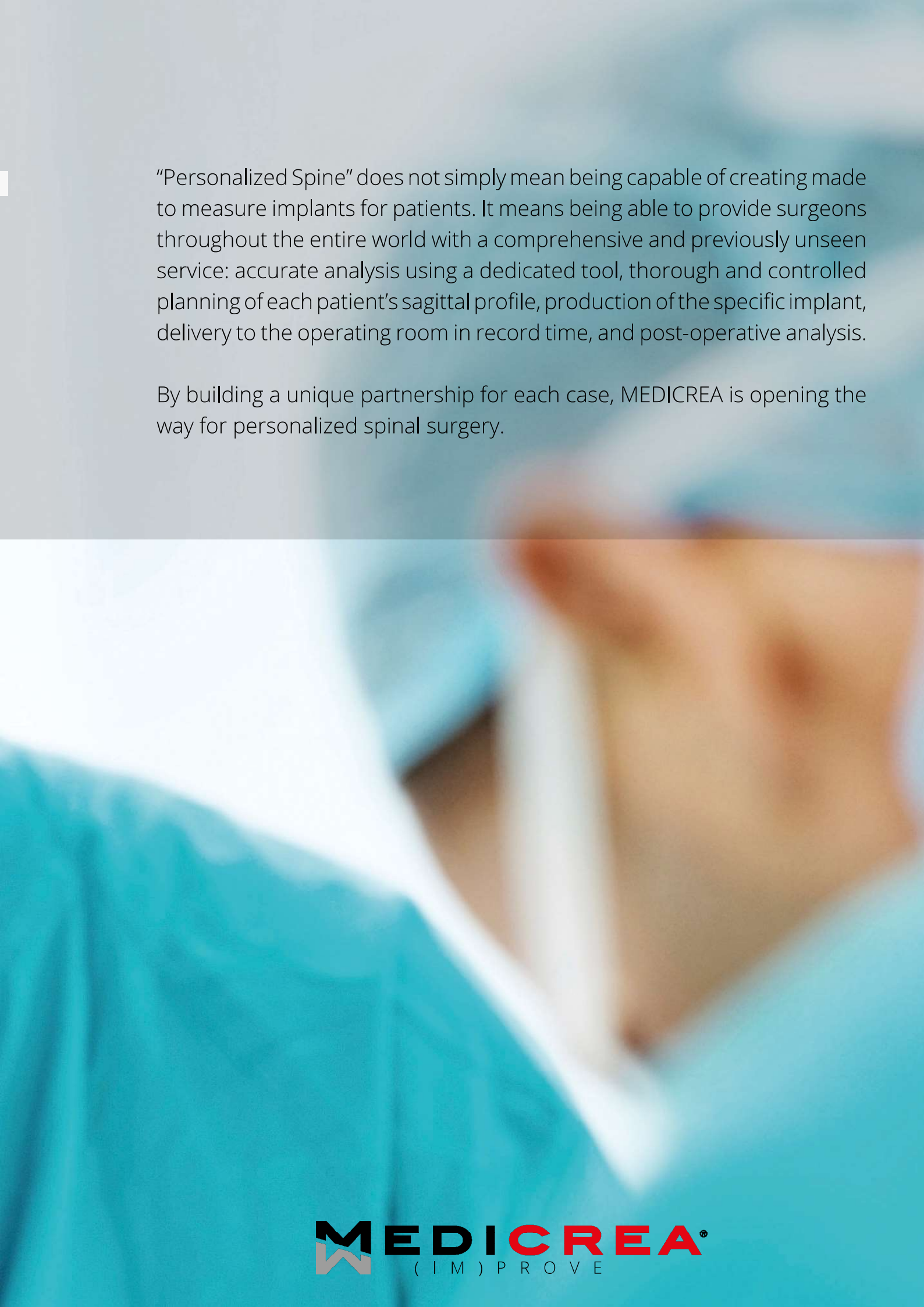
DREAM IT
DO IT
PATIENT-SPECIFIC
IMPLANTS ARE
A REALITY
medicrea.com | leading personalized spine



"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 OVERVIEW

MEDICREA (IM)PROVE

Specialized in the development and manufacture of innovative implantable solutions for the surgical treatment of spinal column pathologies, and global leader in personalized solutions for each patient, MEDICREA Group is developing in a spinal surgery market worth an estimated $11 billion, which has returned to growth following a lengthy period of stagnation.

Since 2010, the market, particularly in the US and Europe, has been suffering the after-effects of the financial and economic crisis, within a general context of reform of health policies specifically aimed at reducing the budgets of both public and private healthcare facilities. Pressure on prices orchestrated by hospitals, reductions of basic reimbursement rates made by governments, social security bodies, health insurance companies and funds, and the tightening up of certification procedures for medical devices have all impacted the development of the market. Lastly, rules on the transparency of benefits granted to healthcare professionals have been strengthened with the Sunshine Act and the Loi Bertrand recently having come into force in the United States and France respectively.

Despite these detrimental factors, the spinal surgery market is recovering and should grow at a rate of over 5% per year under the influence of several factors:

- changing demographics: aging populations, sedentary lifestyles, and an increase in the number of people who are overweight or obese, all of which favor the development of spinal pathologies;
- access to a similar level of healthcare in emerging countries to that seen in western nations;
- the development of surgical procedures thanks to the reduction in operating times, the growth of less invasive operating techniques and the advent of personalized medicine. The surgery practiced to treat spinal column pathologies is either non-instrumented or instrumented. Instrumented surgery employs two types of techniques:

- spinal fusion, which involves correcting the unstable section of the spine by connecting the vertebrae to each other using implants (screws, rods, hooks) and in some cases removing the damaged cervical or lumbar disc to replace it with cages held between the vertebrae by plates or staples;
- spinal non-fusion, which means a certain amount of mobility can be preserved by avoiding recourse to irreversible fusion of the vertebrae, notably in the event that the damaged intervertebral discs are replaced by artificial discs or prostheses.

Fusion implants represent approximately 75% of sales. The non-fusion segment represents a market share that is still limited (less than 5%) but should see significant growth rates in the future. Other technologies (vertebral stimulation, heat therapies, etc.) represent the remainder of the market, at about 20%.

MEDICREA has an extensive range of spinal implants, which has been designed to treat spinal pathologies at every level, from cervical to lumber vertebrae and sacrum, irrespective of the cause, scoliosis, malformations, degenerative diseases, trauma and tumors and which are compatible with all traditional and cutting-edge surgical procedures.

MEDICREA manufactures and markets a range of implants and instruments for the spinal fusion and non-fusion markets, made up of the following products:

- UNiD® osteosynthesis rods made to measure for each patient, a particularly innovative product that is the only one of its kind on the market to date;
- A thoraco-lumbar stabilization and fixation system, PASSLP®, complemented by recently launched innovations: LIGAPASS®, PASSMIS® and PASSOCT®;
- Interbody cages;
- Corpectomy implants;
- JAWS® compression staples, for cervical and lumbar fixation;
- GRANVIA®C cervical disc prosthesis.

The spinal column market is highly concentrated as the leading eight companies, all American, namely MEDTRONIC, DEPUY / SYNTHES, STRYKER, NUVASIVE and GLOBUS, control almost 80% of the global market. These major players offer an extensive range of products marketed throughout the world thanks to large sales forces but are nevertheless facing an erosion of their market share in favor of medium-sized competitors primarily focused on the United States (K2M and LDR) and well-placed to penetrate specific segments, or in favor of smaller independent companies, such as MEDICREA, that are making innovation the core of their strategy.

Numerous financial transactions took place in 2015 with the companies Safe Orthopaedics and SeaSpine (spinal column division of INTEGRA LIFE SCIENCES) floated on the Stock Exchange, the companies K2M, LDR and Implanet increasing share capital, expansion plans by the companies Nuvasive (new production facility and purchase of Ellipse Technologies) and Globus (acquisition of Branch Medical Group, instrument manufacturer).

MEDICREA clearly stands out as a result of its dynamism and capacity for innovation.

Enjoying a growing reputation and maintaining close relationships with visionary and innovative surgeons, the products patented and developed by MEDICREA offer new functionalities and less invasive surgical solutions while being quicker and easier to implement than traditional techniques, particularly for all types of complex spinal column surgery in adolescents and adults.

The Company has become a pioneer and global leader in the manufacture of patient-specific implants for personalized spinal surgery, with the development of a comprehensive process incorporating the software analysis of each patient, the preparatory planning of the surgical strategy, and the production of patient-specific spinal osteosynthesis rods (UNiD® rod) and lumbar interbody osteosynthesis cages (UNiD® ALIF cage) that are made to measure by a 3D printer.

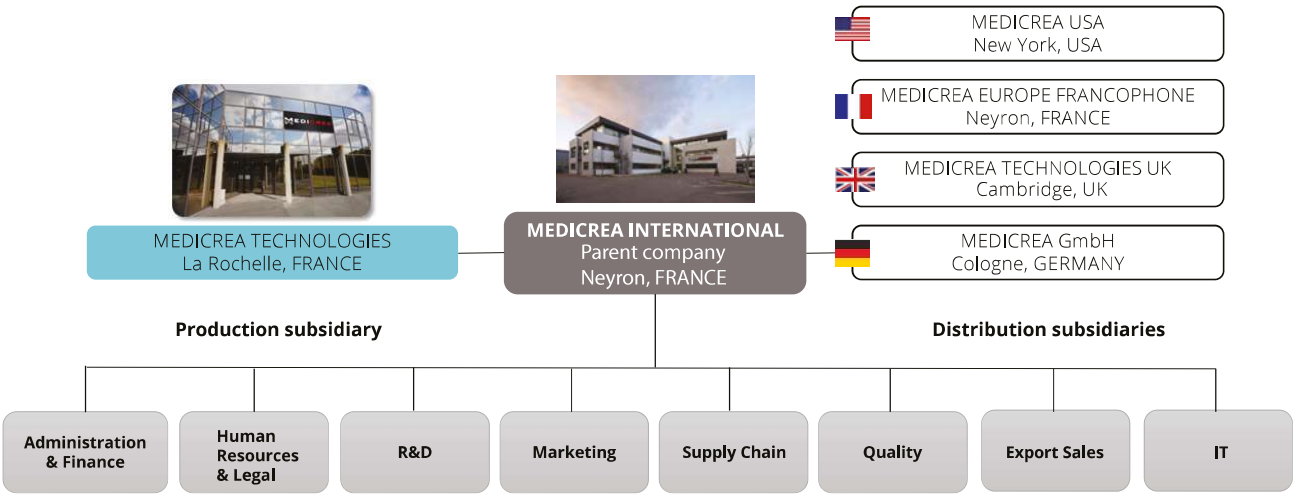
MEDICREA's IPO on the Alternext Paris market took place in June 2006 through a share capital increase via a public offering, and subsequently carried out several transactions to strengthen its equity capital. In total, the Group raised approximately €35 million which was invested in the creation of a research and development team, probably the largest in Europe in this industry, in the expansion of the range of products designed using new, exclusive materials and processes, and in the creation of autonomous distribution subsidies in key markets (United States, France, United Kingdom, and recently, Germany).

MEDICREA has increased its revenues fivefold since its IPO, with the figure standing at €27.8 million in 2015, as a result of significant investments in research and development leading to the launch of new and innovative products. Over the same period, the workforce quadrupled in size, reaching 140 people at December 31, 2015.

In 2015, MEDICREA continued with the aggressive development phase that it began in 2014. In this way, the additional margin generated over the financial year was used to strengthen teams in the different subsidiaries and to upgrade production equipment. Within this context of high investment, the Group posted substantial operating income before amortization, depreciation and provisions (EBITDA) for the sixth consecutive year.

2 THE GROUP AT A GLANCE

A. ORGANISATION



B. HISTORY

leading personalized spine

MEDICREA® TODAY

2016 650+ procedures performed with UNiD™ patient-specific implants

2015 MEDICREA reaches 30 product ranges with FDA clearances

2014
- **World's first 3D-printed patient-specific spinal implant, UNiD™ interbody device**
- UNiD patient-specific rod is **FDA cleared**
- MEDICREA brings **3D printing in-house**

2013 World's first patient-specific spinal implant, UNiD™ rod with PASS LP®

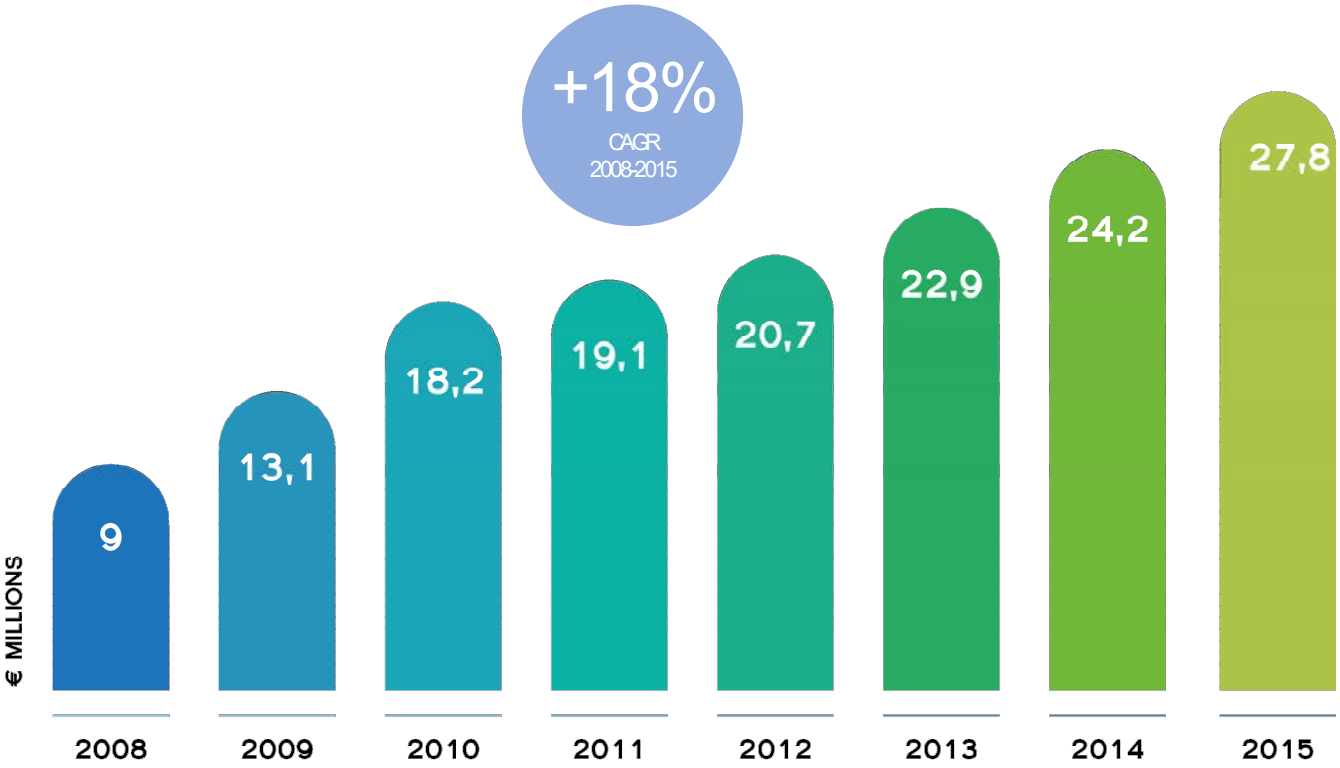
2008 PASS LP® posterior thoracolumbar system is FDA cleared

2007 MEDICREA USA direct sales subsidiary is founded

2006 MEDICREA IPO on Euronext Paris

2002 MEDICREA is founded by Denys Sournac

C. DEVELOPMENTS



D. ACHIEVEMENTS

International presence:

- 85% of sales are for export
- 4 sales subsidiaries, including one new entity in
- Germany which opened in 2015
- Distribution in 25 countries

Scientific support:

- 8 ongoing studies
- Dedicated scientific support team
- Close collaboration with opinion leaders

R&D:

- R&D effort represents almost 10% of sales
- 11 development engineers
- Healthy portfolio of patents

Extensive range:

- Range incorporating over 20 products
- Treatment of degenerative, traumatic and tumor pathologies and of major deformities
- Sustained development program

UNiD®:

- Range of implants and services for personalized spinal surgery
- 500 surgical procedures performed since FDA approval in late 2014
- 70 user surgeons
- Growing interest of surgeons and patients in this personalized treatment

E. PRODUCT RANGES

MEDICREA stands out as a result of its dynamism and capacity for innovation. Enjoying a growing reputation and maintaining close relationships with visionary and innovative surgeons, the products patented and developed by the Company offer new functionalities and less invasive surgical solutions while being quicker and easier to implement than traditional techniques, particularly for all types of complex spinal column surgery in adolescents and adults.

The Company's development is driven by the following threefold objective: offering long-term relief to patients, improving operating comfort for surgeons and reducing procedure time thanks to unique expertise.

An extensive range of products treating all pathologies

MEDICREA has an extensive range of spinal implants designed to treat spinal pathologies at every level, from cervical to lumber vertebrae and sacrum, irrespective of the cause, scoliosis, malformations, degenerative diseases, trauma and tumors and which are compatible with all traditional and cutting-edge surgical procedures, such as minimally-invasive surgery for example. MEDICREA offers both fusion and non-fusion spinal implants, across several ranges, as follows:

1. CERVICAL

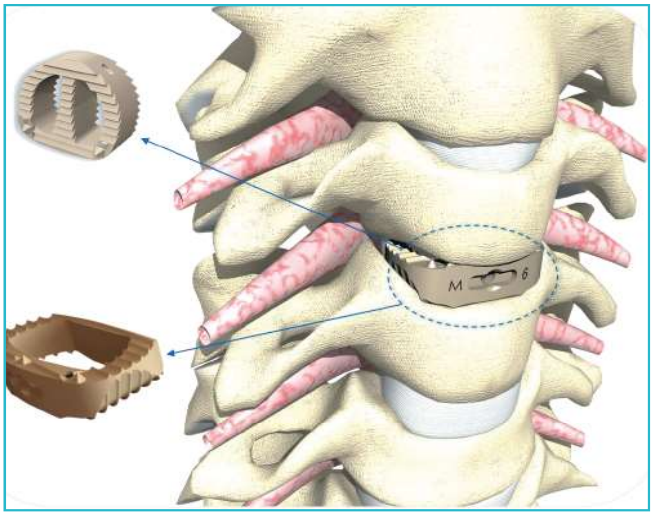
CERVICAL range

MEDICREA offers an extensive range of implants for the cervical spine:

a. IMPIX-C® and IMPIX MANTA® cervical cages

The role of these interbody cages is to replace damaged intervertebral discs in the cervical region. MEDICREA offers two types of anatomical design:

- IMPIX-C® dome-shaped cages with a central rail;
- IMPIX-MANTA® cages with a beveled profile.



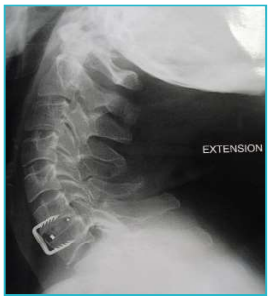
Both these ranges allow disc height and lordosis to be restored and offer very good stability within the intervertebral area. The cages are supplied sterile, with single-use instrumentation, and exist in a version pre-filled with a synthetic bone substitute under the names IMPIX-C+® and IMPIX-MANTA+®.

More than 14,500 IMPIX® cervical cages have been implanted to date.

All standard cages are CE-marked and FDA-approved. The pre-filled cages are CE-marked.

b. C-JAWS® et K-JAWS® compression staples

C-JAWS® is a unique cervical osteosynthesis system allowing interbody implants to be fully stabilized. The compression then applied by the staple stimulates and accelerates bone fusion. Easy to use, its fitting reduces operating time by up to 90% in comparison with the fitting of a traditional cervical plate.



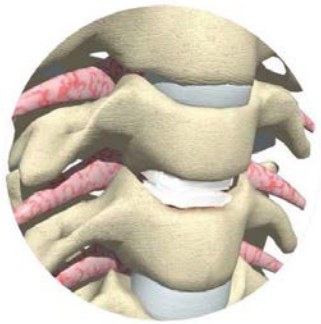
K-JAWS® is made up of a C-JAWS® staple and an IMPIX-C® interbody fusion cage. The K-JAWS® implant is less invasive and quicker to fit than any other cervical plate on the market. Its principle of fixation by the compression of two adjacent vertebrae, around the previously inserted interbody fusion cage, provides excellent stability thanks to the axial location of the compressive forces, in the vertebral bodies of the cervical spine.

C-JAWS® and K-JAWS® are CE-marked and FDA-approved.

c. GRANVIA® C disc prosthesis (non-fusion)

GRANVIA® C is the only cervical prosthesis on the market that respects the physiological differentiated centers of rotation and is entirely designed in ceramic thereby meaning it is fully MRI compatible. The spinal column's natural mobility is preserved and shocks are absorbed thanks to this prosthesis. Highly resistant and completely stable, it is very easy for surgeons to use.

GRANVIA® C is CE-marked.



2. LUMBAR AND THORACO-LUMBAR

PASS® range

The PASS® range is characterized by a comprehensive and very versatile polyaxial spinal system, known as Low Profile. Its unique concept enables the rod to be connected at a distance from the spine, minimizing the strain applied and the pressure thanks to a unique surgical technique, irrespective of the indication or the surgical approach.

a. PASS LP®: MEDICREA 's flagship product

The PASS LP® range represented 71% of the Group's sales in 2015. To date, almost 15,000 PASS LP® surgical procedures have been performed worldwide.

A standard for the treatment of spinal column deformities (scoliosis, traumatology, spondylisthesis, etc.), PASS LP® is the thoraco-lumbar fixation system that uses the lowest profile on the market and enables 3 dimensional correction according to the ST2R (Simultaneous Translation on 2 Rods) technique. It is particularly indicated for the reduction of adolescent idiopathic scoliosis and is ideally suited to pediatric indications.

The product offers numerous benefits:

- connection to the spine at distance: the connection of the rod is facilitated as it is performed using anchorages with threaded extension and flexible guides, without the need for complicated rod persuaders;
- load distribution: the ST2R technique enables pressure to be distributed across the entire structure, and as such, correction to take place gradually;
- optimum safety: there is a lower risk of the device breaking off or tearing away due to the reduced pressure at the interface with the bone, thanks to the innovative design of the implants and the surgical technique;
- user friendliness: Use by the surgeon in the operating room is made easy thanks to compact, optimized and tailored instrumentation. One container of implants and two of instruments allow all the various indications to be covered.

PASS LP® is CE-marked and FDA-approved.

b. LigaPASS®

The LigaPASS® 2.0 range provides fixation systems using flexible bands in thoraco-lumbar posterior position, with a wide variety of connectors specifically tailored to meet clinical requirements. LigaPASS® offers the assurance of secure fixation no matter how complex the surgical case with the following benefits:

- stability comparable to that offered by a pedicle screw;
- capacity to perform derotation / translation by following the ST2R technique;
- optimum bone/implant contact surface;
- secure technique with single and dual band options;
- additional fixation point on existing constructs;
- ideal component for cases of deformity and revision.

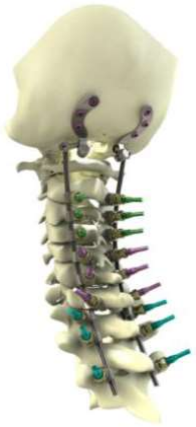
LigaPASS® is CE-marked and FDA-approved.

c. PASS OCT®

MEDICREA has developed a occipito-cervico-thoracic (OCT) fixation system for the posterior surgical treatment of traumatic and degenerative pathologies of the upper cervical and thoracic column.

Le PASS OCT® was developed to offer surgeons posterior stabilization of the upper section of the spinal column and to promote the fusion of the occipito-cervical junction.

The range is comprised of polyaxial screws and hooks, modular occipital plates, rods, and occipital screws and connectors.



d. PASS Antérieur®

As an extension of the PASS LP® system, MEDICREA has also developed a range of specific implants enabling surgery using an anterior approach. In this way, PASS Antérieur® offers all the advantages of PASS LP®, high quality anchoring and polyaxiality, minimal profile and connection of the rod at distance from the spinal column for this type of fitting. Specific connectors are tailored to single and dual rod constructs.

PASS Antérieur® is CE-marked and FDA-approved.

THORACO-LOMBAIRE range

MEDICREA offers an extensive range of implants for the thoracic and lumbar spine: interbody cages, lumbosacral plates and bone substitutes.

a. IMPIX® lumbar cages

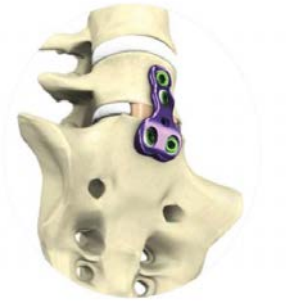
The role of these interbody cages is to replace damaged intervertebral discs in the lumbar region. Their purpose is to perform interbody fusion and restore disc height. MEDICREA offers a range of lumbar cages that enable compatibility with patients' different anatomies as well as the various surgical techniques, with post-operative visualization of the bone fusion process.

The types of IMPIX® cages include:

- ALIF (Anterior Lumbar Interbody Fusion), lumbar interbody fusion cage for anterior approach
- TLIF (Trans Lumbar Interbody Fusion), lumbar interbody fusion cage for transforaminal approach
- DLIF/OLIF (Direct Lateral / Oblique Lumbar Interbody Fusion), lumbar interbody fusion cage for lateral / oblique approach
- PLIF (Posterior Lumbar Interbody Fusion), lumbar interbody fusion cage for posterior approach

The IMPIX® lumbar cages are CE-marked and FDA-approved.

b. STABOLT® anterior lumbosacral plate



STABOLT® is an anatomically shaped L5-S1 anterior plate allowing an angled insertion of screws and benefiting from an integrated screw locking system. This system offers a range of triangular and low profile designs to ensure perfect compatibility in different anatomies, thereby respecting the lumbosacral angle specific to each patient as well as the surrounding vascular structures.

The implant is CE-marked and FDA-approved.

c. Osmosys®

Osmosys® is a highly macroporous bone substitute made up of 60% HAP (hydroxyapatite) for its excellent mechanical properties and 40% βTCP (tricalcium phosphate) for good resorption.

Osmosys® is CE-marked and FDA-approved.

F. INNOVATIONS

Personalized medicine: a strategic development priority

Personalized medicine: a new era in the treatment of pathologies

Personalized medicine is an innovative concept which is gradually becoming one of the biggest challenges of tomorrow's medicine. Better understanding the pathologies of each patient thanks to increasingly accurate diagnostic testing means that patients can be guided toward using this or that treatment, and to avoid others, all in relation to identical clinical symptoms. For the first time, each patient is considered to be unique and can receive the treatment with the best chance of being effective.

There are many different definitions of personalized medicine: "providing the right treatment to the right patient at the right dose at the right time," according to the European Union, or "Healthcare that is informed by each person's unique clinical, genetic and environmental information," according to the American Medical Association, but in every case it is about finding the ideal diagnostic / patient combination.

The development of patient-specific medicine is primarily related to the scientific advances made possible by modern calculation software 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 manufacturers of therapeutic solutions 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. Manufacturers and healthcare professionals will be able to define a rational treatment strategy that will produce better clinical success rates and greater satisfaction thanks to a better understanding of the patient and the factors contributing to their condition. The cost incurred for the treatment will then be reduced.

In recent years, navigation techniques have been developed in the field of spinal surgery in order to assist surgeons during pedicle navigation, resulting in the improved reliability of the operating procedure by taking into account the specific anatomy of the patient. Despite these advances, no specifically designed and manufactured device was implanted.

MEDICREA decided to integrate this policy with a patient-specific approach. With its patient-specific rods and 3D implants, the Group has become a leading player in personalized medicine and is a pioneer in the spinal field, offering surgeons a previously unseen mix of innovative products and comprehensive services for spinal surgery that is perfectly tailored to the patient. MEDICREA has developed a complete process integrating the software analysis of each patient, the advance planning of the operating strategy and the production of patient-specific spinal osteosynthesis rods (UNiD® rod), lumbar interbody fusion osteosynthesis cages (UNiD® ALIF cage) and corpectomy implants (CARYATID®).

UNiD®, the first patient-specific rod

Spinal deformities in adults are increasingly common globally where they affect millions of patients. Not only do they affect function and self-esteem, but they can also become quite debilitating and cause serious pain. Originally reserved for serious pathologies, the term "deformity" now refers to an abnormality of the spino-pelvic alignment in the sagittal plane: degenerative indications in pediatric conditions such as adolescent idiopathic scoliosis or spondylolisthesis, and including an extensive range of adult spinal deformities.

These deformities are corrected thanks to the fitting of, among other components, a rod that acts as a support to the spinal column. The curvature of this rod according to a specific angle and shape will be key to the success of the patient's surgery and treatment.

Keen to optimize post-operative spino-pelvic realignment, several authors have suggested mathematical formulae to help in surgical planning. Despite well-documented techniques, in a significant number of patients the correction following surgery has proved to be insufficient and can require a further procedure.

A study carried out on patients who underwent a transpedicular lumbar osteotomy shows that 42% of them have an insufficient correction in relation to an optimum restoration of their vertical axis. Similarly, for 22% of patients who underwent a thoracic pedicular subtraction osteotomy, post-operative spino-pelvic recovery did not give the best results.

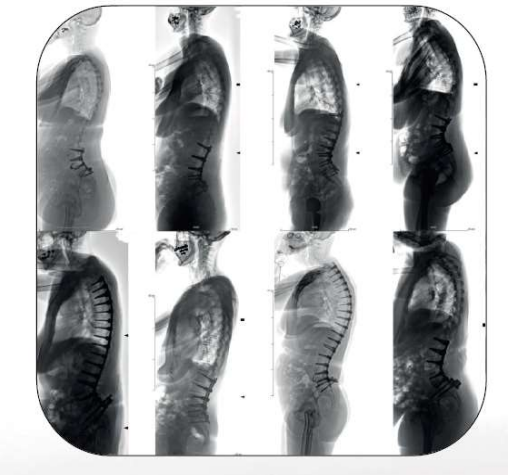
From a practical viewpoint, there are two main reasons for the failure of the realignment: poor surgical planning and poor execution. An analysis shows that, even with the correct planning, in over 75% of cases, the correction achieved on the patients is insufficient. Not only is it almost impossible to manually contour a rod to the appropriate curvature (what the surgeon must do in the operating room when using a traditional rod) but the available tools contribute to a reduction in the rod's resistance.

In order to address this problem that is faced by the majority of surgeons, MEDICREA's research and development teams have worked to provide the most appropriate solution possible and in this way have developed UNiD® patient-specific rods. These rods are a unique and innovative solution and are perfectly tailored to the problems encountered during the procedure by surgeons. With an easy to use software package, the surgeon plans their operation and simulates the sagittal parameters of their patient. MEDICREA receives the order from the surgeon and produces a patient-specific rod that is perfectly tailored to the patient. The implantable support designed and manufactured for a given patient forms part of the treatment plan specific to the surgeon.

UNiD® is a comprehensive solution including a software application and a real-time support unit allowing surgeons to analyze, plan, design and order ahead of surgery, pre-contoured patient-specific rods enabling the surgical plan to be carried out and the sagittal balance specific to each patient to be restored extremely accurately. This technology means the final, manual and approximate step, which involves the surgeon contouring the rods by hand in the operating room during surgery, can be eliminated.

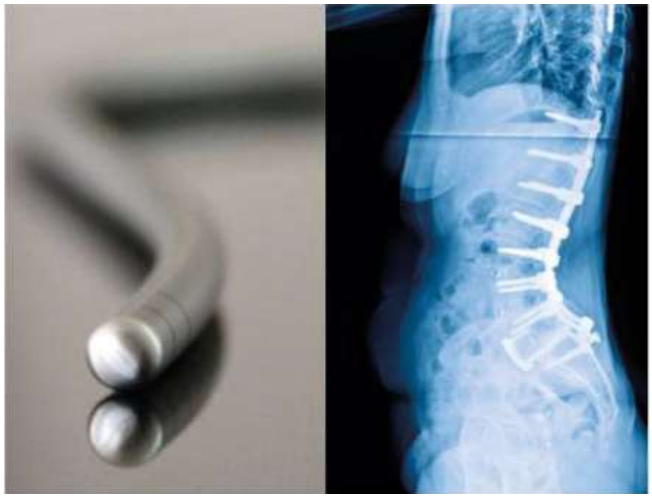
The pre-contoured patient-specific UNiD® rod is a universal implant available in the global market's two alloys and two standard diameters. It is part of the range of implants that makes up the thoraco-lumbar fixation system, PASS LP®. UNiD® rods represent a major innovation offering numerous benefits:

- likelihood of realigning the sagittal plane is maximized;
- risk of the rod breaking is minimized;
- operating time is reduced.



UNiD® is a comprehensive service rather than a product, which favorably replaces non pre-contoured standard rods, with the price set on markets that value innovation strongly, such as the United States, at a significantly higher price than traditional rods. It also allows working capital requirements to be better optimized primarily in its inventory index, since rods are specifically produced and contoured on demand.

By the end of March 2016, UNiD® patient-specific rods had been fitted in patients in the US, France, Belgium and the UK. UNiD® adoption by surgeons has been swift – since FDA approval on November 10, 2014, almost 250 surgical procedures have been completed in the United States using a MEDICREA patient-specific rod.
In France, almost 400 patients have received this particular implant.



Patient-specific 3D printed corpectomy cages and implants

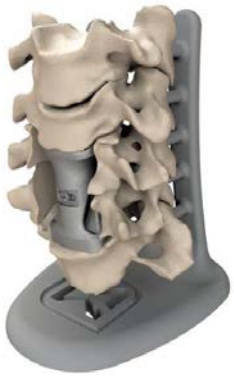
Among the implants offered that are intended for use in spinal surgery are interbody cages, whose role is to replace the damaged intervertebral disc in the cervical or lumbar region, and corpectomy implants, whose role is to replace one or more vertebral bodies (at least one vertebra and two vertebral discs).

These two types of implant are now available on the market, in either titanium or PEEK (Polyether ether ketone), but only in standard sizes. The specific anatomy of the patient operated on is therefore only partially taken into account when the size is selected. Driven by the same objective as for the patient-specific UNiD® rods, namely providing a solution that is perfectly tailored to the uniqueness of every human body, MEDICREA is working on the development of patient-specific corpectomy cages and implant.

To date, MEDICREA is the only company in the world that has achieved the feat of designing, producing and implanting in several patients interbody cages and corpectomy implants that were custom designed and produced from 3D printing technology. The first patient-specific cage manufactured in PEKK via a 3D printer was thus implanted on May 28, 2014 at Jean Mermoz Hospital in Lyon.

LThe patient-specific implant, designed from the 3D reconstruction of the patient's scans, is then adjusted to the anatomical parameters of the area to be operated on (morphology of the vertebral endplates and angulation of the spinal column), which offers two major benefits:

- a reconstruction of the spinal column taking account of the overall sagittal parameters;
- improved bone/implant contact thanks to optimum support on the vertebral endplates reducing the risk of the implant subsiding.



MEDICREA's aim is to produce implants with a trabecular porous structure. Integration of the porosity will lead to ever closer replication of the specifics of the human body – the interior of vertebrae has an alveolar type structure. Regrowth and therefore bone adhesion will thus be facilitated and patient recovery following the operation will be accelerated. The material used will be titanium as it is extremely well tolerated by the human body, is already widely used in the manufacture of spinal implants, and is requested by surgeons.

MEDICREA will not only supply a product, but also an analysis, imaging and expert service that supports the surgeon in the design of the corpectomy cage or implant, which is perfectly tailored to their patient thanks to a specific software package and a process developed by the Company's research and development team.

The production of these implants can only be done using traditional resources (machining, turning, etc.) but requires the use of an innovative technology: additive manufacturing, i.e. three dimensional printing. This technology is the only one which enables:

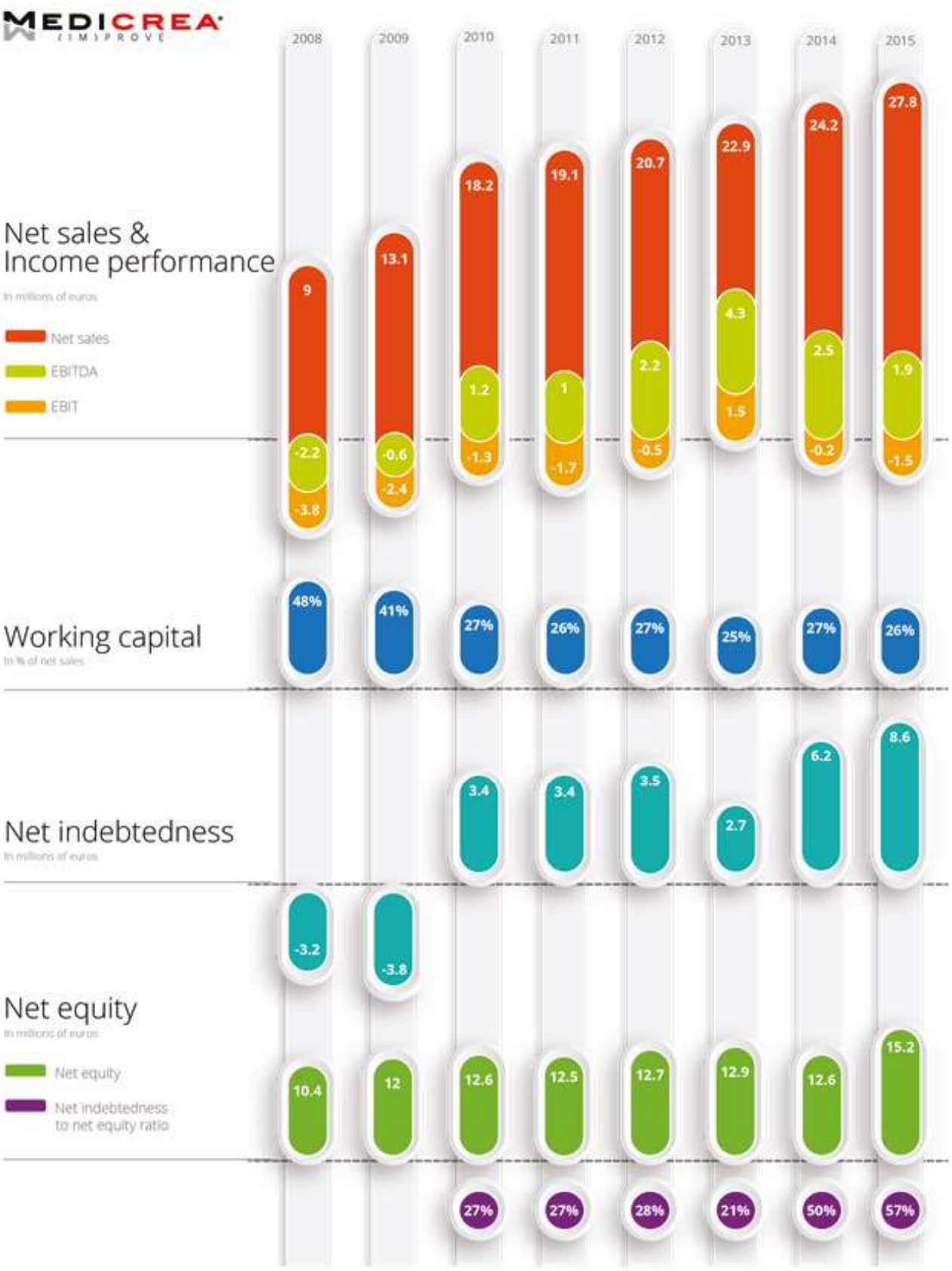
- specific shapes and pieces whose internal structure is porous to be produced;
- the shape to be changed each time it is produced and therefore unique pieces to be produced without the entire manufacturing process needing to be modified;
- production within a very short space of time.

From an operational standpoint, this production technique should also enable implant inventory levels to be reduced. Production in smaller batches immediately becomes possible, rendering a buffer inventory unnecessary, and design modifications have no impact on production times and costs.

In order to successfully complete it, the Group invested significant resources in the project and bought a 3D printer during the 2014 fiscal year with the aim of launching these new implants in late 2016.

By investing in production using patient-specific 3D printing, MEDICREA is developing an expertise that to date none of its rivals possesses, and is therefore leading the field. In this way, the Group is bringing a totally innovative solution to the corpectomy implant market and aims to become a leader in this niche segment. It is also offering major developments on the far larger interbody cage market.

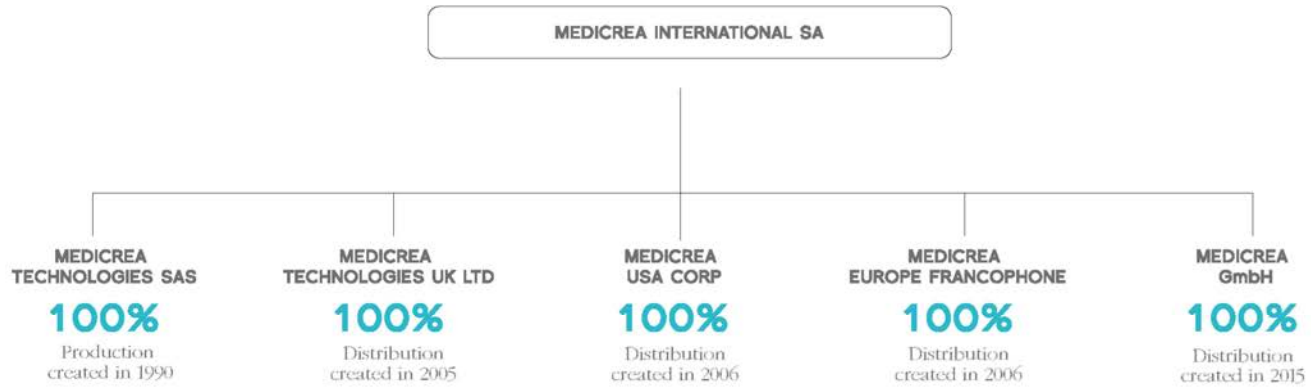
G. KEY INDICATORS



3 GOVERNANCE

1. LEGAL STRUCTURE

At December 31, 2015, MEDICREA Group was structured as follows:



- MEDICREA INTERNATIONAL, Parent company, based in Neyron, near Lyon, houses the following activities - executive management, export distribution, marketing, research and development, and clinical and scientific trial monitoring, as well as the administrative and financial functions for the Group's various entities;
- MEDICREA TECHNOLOGIES, based in La Rochelle, oversees the exclusive manufacture of spinal implants and instruments distributed by marketing companies. It also exercises an ancillary activity from the Neyron site repairing motors for surgical devices. It is wholly owned by MEDICREA INTERNATIONAL;
- MEDICREA TECHNOLOGIES UK, based in Cambridge, distributes the Group's products in the United Kingdom. It is wholly owned by MEDICREA INTERNATIONAL;
- MEDICREA USA, based in New York, distributes the Group's products in the United States. It is wholly owned by MEDICREA INTERNATIONAL;
- MEDICREA EUROPE FRANCOPHONE, based in Neyron, markets the Group's products in France and certain European countries. It is wholly owned by MEDICREA INTERNATIONAL.
- MEDICREA GmbH, based in Cologne, has been marketing the Group's products in Germany since July 2015. It is wholly owned by MEDICREA INTERNATIONAL.

2. MANAGEMENT BODIES

The Group defines its strategy, oversees its management and monitors the proper functioning of all its operations through the following decision making bodies:

Board of Directors

It safeguards the interests of the Company and its shareholders and ensures that the decisions taken are implemented by the leadership team. The guiding principles for the Board's operation are set by rules adopted in October 2006. It met five times during the 2015 financial year, with an 82.5% attendance rate among its directors.

At December 31, 2015, the Board was made up of the following members:
Denys SOURNAC, Chairman and CEO
Jean Philippe CAFFIERO, Deputy CEO
Patrick BERTRAND, Director
Christophe BONNET, Director
Pierre BUREL, Director
Jean Joseph MORENO, Director
François Régis ORY, Director
Marc RECTON, Director

The total attendance fees paid to members of the Board of Directors in 2015, in respect of 2014, stood at €48,000 excluding the €9,600 "forfait social" (corporate social contribution) paid directly by the Company. This amount was renewed for the 2015 financial year.

Ad Hoc Committee

Under the supervision of the Board of Directors, this committee determines and recommends the amounts of and procedures governing the services provided by ORCHARD INTERNATIONAL of which Denys SOURNAC and Jean Philippe CAFFIERO are shareholders, and ensures that they are on arms' length terms. It is chaired by Christophe BONNET, assisted by François Régis ORY and Jean Joseph MORENO, all of whom are members of the Board of Directors.

Other committees reporting directly to the Board of Directors may be set up as and when required by the Group's expansion and increasing size.

Strategy Committee

Set up in September 2010, this committee determines the Company's strategy and general policy in accordance and compliance with the decisions taken and major policies adopted by the Board of Directors and decides on the resources and means needed to achieve the defined objectives. Its members are as follows:

Denys SOURNAC, Chairman and Chief Executive Officer
Nadège BOURDOIS, VP Human Resources and Legal
Fabrice KILFIGER, Chief Financial Officer
David RYAN, VP Product Development and Marketing

The Committee meets as often as is deemed necessary, determined by the Company's expansion and changes in its activity.

Management Committee

The Management Committee brings together the Group's various operational divisions. It is responsible for implementing the strategy and general policies, managing all projects, assessing progress and taking any necessary corrective action. It meets each quarter and its members are as follows:

Denys SOURNAC, Chairman and Chief Executive Officer
Philippe ALARDO, VP Quality and Regulatory Affairs
Didier BONDIL, VP Operations
Nadège BOURDOIS, VP Human Resources and Legal
Rodolphe DAGNAUD, VP International
Fabrice KILFIGER, Chief Financial Officer
Thomas MOSNIER, Chief Scientific Officer
Pierre Laurent RAVIS, Chief Information Officer
David RYAN, VP Product Development and Marketing

4 STOCK MARKET INFORMATION AND SHAREHOLDING STRUCTURE

1. STOCK MARKET INFORMATION

MEDICREA has been listed on Alternext Paris since June 26, 2006, ISIN Code FR 0004178572, Ticker ALMED. The share was launched at €7.94 and has been listed continuously since February 2007.

The MEDICREA share is 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.
The main trading statistics relating to the security over the last three years may be summarized as follows:

	31.12.2015	31.12.2014	31.12.2013
Number of shares at December 31	8,987,588	8,496,452	8,467,505
High price	9.34	10.60	9.49
Low price	6.31	7.05	6.00
Average price for the period	7.75	9.10	8.20
Price at December 31	6.78	8.70	8.88
Market capitalization at December 31	€61 m	€74 m	€75 m
Number of transactions	8,776	20,512	16,700
Trading volume	1,638,981	3,609,057	2,219,000
Capital turnover rate	18.2%	42.6%	26.2%

Changes in the share price during 2015 were as follows:

2. SHAREHOLDING STRUCTURE

The Company accurately identified all its shareholders via an IBS (Identifiable Bearer Security survey) completed on March 31, 2016. This IBS 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 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.

3. LIQUIDITY CONTRACT AND LISTING SPONSOR

In order to stimulate trading, the security is covered by a market-making contract entered into with the brokerage firm Gilbert Dupont, renewable annually by tacit agreement and compliant with the French Financial Markets Association (AMAFI) ethics code. Gilbert Dupont also acts as Listing Sponsor.

4. FINANCIAL ANALYSIS

The brokerage firms Life Science Advisors (US), Gilbert Dupont and Invest Securities track the share

5. 2016 FINANCIAL COMMUNICATION CALENDAR

Financial publications will be submitted after market. The calendar below is provided for information only and may be subject to change:

2015 Annual Results and 2016 First Quarter Sales	Wednesday, April 6, 2016
Annual Shareholders' Meeting	Tuesday, June 7, 2016
2016 Half-Year Sales	Thursday, July 7, 2016
2016 Half-Year Results	Thursday, September 8, 2016
2016 Third Quarter Sales	Thursday, October 6, 2016
2016 Annual Sales	Thursday, January 12, 2017

6. INFORMATION AND DOCUMENTATION SOURCES

Annual Financial Report published within four months of the financial year end, available on request from the Company's registered office, and which can be downloaded from its website www.medicrea.com

Legal documents, Bylaws, Statutory Auditors' Reports, minutes from shareholders' meetings are all available to consult at no cost and on request at the Company's registered office

Company website www.medicrea.com detailing the main information about the market, businesses, products, news, press releases and financial data

Alternext website www.alternext.com providing all the regulated and mandatory financial information published by the Company

Person responsible for information

Denys SOURNAC, Chairman and Chief Executive Officer
Fabrice KILFIGER, Chief Financial Officer

Tel: + 33(0)4 72 01 87 87

dsournac@medicrea.com
fkilfiger@medicrea.com

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- STATUTORY AUDITORS' REPORT

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- FINANCIAL STATEMENTS AND RELATED NOTES
- STATUTORY AUDITORS' REPORT

III. BOARD OF DIRECTORS' MANAGEMENT REPORT

IV. DRAFT RESOLUTIONS PROPOSED TO THE SHAREHOLDERS' MEETING OF JUNE 7, 2016

CONSOLIDATED FINANCIAL STATEMENTS IFRS STANDARDS

AT DECEMBER 31, 2015

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1. ACTIVITY

MEDICREA Group specializes in the design, manufacture and distribution of innovative proprietary technologies devoted exclusively to spinal surgery. It has an extensive range of spinal implants designed to treat all spinal pathologies, from cervical to lumbar vertebrae, mainly comprising the following products:

- UNiD® osteosynthesis rods made to measure for each patient, a particularly innovative product that is the only one of its kind on the market to date;
- A thoraco-lumbar stabilization and fixation system, PASSLP®, complemented by recently launched innovations: PASSMIS®, LIGAPASS® and PASSOCT®;
- Interbody cages;
- JAWS® compression staples, for cervical and lumbar fixation;
- GRANVIA®C cervical disc prosthesis, as well as a lumbar version currently being developed.

The Group distributes its products in more than 25 countries via an external distribution network made up of companies and exclusive independent distribution agents. As part of an overall strategy with the aim of controlling delivery processes, reinforcing the impact of the technical and marketing messages conveyed, and capturing an ever greater share of gross margin, the Group relies on four marketing subsidiaries for its key markets, namely the United States MEDICREA USA in New York), France (MEDICREA EUROPE FRANCOPHONE in Neyron), the United Kingdom (MEDICREA TECHNOLOGIES UK in Cambridge) and, since 2015, Germany (MEDICREA GMBH in Cologne).

MEDICREA INTERNATIONAL, the parent company, and MEDICREA TECHNOLOGIES, production subsidiary based in La Rochelle, complete the Group structure.

2. FISCAL YEAR HIGHLIGHTS

The following are the highlights of the 2015 fiscal year:

2.1 Market and environment

2015 was characterized by the following:

1/ There was continued pressure on pricing from hospitals, on repayment conditions from social security institutions and mutual insurance funds, and on market access conditions for medical devices from health authorities. A further price reduction of 3% was applied in France on October 1, 2015.

2/ Numerous transactions took place with the companies Safe Orthopaedics and SeaSpine (spinal column division of INTEGRA LIFE SCIENCES) floated on the Stock Exchange, the companies K2M, LDR and Implanet increasing share capital, expansion plans by the companies Nuvasive (new production facility and purchase of Ellipse Technologies) and Globus (acquisition of Branch Medical Group, instrument manufacturer).

2.2 Results and performance

In 2015, a 15% increase in sales was recorded in comparison with the previous year. The Group confirmed that it is now a leading player in France with sales growth there of 23% in relation to 2014, due in particular to the interest shown by surgeons in the UNiD® innovations and the related personalized implants platform. Commercial investments made in 2014 resulted in the opening of new export markets primarily in Eastern Europe and South America in 2015. The United States, which is the leading and priority market, generated 60% of total sales.

Gross margin grew €2.2 million in comparison with 2014. Investments in new industrial equipment and the rollout of the new UNiD™ platform, not yet offset by further productivity gains and the expected increase in sales volumes, account for a temporary fall in the gross margin rate (79% in 2015 versus 81% in 2014), which nevertheless remains one of the best in the sector.

The proactive development phase launched in 2014 continued in 2015. MEDICREA used the additional margin generated to strengthen its teams in the various subsidiaries and upgrade its production facility. Within this context of high investment, the Group posted a substantial operating income before amortization, depreciation and provisions (EBITDA) for the sixth consecutive year.

2.3 Products

The Group has become a pioneer and global leader in the manufacture of patient-specific implants for personalized spinal surgery, with the development of a comprehensive process incorporating the software analysis of each patient, the preparatory planning of the surgical strategy, and the production of patient-specific spinal osteosynthesis rods (UNiD® rod) and lumbar interbody osteosynthesis cages (UNiD® ALIF cage) that are made to measure by a 3D printer.

In 2015, MEDICREA concentrated its efforts on the development and promotion of this innovative solution. Since marketing of the UNiD® patient-specific rods began and FDA approval was secured in late 2014, almost 500 surgical procedures have been performed in Europe and the United States. By the end of December 2015, 70 surgeons had made use of UNiD® services, 20 of whom were regular users.

The Group has also continued to develop its range of standard implants:

- In April 2015, the LigaPASS® 2.0 system, a sub-laminar band connector technology for posterior thoraco-lumbar spinal anchoring, was launched in the United States.

This new generation technology includes numerous improvements and its use has now been extended to young patients (over the age of 10 suffering from idiopathic and neuromuscular scoliosis) as well as adults.

- PASS MIS®, designed for minimally invasive surgery, was finally launched on the French market and PASS Degen®, specifically developed for degenerative pathologies, was marketed in the United States.

2.4 Research & development

The Group is actively working both to expand its range of implants with the development of a highly innovative "tulip" type screw which will allow it to serve the highly important degenerative spinal indications market, and to develop manufacturing processes for intervertebral cages and titanium 3D printed corpectomy implants. The Group firmly believes that computer-assisted patient-specific surgery is the most appropriate solution to spinal column pathologies, a view that has been confirmed by the growing interest manifested in its solutions not only by surgeons, but also by patients.

2.5 Organization

The Group continued to strengthen its teams in 2015 by recruiting 12 people, mainly in the Research & Development and Marketing Departments. Greg Rhinehart's arrival as Vice-President of Sales in the United States marks a very significant step in the development of the US subsidiary.

An additive manufacturing center using titanium 3D printing and a comprehensive prototyping unit have been integrated into the production facility. A new distribution subsidiary has also been opened in Germany, which is the leading spinal market in Europe.

The Group has begun construction of a new site in Rillieux La Pape - Vancia (69), that it will take over as tenant from the fourth quarter of 2016, and which will house the head office and production facility currently located in La Rochelle, which will close when this transfer takes place. Employees at the La Rochelle site have been informed of this decision and a support plan will be offered to them to help with their relocation to the Lyon region.

Lastly, the implementation of a new ERP was successfully completed on July 1 2015 providing the Group with better management of flows, and the coordination of its operations within an environment shared by all its subsidiaries.

2.6 Financing

A share capital increase of €3.5 million via private placement was completed in June 2015. The purpose of this issue was to strengthen commercial resources, launch the new marketing subsidiary in Germany and rebalance the "debt to equity" ratio.

Medium-term loans totaling €4 million were set up and bonds of €2 million were issued in 2015 Their purpose is to fund working capital requirements and a latest generation machinery base including a prototyping center installed in Neyron in late 2014.

Industrial equipment was also purchased through a finance lease, notably a machining unit, for €0.8 million.

3. CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2015

3.1 CONSOLIDATED INCOME STATEMENT

€	Notes	Total IFRS 12.31.2015	Total IFRS 12.31.2014
Net sales	4.1	27,757,300	24,204,255
Cost of sales	4.2	(5,954,091)	(4,562,692)
Gross margin		21,803,209	19,641,563
Research & development costs		(983,892)	(1,379,692)
Sales & marketing expenses		(13,217,792)	(10,807,749)
Sales commissions		(3,109,005)	(2,591,696)
General and administrative expenses		(5,955,974)	(4,993,452)
Other operating income and expenses	4.5	(85,155)	(71,970)
Operating income before share-based payments		(1,548,609)	(202,996)
Share-based payments		(45,218)	(79,422)
Operating income after share-based payments		(1,593,827)	(282,418)
Cost of net financial debt	10.4	(328,738)	(188,182)
Other financial (expenses) / income	10.4	99,408	(229,576)
Tax (charge) / income	12.1	307,851	(349,713)
Consolidated net income		(1,515,306)	(1,049,889)
Attributable to the Group		(1,515,306)	(1,022,923)
Attributable to minority interests		-	(26,966)

Net earnings per share	14.2	(0.17)	(0.12)
Diluted net earnings per share	14.2	(0.17)	(0.12)

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

3.2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€	Total IFRS 12.31.2015	Total IFRS 12.31.2014
Attributable to the Group	(1,515,306)	(1,022,923)
Translation adjustment	711,254	682,657
Total comprehensive income attributable to the Group	(804,052)	(340,266)
Attributable to minority interests	-	(26,966)
Total comprehensive income	(804,052)	(367,232)

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

3.3 CONSOLIDATED BALANCE SHEET

€	Notes	Total IFRS 12.31.2015	Total IFRS 12.31.2014
Goodwill	6.1	2,637,014	2,633,541
Intangible assets	6.5	4,901,518	3,970,394
Property, plant and equipment	6.5	7,012,731	5,481,290
Non-current financial assets	6.5	686,901	418,701
Deferred tax assets	12.2	1,021,671	602,597
Total non-current assets		**16,259,835**	**13,106,523**
Inventories	7	7,018,645	6,331,266
Trade receivables	8	4,709,894	4,381,333
Other current assets	8	2,902,154	2,302,642
Cash and cash equivalents	10.1.3	2,168,215	1,181,506
Total current assets		**16,798,908**	**14,196,747**
Total assets		**33,058,743**	**27,303,270**

€	Notes	Total IFRS 12.31.2015	Total IFRS 12.31.2014
Share capital	14	1,438,030	1,357,025
Issue, merger and contribution premiums	14	37,635,654	34,353,357
Consolidated reserves	14	(22,320,502)	(22,065,987)
Group net income for the year	14	(1,515,306)	(1,022,923)
Total shareholders' equity		**15,237,876**	**12,621,472**
Conditional advances	10.1.2	403,750	455,000
Non-current provisions	9	460,933	336,485
Deferred tax liabilities	12.2	324,098	715,371
Long-term financial debt	10.1.1	7,156,452	3,921,022
Total non-current liabilities		**8,345,233**	**5,427,878**
Current provisions	9	30,888	11,126
Short-term financial debt	10.1.1	3,270,073	3,048,845
Other current financial liabilities		10,575	25,102
Trade payables	11	4,055,971	4,180,347
Other current liabilities	11	2,108,127	1,988,500
Total current liabilities		**9,475,634**	**9,253,920**
Total shareholders' equity and liabilities		**33,058,743**	**27,303,270**

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

3.4 CONSOLIDATED CASH FLOW STATEMENT

€	Total IFRS 12.31.2015	Total IFRS 12.31.2014
Consolidated net income	**(1,515,306)**	**(1,049,889)**
Property, plant and equipment depreciation and intangible asset amortization	3,135,346	2,504,610
Provisions for impairment	543,446	(200,547)
Proceeds from sale of non-current assets	424,087	449,654
Share-based payments	45,218	79,422
Change in deferred taxes	(810,347)	127,733
Corporate tax	(976,587)	(537,689)
Cost of net financial debt	328,738	188,182
Self-financing capacity	**1,174,595**	**1,561,476**
Change in inventories and work in progress	1,028,268	(1,004,250)
Change in trade receivables	(386,908)	(1,006,618)
Change in trade payables and liabilities relating to non-current assets	(124,376)	1,904,101
Change in other receivables and payables	506,289	332,074
Cash flow from working capital requirement	**(1,033,263)**	**225,307**
Taxes paid / refunded	(9,587)	(250,535)
Net cash flow from operating activities	**131,745**	**1,536,248**
Acquisition of non-current assets	(5,896,896)	(5,061,716)
Disposal of non-current assets	-	120
Impact of changes in scope	-	(46,106)
Government grants received / (repaid)	(51,250)	(118,612)
Net cash flow from investment activities	**(5,948,146)**	**(5,226,314)**
Share capital increase	3,590,607	154,474
Proceeds from new borrowings	6,801,271	4,053,041
Repayment of borrowings	(3,178,129)	(1,357,625)
Interest paid	(299,674)	(152,178)
Other movements	(38,645)	84,403
Net cash flow from financing activities	**6,875,430**	**2,782,115**
Translation effect on cash and cash equivalents	(16,467)	(58,642)
Other movements	115,577	98,547
Change in cash and cash equivalents	**1,158,139**	**(868,046)**
Cash and cash equivalents - beginning of year	**633,376**	**1,501,422**
Cash and cash equivalents - end of year	**1,791,515**	**633,376**

Positive cash balances - beginning of year	1,181,506	1,839,129
Positive cash balances - end of year	2,168,215	1,181,506
Change in positive cash balances	**986,709**	**(657,623)**
Negative cash balances - beginning of year	(548,130)	(337,707)
Negative cash balances - end of year	(376,700)	(548,130)
Change in negative cash balances	**171,430**	**(210,423)**
Change in cash and cash equivalents	**1,158,139**	**(868,046)**

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

3.5 CHANGE IN CONSOLIDATED SHAREHOLDERS' EQUITY

€	Number of shares	Share capital	Reserves	Shareholders' equity Group share	Minority interests	Consolidated shareholders' equity
SHAREHOLDERS' EQUITY - 12.31.2013	**8,469,505**	**1,355,121**	**11,725,617**	**13,080,738**	**(140,607)**	**12,940,131**
Share capital increase	11,900	1,904	49,403	51,307	-	51,307
2014 comprehensive income	-	-	(340,266)	(340,266)	(26,966)	(367,232)
Stock options and free shares	-	-	79,422	79,422	-	79,422
Other movements	-	-	(249,729)	(249,729)	167,573	(82,156)
SHAREHOLDERS' EQUITY - 12.31.2014	**8,481,405**	**1,357,025**	**11,264,447**	**12,621,472**	**-**	**12,621,472**
Share capital increase	506,281	81,005	3,315,897	3,396,902	-	3,396,902
2015 comprehensive income	-	-	(804,052)	(804,052)	-	(804,052)
Stock options and free shares	-	-	45,218	45,218	-	45,218
Other movements	-	-	(21,664)	(21,664)	-	(21,664)
SHAREHOLDERS' EQUITY - 12.31.2015	**8,987,686**	**1,438,030**	**13,799,846**	**15,237,876**	**-**	**15,237,876**

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

3.5.1 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 2015 fiscal year were approved by the Board of Directors on April 4, 2016.

They will be submitted for approval at the Shareholders' General Meeting of June 7, 2016.

NOTE 1: ACCOUNTING PRINCIPLES

1.1 Accounting framework

The financial statements of MEDICREA Group at December 31, 2015 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 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.

The annual financial statements have been prepared in accordance with the going concern principle, assessed in light of the Group's capacity to meet its cash flow requirements over the next 12 months linked to its operations, its investments and the repayment of its short-term financial liabilities, while generating positive self-financing capacity.

1.2 Standards, amendments and interpretations which are mandatory in 2015

The new standards, amendments and interpretations, which are mandatory as of the fiscal year beginning January 1, 2015, have no material impact on the Group's consolidated financial statements. In particular, the retrospective application of IFRIC 21 "Levies", which specifies the criteria for recognizing a liability related to the payment of taxes, other than corporate income tax, had no material impact on earnings and the consolidated financial position for the 2015 fiscal year.

1.3 Standards, amendments and interpretations which will be mandatory after 2015

IAS 19 amendment relating to the recognition of employee contributions to post-employment schemes will be applicable in 2016. Its reflection in the consolidated financial statements will have no material impact.

The effects of applying IFRS 15 on the accounting of sales, applicable 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.

1.4 Other changes to standards

The Group does not apply IFRS standards that have not been approved by the European Union at the year-end date.

The Group is currently considering the development of the proposed IAS 16 standard relating to the recognition of leases.

NOTE 2: SCOPE OF CONSOLIDATION

2.1 Consolidation method

Consolidation is based on the statutory financial statements, prepared at December 31, 2015, of the various legal entities comprising the Group.

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 (entity created in 2015).

Control and interest percentages at December 31, 2015 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%

The company MEDICREA GMBH, a company incorporated under German law, was created in late April 2015 and its share capital of €100,000 was paid up in July 2015.

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 generally 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 December 31, 2015, the change in the translation adjustment recognized in Shareholders' equity - Group share is analyzed by currency as follows:

€	12.31.2015	12.31.2014
US Dollar	620,248	603,700
Pound Sterling	91,006	78,957
Total	**711,254**	**682,657**

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 December 31, 2015, 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 eventual disposal.

At December 31, 2015, the Group was not aware of any changes in estimates having a significant impact on 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:

	12.31.2015		12.31.2014		12.31.2013	
	€	%	€	%	€	%
France	4,699,723	17%	3,862,765	16%	3,279,445	14%
United States	16,341,872	59%	13,995,488	58%	12,306,533	54%
United Kingdom	833,170	3%	1,163,251	5%	1,378,951	6%
Rest of the world	5,882,535	21%	5,182,751	21%	5,891,293	26%
of which Europe	*3,109,911*		*2,738,360*		*2,130,920*	
of which South America	*1,591,836*		*1,412,172*		*2,063,393*	
of which Asia	*840,304*		*892,179*		*1,192,950*	
of which Oceania	*81,372*		*97,877*		*193,126*	
of which Middle East and Africa	*259,112*		*42,163*		*310,904*	
Total	27,757,300	100%	24,204,255	100%	22,856,222	100%

3.2 2015 income statement by geographic region

€	France	United States	United Kingdom	Germany	Rest of the world	Total IFRS 12.31.2015
Net sales	**4,699,723**	**16,341,872**	**833,170**	**-**	**5,882,535**	**27,757,300**
Cost of sales	(1,366,474)	(1,682,966)	(109,092)	-	(2,795,559)	(5,954,091)
Gross margin	**3,333,249**	**14,658,906**	**724,078**	**-**	**3,086,976**	**21,803,209**
Research & development costs	(833,404)	(150,488)	-	-	-	(983,892)
Sales & marketing expenses	(3,712,532)	(6,985,818)	(726,279)	(170,429)	(1,622,734)	(13,217,792)
Sales commissions	(35,182)	(3,073,823)	-	-	-	(3,109,005)
General and administrative expenses	(3,928,962)	(1,706,499)	(203,481)	(35,058)	(81,974)	(5,955,974)
Other operating income and expenses	(85,155)	-	-	-	-	(85,155)
Operating income before share-based payments	**(5,261,986)**	**2,742,278**	**(205,682)**	**(205,487)**	**1,382,268**	**(1,548,609)**
Share-based payments	-	(45,218)	-	-	-	(45,218)
Operating income after share-based payments	**(5,261,986)**	**2,697,060**	**(205,682)**	**(205,487)**	**1,382,268**	**(1,593,827)**
Cost of net financial debt	(328,738)	-	-	-	-	(328,738)
Other financial (expenses) / income	91,508	7,497	403	-	-	99,408
Tax (charge) / income	207,057	496,681	(247,129)	-	(148,758)	307,851
Consolidated net income	**(5,292,159)**	**3,201,238**	**(452,408)**	**(205,487)**	**1,233,510**	**(1,515,306)**
Attributable to the Group	**(5,292,159)**	**3,201,238**	**(452,408)**	**(205,487)**	**1,233,510**	**(1,515,306)**

3.3 2014 income statement by geographic region

€	France	United States	United Kingdom	Rest of the world	Total IFRS 12.31.2014
Net sales	**3,862,765**	**13,995,488**	**1,163,251**	**5,182,751**	**24,204,255**
Cost of sales	(918,722)	(1,061,114)	(163,468)	(2,419,388)	(4,562,692)
Gross margin	**2,944,043**	**12,934,374**	**999,783**	**2,763,363**	**19,641,563**
Research & development costs	(1,229,146)	(150,546)	-	-	(1,379,692)
Sales & marketing expenses	(3,568,746)	(5,464,175)	(784,336)	(990,492)	(10,807,749)
Sales commissions	68,684	(2,660,380)	-	-	(2,591,696)
General and administrative expenses	(3,523,604)	(1,216,521)	(217,858)	(35,469)	(4,993,452)
Other operating income and expenses	(71,970)	-	-	-	(71,970)
Operating income before share-based payments	**(5,380,739)**	**3,442,752**	**(2,411)**	**1,737,402**	**(202,996)**
Share-based payments	(5,334)	(74,088)	-	-	(79,422)
Operating income after share-based payments	**(5,386,073)**	**3,368,664**	**(2,411)**	**1,737,402**	**(282,418)**
Cost of net financial debt	(219,546)	23,452	6,913	999	(188,182)
Other financial (expenses) / income	186,943	21,026	(2,162)	(435,383)	(229,576)
Tax (charge) / income	(75,965)	(366,438)	1,526	91,164	(349,713)
Consolidated net income	**(5,494,641)**	**3,046,704**	**3,866**	**1,394,182**	**(1,049,889)**
Attributable to the Group	**(5,467,675)**	**3,046,704**	**3,866**	**1,394,182**	**(1,022,923)**
Attributable to minority interests	**(26,966)**	**-**	**-**	**-**	**(26,966)**

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 2015 balance sheet by geographic region

€	France	United States	United Kingdom	Germany	Rest of the world	Total IFRS 12.31.2015
Goodwill	2,637,014	-	-	-	-	2,637,014
Intangible assets	4,630,813	270,705	-	-	-	4,901,518
Property, plant and equipment	4,879,518	1,750,008	283,713	10,829	88,663	7,012,731
Non-current financial assets	317,340	349,491	-	20,070	-	686,901
Deferred tax assets	324,098	716,202	(18,629)	-	-	1,021,671
Total non-current assets	**12,788,783**	**3,086,406**	**265,084**	**30,899**	**88,663**	**16,259,835**
Inventories	1,177,184	5,396,274	445,187	-	-	7,018,645
Trade receivables	1,438,202	2,328,732	119,026	-	823,934	4,709,894
Other current assets	1,848,445	982,970	29,032	38,829	2,878	2,902,154
Cash and cash equivalents	1,492,742	483,435	113,598	78,440	-	2,168,215
Total current assets	**5,956,573**	**9,191,411**	**706,843**	**117,269**	**826,812**	**16,798,908**
Total assets	**18,745,356**	**12,277,817**	**971,927**	**148,167**	**915,475**	**33,058,743**

€	France	United States	United Kingdom	Germany	Rest of the world	Total IFRS 12.31.2015
Share capital	1,438,030	-	-	-	-	1,438,030
Issue, merger and contribution premiums	37,635,654	-	-	-	-	37,635,654
Consolidated reserves	(31,044,617)	7,714,819	1,204,133	239,347	(434,184)	(22,320,502)
Group net income for the year	(5,292,159)	3,201,238	(452,408)	(205,487)	1,233,510	(1,515,306)
Total shareholders' equity	**2,736,908**	**10,916,057**	**751,725**	**33,860**	**799,326**	**15,237,876**
Conditional advances	403,750	-	-	-	-	403,750
Non-current provisions	460,933	-	-	-	-	460,933
Deferred tax liabilities	324,098	-	-	-	-	324,098
Long-term financial debt	7,156,452	-	-	-	-	7,156,452
Total non-current liabilities	**8,345,233**	**-**	**-**	**-**	**-**	**8,345,233**
Current provisions	17,110	13,778	-	-	-	30,888
Short-term financial debt	3,270,073	-	-	-	-	3,270,073
Other current financial liabilities	10,575	-	-	-	-	10,575
Trade payables	2,705,150	988,410	167,726	87,565	107,120	4,055,971
Other current liabilities	1,660,307	359,572	52,476	26,743	9,029	2,108,127
Total current liabilities	**7,663,215**	**1,361,760**	**220,202**	**114,308**	**116,149**	**9,475,634**
Total shareholders' equity and liabilities	**18,745,356**	**12,277,817**	**971,927**	**148,167**	**915,475**	**33,058,743**

3.5 2014 balance sheet by geographic region

€	France	United States	United Kingdom	Rest of the world	Total IFRS 12.31.2014
Goodwill	2,633,541	-	-	-	2,633,541
Intangible assets	3,848,307	121,997	90	-	3,970,394
Property, plant and equipment	3,460,921	1,569,863	213,910	236,596	5,481,290
Non-current financial assets	297,905	120,796	-	-	418,701
Deferred tax assets	648,966	(221,821)	175,452	-	602,597
Total non-current assets	**10,889,640**	**1,590,835**	**389,452**	**236,596**	**13,106,523**
Inventories	5,293,199	853,001	185,066	-	6,331,266
Trade receivables	1,084,857	2,347,757	238,655	710,064	4,381,333
Other current assets	2,091,166	182,163	29,313	-	2,302,642
Cash and cash equivalents	950,029	42,451	189,026	-	1,181,506
Total current assets	**9,419,251**	**3,425,372**	**642,060**	**710,064**	**14,196,747**
Total assets	**20,308,891**	**5,016,207**	**1,031,512**	**946,660**	**27,303,270**

€	France	United States	United Kingdom	Rest of the world	Total IFRS 12.31.2014
Share capital	1,357,025	-	-	-	1,357,025
Issue, merger and contribution premiums	34,353,357	-	-	-	34,353,357
Consolidated reserves	(23,337,437)	1,010,827	856,464	(595,841)	(22,065,987)
Group net income for the year	(5,467,675)	3,046,704	3,866	1,394,182	(1,022,923)
Total shareholders' equity	**6,905,270**	**4,057,531**	**860,330**	**798,341**	**12,621,472**
Conditional advances	455,000	-	-	-	455,000
Non-current provisions	336,485	-	-	-	336,485
Deferred tax liabilities	715,371	-	-	-	715,371
Long-term financial debt	3,921,022	-	-	-	3,921,022
Total non-current liabilities	**5,427,878**	**-**	**-**	**-**	**5,427,878**
Current provisions	11,126	-	-	-	11,126
Short-term financial debt	3,048,845	-	-	-	3,048,845
Other current financial liabilities	25,102	-	-	-	25,102
Trade payables	3,140,081	805,980	89,908	144,378	4,180,347
Other current liabilities	1,750,589	152,696	81,274	3,941	1,988,500
Total current liabilities	**7,975,743**	**958,676**	**171,182**	**148,319**	**9,253,920**
Total shareholders' equity and liabilities	**20,308,891**	**5,016,207**	**1,031,512**	**946,660**	**27,303,270**

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	12.31.2015	12.31.2014	12.31.2013
Industrial and commercial property rights	397,325	290,467	277,271
Other intangible assets	993,328	925,277	869,608
Buildings	3,854	1,722	361
Plant, machinery and tools, instruments	1,408,203	1,012,884	1,082,829
Other property, plant and equipment	332,636	274,260	142,614
Total	**3,135,346**	**2,504,610**	**2,372,683**

Impairment	12.31.2015	12.31.2014	12.31.2013
Plant, machinery and tools	-	-	(11,000)
Inventories	340,889	(225,269)	436,242
Trade receivables	58,347	8,858	(96,417)
Total	**399,236**	**(216,411)**	**328,825**

Amortization and depreciation charges are analyzed as follows:

€	12.31.2015	12.31.2014	12.31.2013
Cost of sales	328,120	225,973	191,306
Research & development and patent costs	1,418,203	1,213,760	1,137,965
Sales & marketing expenses	1,051,529	817,511	784,199
General and administrative expenses	337,494	247,366	259,213
Total	3,135,346	2,504,610	2,372,683

4.3 Royalties

Royalties paid to certain designer surgeons 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.

This item primarily comprises provision charges and reversals recognized as part of salary disputes and related lawyer's fees, capital gains and losses on non-current asset disposals, and gains and losses from the unwinding of exchange rate hedges relating to commercial transactions.

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:

	12.31.2015	12.31.2014	12.31.2013
Executives	72	67	58
Supervisors - Employees	68	61	51
Total	140	128	109
of which France	*102*	*90*	*74*
of which United Kingdom	*6*	*5*	*7*
of which United States	*30*	*33*	*28*
of which Germany	*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 €468,043 at December 31, 2015, compared with €347,611 at December 31, 2014. Movements are analyzed as follows:

€	12.31.2015
Actuarial liability at 12.31.2014	347,611
Service cost in operating income	*60,262*
Net financial expense	*7,385*
Plan change (1)	*46,624*
Charge for the year in respect of defined benefit plans	114,271
Actuarial gains and losses	6,161
Actuarial liability at 12.31.2015	468,043

(1) Amendment to the French import-export national collective agreement

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 €6.56*	€6.32	€6.14 €6.28*	€9.10 €11.44*	€8.77	€9.10	€6.67
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) One third of options have been exercisable since January 17, 2015, one third will be from January 17, 2016 and one third will be from January 17, 2017.

(3) One third of options have been exercisable since April 28, 2015, one third from April 28, 2016 and one third will be from 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, 133,956 options had lapsed at December 31, 2015. In addition, 37,521 options had been exercised (15,147 in 2014 and 22,374 in 2015). Accordingly, the number of options outstanding at December 31, 2015 was 229,338.

- **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 2015, the number of free shares allocated is 94,283, after cancelation of 19,001 shares.

5.4.2 Change in the number of outstanding securities

Transactions in share-based payment instruments in the 2015 fiscal year 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 12.31.14	**240,212**	**2.89**	**7.21**	-	-	-
- allocated	12,000	6.67	6.67	-	-	-
- canceled	500	1.59	6.14	-	-	-
- lapsed	-	-	-	-	-	-
- exercised (1)	22,374	2.18	6.15	-	-	-
Balance at 12.31.15	**229,338**	**2.36**	**7.29**	-	-	-

(1) 22,374 stock options have been exercised in 2015. The corresponding capital increase was only recorded for 5,698 options at December 31, 2015.

For the 2014 fiscal year, these transactions can be 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 12.31.13	**228,359**	**3.53**	**6.89**	**11,800**	**0.46**	**0.46**
- allocated	30,000	5.24	9.10	-	-	-
- canceled	3,000	0.26	6.64	-	-	-
- lapsed	-	-	-	-	-	-
- exercised (2)	15,147	2.32	6.11	(1) 11,800	0.46	0.46
Balance at 12.31.14	**240,212**	**2.89**	**7.21**	-	-	-

(1) corresponds to free shares granted to American and British employees in 2010
(2) 15,147 stock options have been exercised at December 31, 2014.

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 (€)	2015 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	52,500	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	27,500	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	8	30
03.27.2014	Option	30,000	9.10	9.15	0%	35%	2.33%	3.02	33	91
09.03.2015	Option	12,000	6.67	6.47	0%	33%	0.37%	1.76	4	21
TOTAL		361,142							45	1,353

This table does not take account of the 37,521 stock options exercised in 2014 and 2015.

The number of instruments in circulation may be broken down as follows:

Number	12.31.15
Number of options outstanding	229,338
Number of free shares allocated	94,283
Number of options exercised	37,521
Number of outstanding securities	**361,142**

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 will no longer be 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) will continue to be paid to *Organismes Paritaires Collecteurs Agréés* (OPCAs), which will 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 two years – a period reduced to one year by the amendment of June 4, 2015 and subsequently to 3 months by a decision of the Board of Directors of December 18, 2015 – 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 December 31, 2015, seven 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 2015 fiscal year for work carried out by Mr. SOURNAC was €300,000 exclusive of tax (€292,000 exclusive of tax in 2014).

Mr. SOURNAC did not receive any direct or indirect compensation from the Company other than that mentioned above, excluding Directors' fees of €6,000 in 2015 (€4,000 in 2014).

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 2015, ORCHARD INTERNATIONAL invoiced a total of €64,000 exclusive of tax (€151,458 exclusive of tax in 2014) to MEDICREA INTERNATIONAL for the sales management duties carried out by Mr. CAFFIERO. It should be noted that since January 1, 2015, at Mr. CAFFIERO's request to reduce his activities within the Group, the amount of services invoiced by ORCHARD INTERNATIONAL has been significantly revised downward.

Mr. CAFFIERO did not receive any direct or indirect compensation other than that mentioned above, excluding Directors' fees of €6,000 in 2015 (€4,000 in 2014).

5.8 Employee costs analysis

Employee costs are analyzed as follows (excluding temporary staff costs), after taking account of the French competitiveness and employment credit of €130,039 for the fiscal year 2015 (€99,594 for the fiscal year 2014);

€	12.31.2015	12.31.2014	12.31.2013
Cost of sales	1,908,159	1,477,098	1,271,472
Research & development costs	1,449,498	990,424	831,667
Share of capitalized expenses	(1,257,579)	(812,186)	(686,608)
Research & development costs (1)	191,919	178,238	145,059
Sales & marketing expenses	6,809,163	5,586,637	4,737,090
General and administrative expenses	2,230,994	2,034,897	1,637,579
Total	11,140,235	9,276,870	7,791,200

(1): corresponds to non-capitalized employee costs

NOTE 6: INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT, AND FINANCIAL ASSETS

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 no longer 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 their components have different useful lives or if they provide 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 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 the last three years

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

Non-current assets – €	12.31.2015	12.31.2014	12.31.2013
Research & development costs	8,320,009	6,414,152	5,350,501
Patents and similar rights	3,578,786	3,463,728	3,318,865
Computer licenses and software	828,945	526,130	193,211
Brands	25,133	25,133	25,133
Intangible assets	**12,752,873**	**10,429,143**	**8,887,710**
Buildings	56,082	22,855	4,046
Plant & equipment	5,812,818	3,935,289	2,571,341
Demonstration equipment	690,108	683,926	638,653
Instrument sets	5,094,922	4,560,108	3,487,997
Computer hardware and office equipment	1,106,404	1,002,030	730,322
Other non-current assets	1,374,225	1,246,421	1,129,174
Property, plant and equipment	**14,134,559**	**11,450,629**	**8,561,533**
Guarantees and deposits	528,288	260,344	195,762
Pledges	158,613	158,357	153,550
Non-current financial assets	**686,901**	**418,701**	**349,312**
Total gross values	**27,574,333**	**22,298,473**	**17,798,555**

Amortization, depreciation and provisions – €	12.31.2015	12.31.2014	12.31.2013
Intangible asset amortization	7,851,355	6,458,749	5,237,923
Property, plant and equipment depreciation	7,121,828	5,969,339	5,087,434
Total amortization, depreciation and provisions	**14,973,183**	**12,428,088**	**10,325,357**
Total net values	**12,601,150**	**9,870,385**	**7,473,198**

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

Net non-current assets – €	12.31.2015	12.31.2014	12.31.2013
At January 1	**9,870,385**	**7,473,198**	**7,305,733**
Investments during the period	(5,896,896)	5,061,716	2,917,726
Disposals during the period	(430,278)	(453,363)	(347,158)
Amortization, depreciation and provision charges	(3,135,346)	(2,504,610)	(2,361,683)
Translation adjustment	399,493	293,444	(41,420)
At December 31	**12,601,150**	**9,870,385**	**7,473,198**

6.6 Change in non-current assets, and depreciation and amortization during 2015

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

Gross values (€)	01.01.2015	Translation adjustment	Acquisitions	Disposals	12.31.2015
Research & development costs	6,414,152	19,557	1,886,300	-	8,320,009
Patents and similar rights	3,463,728	-	115,058	-	3,578,786
Computer licenses and software	526,130	5,599	317,358	20,142	828,945
Brands	25,133	-	-	-	25,133
Intangible assets	**10,429,143**	**25,156**	**2,318,716**	**20,142**	**12,752,873**
Buildings	22,855	-	37,627	4,400	56,082
Plant & equipment	3,935,289	1,128	1,901,394	24,993	5,812,818
Demonstration equipment	683,926	35,916	163,659	193,393	690,108
Instrument sets	4,560,108	329,987	1,016,327	811,500	5,094,922
Computer hardware and office	1,002,030	12,689	91,685	-	1,106,404
equipment	1,246,421	27,655	107,017	6,868	1,374,225
Other non-current assets	**11,450,629**	**407,375**	**3,317,709**	**1,041,154**	**14,134,559**
Property, plant and equipment					
	260,344	13,910	260,215	6,181	528,288
Guarantees and deposits	158,357	-	256	-	158,613
Pledges	**418,701**	**13,910**	**260,471**	**6,181**	**686,901**
Non-current financial assets					
	22,298,473	**446,441**	**(5,896,896)**	**1,067,477**	**27,574,333**
Total gross values					

Amortization and depreciation (€)	01.01.2015	Translation adjustment	Charges	Reversals	12.31.2015
Research & development costs	3,920,678	2,854	993,328	-	4,916,860
Patents and similar rights	2,316,427	-	302,215	-	2,618,642
Computer licenses and software	197,939	5,142	93,682	6,043	290,720
Brands	23,705	-	1,428	-	25,133
Intangible assets	**6,458,749**	**7,996**	**1,390,653**	**6,043**	**7,851,355**
Buildings	2,105	-	3,854	1,497	4,462
Plant & equipment	1,821,991	1,047	384,900	24,993	2,182,945
Demonstration equipment	400,090	107	154,333	165,856	388,674
Instrument sets	2,326,321	9,149	868,970	435,880	2,768,560
Computer hardware and office	603,421	9,872	194,679	-	807,972
equipment	815,411	18,777	137,957	2,930	969,215
Other non-current assets	**5,969,339**	**38,952**	**1,744,693**	**631,156**	**7,121,828**
Property, plant and equipment					
	12,428,088	**46,948**	**3,135,346**	**637,199**	**14,973,183**
Total amortization and depreciation					

Net values (€)	01.01.2015	Translation adjustment	Increases	Decreases	12.31.2015
Intangible assets	3,970,394	17,160	928,063	14,099	4,901,518
Property, plant and equipment	5,481,290	368,423	1,573,016	409,998	7,012,731
Non-current financial assets	418,701	13,910	260,471	6,181	686,901
Total net values	**9,870,385**	**399,493**	**2,761,550**	**430,278**	**12,601,150**

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 2015 include:

- 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 manufacturing process using additive titanium layers;
- Integration of a rapid prototyping unit.

R&D costs capitalized for the fiscal year 2015 amounted to €1,886,300 compared with €1,068,897 in 2014. The total amount of R&D costs expensed for the year, after deduction of the research tax credit and capitalization of costs, was €983,892 (€1,379,692 in 2014) including €983,892 in amortization relating to capitalized research costs (€904,406 in 2014).

2 / Patent costs capitalized in 2015 amounted to €115,058, compared with €144,863 in respect of the previous year. They primarily concern the PASSLP® thoraco-lumbar fixation system and its extensions, the IMPIX ALIF SA® interbody cage and the PASSOCT® occipito-cervical fixation system.

3/ The increase in computer licenses and software is linked to the setting up of a new information system, which has been operational since July 2015.

4/ In 2015, the Group continued to renew its machines with investments of €1.9 million, comprising primarily a comprehensive prototyping unit, and latest generation digital control machines. These investments will lead to improved responsiveness to surgeons' needs.

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 amortized 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. Fully-amortized instruments are taken off the books on a regular basis.

7 / Computer hardware and office equipment acquisitions mainly include purchases of servers and other hardware as part of the rollout of the new information system.

8 / Other property, plant and equipment mainly includes fixtures and fittings at different sites, as well as transport equipment.

6.7 Leases

6.7.1 Finance leases

Property, plant and equipment acquired under finance leases concern technical facilities, equipment and tools and computer hardware. Their net value totaled €2,219,355 at December 31, 2015 compared with €1,723,750 at December 31, 2014 and were analyzed as follows:

(€)	12.31.2015	12.31.2014	12.31.2013
Technical facilities and equipment	3,432,347	2,683,357	1,759,097
Computer hardware	397,519	388,535	244,294
Total gross values	**3,829,866**	**3,071,892**	**2,003,391**
Depreciation - technical facilities	1,305,544	1,104,494	965,705
Depreciation - computer hardware	304,967	243,648	195,466
Total amortization and depreciation	**1,610,511**	**1,348,142**	**1,161,171**
Total net values	**2,219,355**	**1,723,750**	**842,220**

The increase recognized at December 31, 2015 was primarily due to the acquisition of two machining units.

Financial debt corresponding to assets financed by these contracts totaled €1,714,319 at December 31, 2015 compared with €1,420,084 at December 31, 2014.

Commitments are analyzed as follows:

(€)	12.31.2015	12.31.2014	12.31.2013
Original value	3,829,866	3,071,892	2,003,391
Depreciation	(1,610,511)	(1,348,142)	(1,161,171)
Of which depreciation charges for the year	*(262,173)*	*(186,971)*	*(180,310)*
Net value	**2,219,355**	**1,723,750**	**842,220**
Lease payments			
Total payments from previous years (1)	510,326	1,552,860	1,281,706
Lease payments for the year (1)	524,217	262,660	271,154
Total	**1,034,543**	**1,815,520**	**1,552,860**
Future minimum lease payments			
Within 1 year	496,359	386,662	209,449
1 to 5 years	1,177,429	922,873	412,822
More than 5 years	103,840	221,842	-
Total	**1,777,628**	**1,531,377**	**622,271**
Residual values	**23,297**	**15,806**	**6,760**

(1) Total payments from previous years and lease payments for the year only include lease payments made in relation to leases still in force at year-end.

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	€463,000
MEDICREA TECHNOLOGIES – La Rochelle	€143,172
MEDICREA TECHNOLOGIES UK – Cambridge	£10,500
MEDICREA USA – New York *	$332,000

* Six months rent-free during the first year the lease is renewed

The lease for MEDICREA INTERNATIONAL's premises was revoked and extended until October 31, 2016, the date on which it moves in to a new building that is under construction, near the current site, and of which the Company will also be a tenant. At the time of this change of premises, the Group will bring together the operations of its three French subsidiaries on a single site, which will result in a significant increase in annual rental charges to €1 million with a 12-year commitment to the lessor. However, the short-term lease for the manufacturing site at La Rochelle will be terminated.

In the United States, the lease expiring at the end of March 2016 was renegotiated and renewed by the Group for a term of 10 years, with an increase in the leased area, namely an additional floor. The new annual rental charge 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.

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

(€)	12.31.2015	Within 1 year	1 to 5 years	5 to 10 years	More than 10 years
Real estate and equipment rental	16,965,340	1,106,301	7,250,262	5,554,050	3,054,727

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:

(€)	12.31.2015	12.31.2014	12.31.2013
Raw materials	327,852	281,250	261,417
Work-in-process	378 648	440,106	400,363
Semi-finished goods	541,713	625,615	319,106
Finished goods	7,804,146	6,677,120	6,038,955
Gross values	**9,052,359**	**8,024,091**	**7,019,841**
Provisions for impairment	(2,033,714)	(1,692,825)	(1,918,094)
Net values	**7,018,645**	**6,331,266**	**5,101,747**

The gross value of inventories increased by 13% compared with 2014 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:

(€)	12.31.2015	12.31.2014	12.31.2013
Raw materials	13,237	16,964	17,162
Work-in-process	47,601	9,834	63,294
Semi-finished goods	16,416	23,547	50,368
Finished goods	1,956,460	1,642,480	1,787,270
Provisions for impairment	**2,033,714**	**1,692,825**	**1,918,094**

The increase in provisions is primarily related to the higher 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:

(€)	12.31.2015	12.31.2014	12.31.2013
Trade receivables - gross value	4,779,599	4,392,691	3,386,073
Provision for doubtful debts	(69,705)	(11,358)	(2,500)
Trade receivables	**4,709,894**	**4,381,333**	**3,383,573**
Social security receivables	31,843	25,970	21,614
Tax receivables	1,593,332	1,354,602	913,737
Other receivables	892,408	485,635	210,387
Prepaid expenses	384,571	436,435	300,980
Other current assets	**2,902,154**	**2,302,642**	**1,446,718**
Total receivables – gross values	**7,681,753**	**6,695,333**	**4,832,791**
Total receivables – net values	**7,612,048**	**6,683,975**	**4,830,291**

The average collection period was 58 days at December 31, 2015, compared with 56 days at the end of the previous fiscal year, due to less favorable payment terms with healthcare institutions, particularly in the US and in France.

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.

Advances and prepayments to suppliers include:

- The payment of a $800,000 advance (€734,824 at the closing rate) as part of a cooperation contract with a US IT company (see section 13.1.4). Commissions due under this contract, which stood at €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 $76,138 (€69,935 at the closing rate) as part of a contract for the transfer of the 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:

(€)	12.31.2015	12.31.2014	12.31.2013
Provisions for pensions and other employee benefits	468,043	347,611	232,554
Provisions for litigation	23,778	-	93,700
Provisions for charges	-	-	5,493
Total	491,821	347,611	331,747

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

(€)	2015	2014	2013
At January 1	347,611	331,747	511,653
Provision charges	137,724	47,883	45,559
Provision reversals – used	-	(99,193)	(182,020)
Provision reversals – unused	-	-	(43,445)
Actuarial gains and losses	6,161	67,174	-
Translation adjustment	325	-	-
At December 31	491,821	347,611	331,747
Changes in operating income	*130,339*	*(58,868)*	*(179,906)*
Changes in net financial income/(expense)	*7,385*	*7,558*	-

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

(€)	12.31.2015	Within 1 year	1 to 5 years	More than 5 years
Provisions for pensions and other employee benefits	468,043	7,110	65,027	395,906
Provisions for litigation	23,778	23,778	-	-
Total	491,821	30,888	65,027	395,906

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:

(€)	12.31.2015	12.31.2014	12.31.2013
Bond issue	1,760,662	545,000	545,000
Loans from credit institutions	6,448,853	4,335,608	2,470,740
Operating leases	1,661,642	1,327,899	540,109
Finance leases	52,677	92,185	49,427
Bank overdrafts	376,700	400,000	199,801
Factoring	-	148,130	137,906
Accrued bank interest	7,462	8,773	5,001
Accrued loan interest	9,865	15,048	15,293
Other financial debt	108,664	97,224	4,290
Total	10,426,525	6,969,867	3,967,567

At December 31, 2015, 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 in 2015 within the framework of existing amortization schedules, and to the following new loans that were taken out:

- €1,000,000 at a fixed rate of 1.15% over a period of 5 years, to finance various industrial equipment;
- €800,000 at a fixed rate of 2.1% over a period of 5 years, to finance working capital requirements;
- €741,297 at a fixed rate of 2.15% over a period of 7 years, to finance various investments made in industrial equipment, mainly comprising two digitally-controlled lathes and one wire-cutting machine;
- €500,000 at a fixed rate of 3.3% over a period of 7 years, to finance costs inherent in the launch of innovations;
- €500,000 at a fixed rate of 1.9% over a period of 5 years, in order to strengthen the financial structure;
- €450,000 at a fixed rate of 4.25% over a period of 2 years, to finance the costs of research and development in 2015 eligible for the research tax credit;
- €52,000 at a fixed rate of 1.82% over a period of 3 years, to finance various industrial equipment;

Moreover, as part of the consolidation of its financing requirements and to fund its investments, in April 2015 the Group issued a five-year bond for €2,000,000 at an interest rate of 6%. This bond issue carries a potential non-conversion premium to be repaid at an interest rate of 1%.

Liabilities incurred in the form of leases increased following the acquisition of two machining units for €0.7 million.

The average interest rate for 2015 stood at 3.79% compared with 4.24% for 2014. 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:

(€)	12.31.2015	Within 1 year	1 to 5 years	More than 5 years
Bond issue	1,760,662	374,104	1,386,558	-
Loans from credit institutions	6,448,853	1,931,177	4,232,024	285,652
Operating leases	1,661,642	429,100	1,126,205	106,337
Finance leases	52,677	33,001	19,676	-
Bank overdrafts	376,700	376,700	-	-
Factoring	-	-	-	-
Accrued bank interest	7,462	7,462	-	-
Accrued loan interest	9,865	9,865	-	-
Other financial debt	108,664	108,664	-	-
Total	**10,426,525**	**3,270,073**	**6,764,463**	**391,989**

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 2015 fiscal year.

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:

(€)	12.31.2015	12.31.2014	12.31.2013
Cash	2,168,215	1,181,506	1,834,938
Marketable securities	-	-	4,191
Cash and cash equivalents	**2,168,215**	**1,181,506**	**1,839,129**
Bank overdrafts	(376,700)	(400,000)	(199,801)
Factoring	-	(148,130)	(137,906)
Net cash and cash equivalents	**1,791,515**	**633,376**	**1,501,422**

The strengthening of the net cash position was mainly related to the €3.5 million share capital increase completed in June 2015.

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 3.4 of the financial statements at December 31, 2015.

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, currency options with premiums, and interest rate caps. Most hedges outstanding at December 31, 2015 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 Balance sheet disclosures

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

	At 12.31.2015			At 12.31.2014		
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	4,709,894	4,709,894	C	4,381,333	4,381,333
Other current assets (2)	C	892,408	892,408	C	485,635	485,635
Cash and cash equivalents	A	2,168,215	2,168,215	A	1,181,506	1,181,506
Liabilities (€)						
Negative cash balances (3)	A	376,700	376,700	A	548,130	548,130
Current and non-current financial liabilities excluding negative cash balances	B	10,049,825	10,049,825	B	6,421,737	6,421,737
Financial instruments	A	10,575	10,575	A	25,102	25,102
Trade payables	C	4,055,971	4,055,971	C	4,180,347	4,180,347
Other current liabilities (4)	C	116,476	116,476	C	109,604	109,604

(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.

10.2.2 Income statement disclosures

The following table presents the impact of financial assets and liabilities on the income statements for the 2015 and 2014 fiscal years, as well as the breakdown of this impact according to the categories outlined in IAS 39:

	Designation of financial instruments	At 12.31.2015	At 12.31.2014
Income / (charges) recognized in operating income		**-**	**(16,174)**
Of which:			
Net exchange gain/(loss) excluding financial instruments	B	-	(16,174)
Investment income		**255**	**724**
Of which:			
Proceeds from disposal of marketable securities and interest on certificates of deposit and term deposits	A	255	724
Finance costs		**(328,738)**	**(188,182)**
Of which:			
Interest charge	B	(328,738)	(188,182)
Other financial income		**231,560**	**251,974**
Of which:			
Exchange gains	A	217,033	250,818
Changes in fair value of derivatives	A	14,527	1,156
Other financial expenses		**(132,407)**	**(482,274)**
Of which:			
Exchange losses	A	(132,407)	(457,172)
Changes in fair value of derivatives	A	-	(25,102)

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 58 days at December 31, 2015. 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 December 2015, the maximum amount of trade receivables that may be guaranteed by Coface was €1,178,000;
- letters of credit (no amount outstanding at December 31, 2015).

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

(€)	12.31.2015	12.31.2014
Gross trade receivables	4,779,599	4,392,691
Outstanding for more than 6 months	114,463	8,001
% of trade receivables	2.39%	0.18%
Total provision for doubtful receivables	69,705	11,358
% of trade receivables	1.46%	0.26%
Bad debt losses	3,719	70

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.

However, the Group may need to raise additional funds or take out new borrowings should opportunities for new product development or targeted technology or business acquisitions arise, or if the working capital requirements necessary for its expansion into markets it seeks to penetrate turn out to be greater than anticipated.

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 December 31, 2015, the consolidated net financial debt to consolidated shareholders' equity ratio was 0.57 and the consolidated net financial debt to consolidated EBITDA ratio was 4.45. The Group has secured a waiver from the banking institution concerned, without any change to initial borrowing terms and at no additional cost.

The dividend covenant is not applicable since the Group has never paid any dividends.

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 December 31, 2015, USD/Euro forward sales commitments totaled $600,000 under a €1 million package put into place during the fourth quarter at a hedging rate of 1.11 applicable until June 30, 2016.

10.3.5 Interest rate risks

At December 31, 2015, 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 59% of its consolidated sales in dollars in 2015, 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 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 gone up by approximately 16% since December 31, 2014 leading to a €2.8 million increase in sales and a €0.6 million rise in 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 2015 data, would automatically result in a €2.5 million increase in Group sales and an increase of approximately €0.5 million in operating income based on the results generated by the US subsidiary over the fiscal year 2015, as all its purchases and overheads are denominated in dollars.

Conversely, a 15% depreciation of the dollar against the euro, applied to 2015 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:

(€)	12.31.2015	12.31.2014	12.31.2013
Loan interest	223,759	106,140	82,208
Finance lease interest	44,436	23,510	21,663
Bond interest	40,270	38,150	38,150
BPI loan guarantee	16,658	15,206	15,450
Overdraft interest	3,765	1,016	2,889
Factoring interest	844	3,337	3,360
Other financial (income) / expenses	(994)	823	7,493
Cost of net financial debt	**328,738**	**188,182**	**171,213**
Foreign exchange gains / (losses)	99,153	(230,300)	19,624
Unrealized capital gains on marketable securities	255	724	533
Other financial income / (expenses)	**99,408**	**(229,576)**	**20,157**

NOTE 11: TRADE PAYABLES AND OTHER CURRENT LIABILITIES

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

(€)	12.31.2015	12.31.2014	12.31.2013
Trade payables	4,055,971	4,180,347	2,276,246
Social security liabilities	1,740,673	1,567,927	1,139,663
Tax liabilities	250,978	310,969	378,498
Other current liabilities	116,476	109,604	70,565
Other current liabilities	2,108,127	1,988,500	1,588,726
Total operating liabilities	6,164,098	6,168,847	3,864,972

At December 31, 2015, the maturity of all operating liabilities was less than one year.

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. MEDICREA EUROPE FRANCOPHONE, now wholly owned, 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 €976,587 reduction in research and development costs (€536,622 in 2014).

12.1 Analysis of the corporate tax rate

The Group's corporate tax charge for the year to December 31, 2015 is analyzed as follows:

(€)	12.31.2015	12.31.2014	12.31.2013
Consolidated net income	**(1,515,306)**	**(1,049,889)**	**393,252**
Corporate tax	307,852	(349,713)	(894,627)
Income before tax	**(1,823,158)**	**(700,176)**	**1,287,879**
Share-based payments	(45,218)	(79,422)	(92,304)
Taxable income	**(1,777,940)**	**(620,754)**	**1,380,183**
Adjustment to the research and employment competitiveness tax credit	(1,106,301)	(637,283)	(525,092)
Adjustment Federal State taxes (US)	3,051	(193,638)	(101,332)
Taxable income excluding adjustments	**(2,881,390)**	**(1,451,675)**	**753,759**
Theoretical tax income / (charge) @33.33%	**960,367**	**483,843**	**(251,228)**
Difference in tax rates of other countries	(10,968)	(18,971)	789
Tax on permanent differences	501,721	(129,098)	(77,608)
Uncapitalized tax losses carried forward	(779,592)	(452,035)	(543,722)
Use of uncapitalized tax losses carried forward	-	390,178	-
Prior losses capitalized and transferred to the income statement	(252,643)	-	-
Correction of previous losses	-	112,975	19,621
Correction of corporate tax rates	-	(8,593)	-
Capping of deferred tax assets	(88,428)	(594,601)	40,205
Adjustment of Federal State taxes (US)	3,051	(193,638)	(101,332)
Other	(25,656)	60,227	18,648
Recognized corporate tax income/ (charge)	**307,852**	**(349,713)**	**(894,627)**

12.2 Analysis of deferred taxation

Deferred tax assets and liabilities are analyzed as follows:

(€)	12.31.2015	12.31.2014	12.31.2013
Tax losses carried forward	733,399	400,212	493,633
Temporary tax differences	44,108	-	-
Consolidation restatements	244,164	202,385	(260,301)
Total deferred tax assets	**1,021,671**	**602,597**	**233,332**
Temporary tax differences	44,151	94,463	72,869
Consolidation restatements	279,947	620,908	145,504
Total deferred tax liabilities	**324,098**	**715,371**	**218,373**

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-capitalization of tax losses generated by the French entities and to no longer capitalizing those of the UK subsidiary. Furthermore, for French entities, deferred tax assets related to consolidation restatements cannot exceed deferred tax liabilities.

Deferred tax assets not recognized in the balance sheet totaled €8.4 million at December 31, 2015, including €6.3 million of unrecognized tax losses carried forward and €2.1 million related to consolidation restatements.

The Group holds the following tax losses:

(€)	12.31.2015	of which capitalized	Corresponding deferred tax
MEDICREA INTERNATIONAL tax consolidation	17,787,762	-	-
MEDICREA UK	1,557,261	-	-
MEDICREA USA	2,118,502	2,118,502	741,476
MEDICREA GMBH	205,465	-	-
MEDICREA EUROPE FRANCOPHONE (before tax consolidation)	10,809	-	-
Total available tax losses	**21,679,799**	**2,118,502**	**741,476**

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

(€)	12.31.2015
Tax losses carried forward at January 1, 2015	**400,212**
Capitalized tax losses carried forward - MEDICREA USA	478,700
Prior losses capitalized and transferred to the income statement - MEDICREA UK	(252,643)
Translation adjustment	107,130
Tax losses carried forward at December 31, 2015	**733,399**

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

12.3 Tax audit

MEDICREA TECHNOLOGIES was the subject of a tax audit covering the fiscal years 2012 and 2013, subsequently extended to the fiscal years 2006 to 2011. In its proposed adjustment received in 2014, the Tax Authority was of the opinion that royalties recognized as expenses and paid to surgeons in consideration for the acquisition by the Company of inventor's rights following the signing of a contract for transfer of copyrights could not be treated as operating expenses within the meaning of Article 39-1 of the French General Tax Code and the French Conseil d'Etat case law, and consequently considered that the acquired inventor's rights should be recognized as intangible assets amortized over the payment period of royalties. In essence, this adjustment which identified royalty payments non-deductible from taxable income totaling €1,315,718 over the fiscal years 2006 to 2013 had no impact on the Company and the Group's financial position at December 31, 2015, since intangible asset amortization charges of an equivalent amount would need to be recognized instead of operating royalties.

MEDICREA TECHNOLOGIES has acknowledged this adjustment and recognized an income tax charge of €0.2 million, increased by an immaterial amount of late payment penalties. Tax consolidation mechanisms within MEDICREA INTERNATIONAL offset this charge by a tax income of the same amount.

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

Average exchange rates evolved as follows:

Average conversion rate	2015	2014
USD / EUR	1.11500	1.33483
GBP / EUR	0.72794	0.80767

The impact of currency fluctuations on the comparability of the financial statements for the 2014 and 2015 fiscal years is as follows:

(€)	12.31.2015 at the 2015 rate	12.31.2015 at the 2014 rate	Impact of exchange rate
Sales	27,757,300	24,983,705	2,773,595
Operating income after share-based payments	(1,593,827)	(2,195,427)	601,600

NOTE 14: SHAREHOLDERS' EQUITY AND EARNINGS PER SHARE

14.1 Shareholders' equity

14.1.1 Share capital

Following equity transactions carried out during the fiscal year, share capital at December 31, 2015 totaled €1,438,030.08 and comprised of 8,987,688 shares with par value of €0.16 each. The number of authorized shares outstanding is as follows:

(€)	12.31.2015	12.31.2014	12.31.2013
Number of authorized shares	8,987,588	8,481,305	8,467,505
Number of preference shares	100	100	-
Number of shares issued and fully paid up	8,987,688	8,481,305	8,467,505
Par value (€)	0.16	0.16	0.16
Number of shares outstanding at end of period	8,987,588	8,481,405	8,467,505
Number of shares with double voting rights	2,641,990	2,744,677	2,473,956
Number of treasury shares held by the Group	-	-	-
Number of treasury shares held by the parent company	3,046	2,722	-

Transactions in the share capital of MEDICREA INTERNATIONAL over the period January 1, 2015 to December 31, 2015 are summarized as follows:

- At January 1, 2015, the share capital was €1,357,008.80 represented by 8,481,305 shares.
- On April 2, 2015, the Board of Directors recognized the share capital increase related to the exercise of 20,845 Stock Options, and to the issue of 100 P preference shares (covered in section 14.1.2 below).
- On June 29, 2015, the Board of Directors recognized the issue of 485,438 new shares as part of a share capital increase reserved for qualified investors.
- At December 31, 2015, the share capital was therefore made up of 8,987,588 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 December 31, 2015. 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 3.5 to the financial statements at December 31, 2015. 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 December 31, 2015.

14.1.5 Issue, buyback and redemption of debt and equity securities

Movements that occurred during the 2015 fiscal year concerned:

- A €2 million bond issue in April 2015 repayable over five years at the rate of 6%, and accompanied by a potential non-conversion premium of 1%, with principal, interest and premiums redeemed on a monthly basis.
- The issue of 485,438 new shares in June 2015 as part of a €3.5 million share capital increase within the framework of an offer referred to in Paragraph II of Article L. 411–2 of the French Monetary and Financial Code.

14.1.6 Dividends paid during the fiscal year

Nil.

14.2 Net 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 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:

(€)	12.31.2015	12.31.2014	12.31.2013
Net income (Group share)	(1,515,306)	(1,022,923)	470,675
Average number of shares outstanding over the fiscal year	*8,740,179*	*8,475,542*	*8,452,505*
Average number of treasury shares over the fiscal year	*(2,806)*	*(778)*	-
Average number of shares taken into account before dilution	8,737,373	8,474,764	8,452,505
Net earnings per share	**(0.17)**	**(0.12)**	**0.06**

(€)	12.31.2015	12.31.2014	12.31.2013
Net income (Group share)	(1,515,306)	(1,022,923)	470,675
Average number of shares taken into account before dilution	*8,737,373*	*8,474,764*	*8,452,505*
Dilution effect of option plans	*258,489*	*248,718*	*396,871*
Average number of shares taken into account after dilution	8,995,862	8,723,482	8,849,376
Diluted earnings per share	(0.17)	(0.12)	0.06

At December 31, 2015, 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

(€)	12.31.2015	12.31.2014	12.31.2013
Pledges of business goodwill (1)	7,564,456	7,572,500	4,025,000
Financial instrument collateral (2)	153,550	153,550	153,550
Joint and several guarantees (3)	500,000	300,000	700,000
Cash collateral (4)	62,500	37,500	22,500

(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 credit

(€)	12.31.2015	12.31.2014	12.31.2013
Assignment of trade receivables – Dailly	500,000	400,000	300,000
Miscellaneous guarantees and sureties	307,239	307,239	-
BPI counter guarantee (1)	2,371,978	1,492,156	1,423,865

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

The total amount of overdrafts authorized but unconfirmed at December 31, 2015 was €245,000.

15.1.3 Commitments received in relation to the establishment of exchange rate hedges

During the 2015 fiscal year, dollar forward sale transactions implemented in late 2014 covering the period September 2014 – March 2015 were unwound for $450,000 and those implemented in late 2015 covering the period October 2015 –June 2016 were unwound for $400,000.

15.1.4 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 $800,000 (€734,824 at the year-end rate) were recognized in other receivables at December 31, 2015. Commissions due under this contract, which stood at €34,616 on the same date, 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:

	12.31.2015			12.31.2014		
	Number of shares	% share capital	% voting rights	Number of shares	% share capital	% voting rights
ORCHARD INTERNATIONAL (1)	1,727,490	19.22	29.71	1,727,490	20.33	30.11
Jean Philippe CAFFIERO	246,089	2.74	4.10	246,089	2.90	4.24
Denys SOURNAC (2)	270,547	3.01	2.33	202,054	2.38	3.47
Other Directors						
François Régis ORY (2)	108,652	1.21	0.93	108,652	1.28	0.97
Patrick BERTRAND (2)	93,392	1.04	0.93	93,392	1.10	0.96
Pierre BUREL (2)	91,707	1.02	1.44	91,707	1.08	1.48
Christophe BONNET	52,128	0.58	0.88	52,128	0.61	0.91
Jean Joseph MORENO	22,900	0.25	0.33	22,900	0.27	0.34
Marc RECTON	18,752	0.21	0.27	18,752	0.22	0.28
Total	**2,631,657**	**29.28%**	**40.92%**	**2,563,164**	**30.17%**	**42.76%**

(1): Shares held by the holding company, ORCHARD INTERNATIONAL. The following table provides details of ORCHARD INTERNATIONAL's shareholding structure as of December 31, 2015:

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

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

15.3 Related-party disclosures

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

(€)	2015 amount invoiced, excl. VAT	2014 amount invoiced, excl. VAT	2013 amount invoiced, excl. VAT
Management services	300,000	292,000	432,000
Rebilling of employee costs	151,500	151,500	151,498
Rebilling of seconded executive's salary	64,000	151,458	191,314
Rebilling of seconded executive's expenses	-	6,681	32,685
Share of expenses	11,003	11,000	11,000
Rent and rental costs	20,436	20,464	43,223
Total	**546,939**	**633,103**	**861,720**

15.4 Statutory Auditors' fees

	EY				Odicéo				Cabinet Henri Roche			
	Amount (excl. VAT)		%		Amount (excl. VAT)		%		Amount (excl. VAT)		%	
(€)	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Audit												
Issuer	41,100	44,000			22,200	22,100			-	-		
Consolidated subsidiaries (1)	21,500	18,000			11,400	11,000			7,400	7,350		
Audit, certification, review of individual and consolidated financial statements	62,600	62,000	91%	95%	33,600	33,100	91%	100%	7,400	7,350	100%	100%
Issuer	6,300	3,000			3,200	-			-	-		
Consolidated subsidiaries (1)	-	-			-	-			-	-		
Other assignments directly related to the audit assignment	6,300	3,000	9%	5%	3,200	-	9%	0%	-	-	0%	0%
Sub-total Audit fees	68,900	65,000	100%	100%	36,800	33,100	100%	100%	7,400	7,350	100%	100%
Other services provided by Statutory Auditors to consolidated subsidiaries												
Legal, tax and corporate	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-
Sub-total other services	-	-	-	-	-	-	-	-	-	-	-	-
Total	68,900	65,000	100%	100%	36,800	33,100	100%	100%	7,400	7,350	100%	100%

(1) MEDICREA TECHNOLOGIES, MEDICREA EUROPE FRANCOPHONE and MEDICREA USA.

15.5 Post-balance sheet events

Nil.

STATUTORY AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2015

ODICEO ERNST & YOUNG et Autres

Medicrea International

Fiscal year ended December 31, 2015

Statutory Auditors' report
on the consolidated financial statements

ODICEO
115, boulevard Stalingrad
B.P. 52038
69616 Villeurbanne Cedex
French corporation (société anonyme)
with share capital of €275,000

Statutory Auditor
Member of Compagnie
régionale de Lyon

ERNST & YOUNG et Autres
Tour Oxygène
10-12, boulevard Marius Vivier Merle
69393 Lyon Cedex 03
Corporation with variable capital
(S.A.S. à capital variable)

Statutory Auditor
Member of Compagnie
régionale de Versailles

Medicrea International

Fiscal year ended December 31, 2015

Statutory Auditors' report
on the consolidated financial statements

To the Shareholders,

In compliance with the assignment entrusted to us by your Shareholders' Meetings, we hereby present our report for the year ended December 31, 2015 on:

- our audit of the accompanying Medicrea International consolidated financial statements;
- the justification of our assessments,
- the specific legal verification.

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

I. Opinion on the consolidated financial statements

We have conducted our audit in accordance with professional standards applicable in France; these standards require that we plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement. An audit includes examining, on a test basis or other method of selection, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements for the fiscal year, in light of IFRS accounting guidelines as approved by the European Union, give a true and fair view of the assets and liabilities, financial position and net income of the entities included on consolidation.

II. Justification of assessments

Pursuant to the provisions of Article L. 823-9 of the Commercial Code relative to the justification of our assessments, we bring to your attention the following matters:

Notes 6 and 12 to the consolidated financial statements describe the valuation, recognition and impairment rules applied to goodwill, intangible assets and deferred tax. As part of our assessment of the accounting principles adopted by your Group, we have verified the appropriateness of the above-specified accounting methods and information disclosed in the notes to the consolidated financial statements and we have assured ourselves of their correct application.

These assessments were made within the framework of our audit, which focuses on the consolidated financial statements as a whole, and accordingly contributed to the issuance of our opinion in the first part of this report.

III. Specific verification

We have also performed the specific verification required by law on information provided in the Group's management report, in accordance with professional standards applicable in France.

We have no comments to make concerning the fairness of the information and its consistency with the consolidated financial statements.

Lyon, April 29, 2016

The Statutory Auditors

ODICEO	ERNST & YOUNG et Autres
Alain Fayen	Lionel Denjean

MEDICREA INTERNATIONAL PARENT COMPANY FINANCIAL STATEMENTS

AT DECEMBER 31, 2015

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1. ACTIVITY

MEDICREA Group specializes in the design, manufacture and distribution of innovative proprietary technologies devoted exclusively to spinal surgery. It has an extensive range of spinal implants designed to treat all spinal pathologies, from cervical to lumbar vertebrae, mainly comprising the following products:

- UNiD® osteosynthesis rods made to measure for each patient, a particularly innovative product that is the only one of its kind on the market to date;
- A thoraco-lumbar stabilization and fixation system, PASSLP®, complemented by recently launched innovations: PASSMIS®, LIGAPASS® and PASSOCT®;
- Interbody cages;
- JAWS® compression staples, for cervical and lumbar fixation;
- GRANVIA®C cervical disc prosthesis, as well as a lumbar version currently being developed.

The Group distributes its products in more than 25 countries via an external distribution network made up of companies and exclusive independent distribution agents. As part of an overall strategy with the aim of controlling delivery processes, reinforcing the impact of the technical and marketing messages conveyed, and capturing an ever greater share of gross margin, the Group relies on four marketing subsidiaries for its key markets, namely the United States MEDICREA USA in New York), France (MEDICREA EUROPE FRANCOPHONE in Neyron), the United Kingdom (MEDICREA TECHNOLOGIES UK in Cambridge) and, since 2015, Germany (MEDICREA GMBH in Cologne).

MEDICREA INTERNATIONAL, the parent company, and MEDICREA TECHNOLOGIES, production subsidiary based in La Rochelle, complete the Group structure.

MEDICREA INTERNATIONAL houses the following activities – executive management, export distribution, marketing, research and development, and clinical and scientific trial monitoring, as well as the administrative and financial functions for the Group's various entities. The Company's customers include independent distributors located all over the world and distribution subsidiaries as detailed above.

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

2. FISCAL YEAR HIGHLIGHTS

The highlights of the fiscal year are detailed below:

2.1 Market and environment

2015 was characterized by the following:

1/ There was continued pressure on pricing from hospitals, on repayment conditions from social security institutions and mutual insurance funds, and on market access conditions for medical devices from health authorities. A further price reduction of 3% was applied in France on October 1, 2015.

2/ Numerous transactions took place with the companies Safe Orthopaedics and SeaSpine (spinal column division of INTEGRA LIFE SCIENCES) floated on the Stock Exchange, the companies K2M, LDR and Implanet increasing share capital, expansion plans by the companies Nuvasive (new production facility and purchase of Ellipse Technologies) and Globus (acquisition of Branch Medical Group, instrument manufacturer).

2.2 Distribution and activity

2015 sales totaled €15.7 million, an increase of €1.4 million in relation to 2014. At constant exchange rates compared to 2014, this figure would have stood at €14.5 million, the stronger dollar over the fiscal year having had a favorable effect on intra-group sales at MEDICREA USA.

Sales with international distributors, which reflect the direct marketing business of MEDICREA INTERNATIONAL, increased by 13% compared with the previous fiscal year. This growth was mainly due to new market shares being secured and to distribution networks being developed, notably in South America and Eastern Europe.

2.3 Products

The Company has become a pioneer and global leader in the manufacture of patient-specific implants for personalized spinal surgery, with the development of a comprehensive process incorporating the software analysis of each patient, the preparatory planning of the surgical strategy, and the production of patient-specific spinal osteosynthesis rods (UNiD® rod) and lumbar interbody osteosynthesis cages (UNiD® ALIF cage) that are made to measure by a 3D printer.

In 2015, MEDICREA concentrated its efforts on the development and promotion of this innovative solution. Since marketing of the UNiD® patient-specific rods began and FDA approval was secured in late 2014, almost 500 surgical procedures have been performed in Europe and the United States. By the end of December 2015, 70 surgeons had made use of UNiD® services, 20 of whom were regular users.

The Company has also continued to develop its range of standard implants:

- In April 2015, the LigaPASS® 2.0 system, a sub-laminar band connector technology for posterior thoraco-lumbar spinal anchoring, was launched in the United States. This new generation technology includes numerous improvements and its use has now been extended to young patients (over the age of 10 suffering from idiopathic and neuromuscular scoliosis) as well as adults.
- PASS MIS®, designed for minimally invasive surgery, was finally launched on the French market and PASS Degen®, specifically developed for degenerative pathologies, marketed in the United States.

2.4 Research & development

The Company is actively working both to expand its range of implants with the development of a highly innovative "tulip" type screw which will allow it to serve the highly important degenerative spinal indications market, and to develop manufacturing processes for intervertebral cages and titanium 3D printed corpectomy implants. The Company firmly believes that computer-assisted patient-specific surgery is the most appropriate solution to spinal column pathologies, a view that has been confirmed by the growing interest manifested in its solutions not only by surgeons, but also by patients.

2.5 Organization

The Company continued to strengthen its teams in 2015 by recruiting 12 people, mainly in the Research & Development and Marketing Departments.

An additive manufacturing center using titanium 3D printing and a comprehensive prototyping unit have been integrated into the production facility. A new distribution subsidiary has also been opened in Germany, which is the leading spinal market in Europe.

The Company has begun to build a new site in Vancia (69), that it will take over as tenant from the fourth quarter of 2016, and which will house the head office and production facility currently located in La Rochelle, which will close when this transfer takes place. Employees at the La Rochelle site have been informed of this decision and a support plan will be offered to them to help with their relocation to the Lyon region.

Lastly, the implementation of a new ERP was successfully completed on July 1 2015 providing the Group with better management of flows, and the coordination of its operations within an environment shared by all its subsidiaries.

2.6 Financing

A share capital increase of €3.5 million via private placement was completed in June 2015. The purpose of this issue was to strengthen commercial resources, launch the new marketing subsidiary in Germany and rebalance the “debt to equity” ratio.

Medium-term loans totaling €4 million were set up and bonds of €2 million were issued in 2015. Their purpose is to fund working capital requirements and a latest generation machinery base including a prototyping center installed in Neyron in late 2014.

Industrial equipment was also purchased through a finance lease, notably a machining unit, for €0,4 million.

3. PARENT COMPANY FINANCIAL STATEMENTS AT DECEMBER 31, 2015

3.1 INCOME STATEMENT

(€)	Notes	12.31.2015	12.31.2014
Net sales	2.1	15,693,735	14,335,814
Finished products and work in progress	2.2	147,095	6,762
Own work capitalized	2.2	1,799,686	1,100,007
Operating grants		16,938	1,000
Provision reversals and transfers of charges	2.3	50,781	319,078
Other revenue		25,418	35,165
Operating revenues		**17,733,653**	**15,797,826**
Purchases consumed, subcontracting and other supplies		(6,239,714)	(6,766,964)
Other external purchases and charges		(4,623,683)	(4,124,379)
Taxes and duties		(248,017)	(192,003)
Wages and salaries	3.1	(3,076,459)	(2,329,736)
Social security costs	3.1	(1,247,209)	(970,525)
Amortization and depreciation charges		(1,591,902)	(1,363,343)
Provision charges		(193,391)	(4,746)
Other expenses		(533,729)	(403,900)
Operating expenses		**(17,754,104)**	**(16,155,596)**
Operating income		**(20,451)**	**(357,770)**
Financial income		349,624	3,651,341
Financial expenses		(818,221)	(2,635,619)
Net financial income / (expense)	7.2	**(468,597)**	**1,015,722**
Income/(loss) before tax		**(489,048)**	**657,952**
Exceptional income		37,415	52,432
Exceptional expenses		(13,869)	(920,012)
Net exceptional income/(expense)	2.5	**23,546**	**(867,580)**
Corporate tax	9	1,080,418	451,516
Net income		**614,916**	**241,888**

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

3.2 BALANCE SHEET

(€)	Notes	12.31.2015			12.31.2014
		Gross	Amort., depr. & prov.	Net	Net
Intangible assets	4.6	10,675,852	6,163,155	4,512,697	3,629,220
Property, plant and equipment	4.6	2,573,551	1,084,801	1,488,750	831,007
Non-current financial assets	4.6	22,464,375	1,950,000	20,514,375	20,437,870
Non-current assets		**35,713,778**	**9,197,956**	**26,515,822**	**24,898,097**
Inventories	5	5,603,751	1,419,477	4,184,274	3,306,045
Trade receivables	6	4,728,505	7,600	4,720,905	4,202,141
Other receivables	6	6,006,358	1,540,000	4,466,358	1,720,729
Cash and cash equivalents	7.1.2	884,816	518	884,298	662,608
Current assets		**17,223,430**	**2,967,595**	**14,255,835**	**9,891,523**
Total assets		**52,937,208**	**12,165,551**	**40,771,657**	**34,789,620**

(€)	Notes	12.31.2015			12.31.2014
		Gross	Amort., depr. & prov.	Net	Net
Share capital	11.1			1,438,030	1,357,025
Reserves	11.1			22,598,470	19,040,685
Net income for the year				614,916	241,888
Shareholders' equity				**24,651,416**	**20,639,598**
Conditional advances	12			403,750	455,000
Other equity				**403,750**	**455,000**
Long-term financial debt	7.1.1			5,678,813	2,454,293
Group and associates	7.1.1			3,479,573	4,542,743
Non-current liabilities				**9,158,386**	**6,997,036**
Provisions for liabilities and charges				15,543	582
Short-term financial debt	7.1.1			2,243,246	1,960,843
Trade payables	8			3,175,983	3,684,060
Other liabilities	8			1,123,333	1,052,501
Current liabilities				**6,558,105**	**6,697,986**
Total shareholders' equity and liabilities				**40,771,657**	**34,789,620**

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

3.3 CASH FLOW STATEMENT

(€)	12.31.2015	12.31.2014
Net income	**614,916**	**241,888**
Property, plant and equipment depreciation and intangible asset amortization	1,591,902	1,363,343
Provision charges	528,842	(1,733,004)
Proceeds from sale of non-current assets	40,994	59,020
Waiver of receivables	-	920,000
Self-financing capacity	**2,776,654**	**851,247**
Change in inventories and work in progress	(1,048,229)	(6,762)
Change in trade receivables	(522,645)	(2,598,209)
Change in trade payables and liabilities relating to non-current assets	(508,077)	1,702,416
Change in other receivables and payables	(792,445)	(117,854)
Cash flow from working capital requirement	**(2,871,396)**	**(1,020,409)**
Net cash flow from operating activities	**(94,742)**	**(169,162)**
Acquisition of non-current assets	(3,594,042)	(1,927,589)
Disposal of non-current assets	21,700	120
Conditional advances received (repaid)	(51,250)	(118,612)
Other movements	21,719	3,588
Net cash flow from investment activities	**(3,601,873)**	**(2,042,493)**
Share capital increase	3,396,902	51,307
Proceeds from new borrowings	6,043,297	2,464,681
Repayment of borrowings	(2,547,814)	(1,021,746)
Increase / (decrease) in subsidiaries' current accounts	(2,985,522)	145,131
Other movements	11,442	92,929
Net cash flow from financing activities	**3,918,305**	**1,732,302**
Change in cash and cash equivalents	**221,690**	**(479,353)**
Cash and cash equivalents - beginning of year	**662,608**	**1,141,961**
Cash and cash equivalents - end of year	**884,298**	**662,608**

Positive cash balances - beginning of year	662,608	1,141,961
Positive cash balances - end of year	884,298	662,608
Change in positive cash balances	**221,690**	**(479,353)**
Negative cash balances - beginning of year	-	-
Negative cash balances - end of year	-	-
Change in negative cash balances	**-**	**-**
Change in cash and cash equivalents	**221,690**	**(479,353)**

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

3.4 NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS AT DECEMBER 31, 2015

The notes form an integral part of the financial statements prepared in accordance with the legal and regulatory requirements applicable in France.

The parent company financial statements were approved by the Board of Directors on April 4, 2016.

NOTE 1: ACCOUNTING PRINCIPLES

1.1 Accounting framework

The annual financial statements of the parent company MEDICREA INTERNATIONAL have been prepared in accordance with applicable French accounting regulations. General accounting conventions have been applied, in accordance with the principle of prudence, pursuant to basic assumptions which are designed to provide a true and fair view of the company: going concern, consistency of accounting methods from one year to the next, independence of fiscal years. The going concern principle is assessed in light of the Company's capacity to meet its cash flow requirements over the next 12 months linked to its operations, its investments and the repayment of its financial liabilities, while generating positive self-financing capacity. Depending on the case, the basic method used for the valuation of items recognized in the balance sheet is the historical cost, the contribution cost or the revalued amount.

The accounting principles used in the preparation of the parent company financial statements for the year 2015 are identical to those applied in 2014.

The financial statements of MEDICREA INTERNATIONAL are presented in Euros.

1.2 Use of estimates by Management

As part of the preparation of the parent company financial statements, the valuation of some assets and liabilities and income statement items requires the use of judgments, assumptions and estimates. These include the valuation of intangible and financial assets, and provisions for impairment of inventories, as well as determining the amount of provisions for liabilities and charges.

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 December 31, 2015, after taking account of events subsequent to that period and until the date the financial statements were approved by the Board of Directors. 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 eventual disposal.

At December 31, 2015, there was no change in estimates having a significant effect on the period.

1.3 Foreign currency transactions

Transactions denominated in foreign currencies are recorded at their corresponding Euro value on the date of the transaction. At the end of the period, financial assets and monetary liabilities denominated in foreign currencies are translated at the closing rate. The resulting foreign exchange gains and losses are recorded as exchange gains and losses and presented under other financial income and expenses in the income statement.

NOTE 2: OPERATIONAL DATA

2.1 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 specific cases, the implants and instruments can be held on consignment at certain selected distributors. They are not invoiced on delivery and remain recognized as assets. Only implants that have been placed and/or broken or lost instruments are subsequently invoiced.

Regular inventories of medical devices held on consignment are made, either directly on site, or after the assets are returned to and reviewed by the Company, and any necessary accounting adjustments are recognized in the financial statements.

Sales are analyzed as follows:

(€)	12.31.2015			12.31.2014		
	France	Exports	Total	France	Exports	Total
Merchandise sales	3,204,611	12,056,347	15,260,958	3,053,133	10,831,059	13,884,192
Provision of services	301,013	131,764	432,777	273,637	177,985	451,622
Total sales	**3,505,624**	**12,188,111**	**15,693,735**	**3,326,770**	**11,009,044**	**14,335,814**

The change in sales between 2015 and 2014 is analyzed as follows:

(€)	2015	2014	Change
MEDICREA USA	6,862,852	6,237,501	10%
MEDICREA EUROPE FRANCOPHONE	3,385,854	3,224,282	5%
MEDICREA TECHNOLOGIES UK	247,882	263,595	(6)%
MEDICREA TECHNOLOGIES	75,567	58,614	29%
MEDICREA GMBH	15,547	-	100%
Total intra-Group sales and rebillings	**10,587,702**	**9,783,992**	**+8%**
Distributors	5,061,414	4,498,965	13%
Other	44,619	52,857	(16)%
Net sales	**15,693,735**	**14,335,814**	**9%**

Sales with the Company's commercial subsidiaries grew almost 8% compared with the previous year, in line with the business development of these entities in their respective markets, in particular in the US and France. These sales meet demand from customer hospitals and subsidiaries to replenish their inventories. The strengthening of the dollar over the fiscal year had a positive impact of €1.1 million on intra-group sales made with MEDICREA USA.

Sales with international distributors, which reflect the direct marketing business of MEDICREA INTERNATIONAL, increased by 13% compared with 2014. The Company won additional market share in Eastern Europe and developed its distribution network in South America. In Asia, most sales were generated by the Company's historical distributors, primarily in China and Malaysia.

2.2 Finished products, work-in-progress and own work capitalized

Finished products and work-in-progress, which grew €0.1 million in relation to 2014, primarily resulted from a manufacturing center for 3D printed additive titanium layers coming into service.

Own work capitalized, which grew €0.7 million in relation to the 2014 fiscal year, includes the capitalization of R&D costs, patent costs and prototyping costs. This increase reflects the Company’s sustained efforts in innovation.

2.3 Provision reversals and transfers of charges

Provision reversals and transfers of charges are broken down as follows:

(€)	12.31.2015	12.31.2014
Inventory impairment	-	242,764
Provision for bad debts	3,719	-
Provision for liabilities and charges	-	5,493
Transfers of charges	47,062	70,821
Provision reversals and transfers of charges	**50,781**	**319,078**

2.4 Other revenue

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

2.5 Distinction between exceptional income and income from recurring operations

Income from recurring operations is derived from activities in which the Company is involved in the course of its business and related activities that are either incidental to or are an extension of its ordinary business, including the disposal and write-off of instruments and equipment.

Exceptional items result from unusual events or transactions that are distinct from the ordinary business and which are not expected to recur frequently and regularly.

NOTE 3: EMPLOYEE COSTS AND BENEFITS

8.1 Workforce

The workforce can be analyzed by category as follows:

	12.31.2015	12.31.2014	12.31.2013
Executives	44	35	26
Supervisors - Employees	17	13	12
Total	61	48	38

The increase in staff reflects the significant efforts made by the Company both to strengthen research and development teams, with the arrival of two research engineers and one project manager, and to structure the Quality Assurance and Regulated Affairs Department, with the appointment of a Quality Assurance and Regulated Affairs Director. The 2015 payroll therefore grew significantly in comparison with the previous fiscal year (up 31%). This increase was also due to the creation in 2014 of the export sales team, the cost of which covered 12 months in 2015 compared with six on average in 2014.

8.2 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 in the Company's financial statements as the contributions are recognized as expenses when they are due.

No payment is made to an insurance company or any provision established to service retirement benefits provided for by the collective agreement applicable to MEDICREA INTERNATIONAL (Import / Export). The corresponding commitment is however assessed annually based on the following features:

- 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 42.50% for executives and 41.90% 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 the ANC's recommendation.

The value of acquired rights was €256,964 at December 31, 2015, compared with €165,114 at December 31, 2014. Movements are analyzed as follows:

(€)	12.31.2015
Actuarial liability at 12.31.2014	165,114
Service cost in operating income	*36,682*
Net financial expense	*3,859*
Plan change (1)	*37,975*
Charge for the year in respect of defined benefit plans	78,516
Actuarial gains and losses	13,334
Actuarial liability at 12.31.2015	256,964

(2) Amendment to the French import-export national collective agreement

No provision has been made in MEDICREA INTERNATIONAL's financial statements to cover retirement benefits.

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

8.3 Seniority awards

No provision is established for seniority award commitments. Applicable collective agreements do not provide for any specific provisions in this regard.

8.4 Stock options and free shares

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.

Taking account of employee departures in the fiscal years 2008 to 2015, the numbers of free shares and stock options allocated to MEDICREA INTERNATIONAL employees were 62,156 (all delivered) and 123,459 (of which 15,521 were exercised) respectively at December 31, 2015.

8.5 French Personal Training Account (PTA)

Only training expenses effectively incurred in respect of the individual training right, as decided jointly by the employee and the Company, 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 Company, 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 Company but by the Caisse des Dépôts et Consignation. The Group's contribution in respect of the PTA (0.2% of French companies' payroll costs) will continue to be paid to *Organismes Paritaires Collecteurs Agréés* (OPCAs), which will in turn finance the future training programs carried out under this framework.

8.6 French tax credit for competitiveness and employment

The tax credit for competitiveness and employment is recognized as a reduction of employee costs as the corresponding compensation costs are incurred. Its purpose is to improve the Company's competitiveness and assist it in its efforts related to investments, innovation, training, recruitment, environmental and energy transition, and replenishment of working capital.

A total of €70,589 was recognized in 2015 in relation to this tax credit, compared with €45,039 in 2014.

8.7 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 2015 fiscal year for work carried out by Mr. SOURNAC was €300,000 exclusive of tax (€292,000 exclusive of tax in 2014).

Mr. SOURNAC did not receive any direct or indirect compensation from the Company other than that mentioned above, excluding Directors' fees of €6,000 in 2015 (€4,000 in 2014).

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 2015, ORCHARD INTERNATIONAL invoiced a total of €64,000 exclusive of tax (€151,458 exclusive of tax in 2014) to MEDICREA INTERNATIONAL for the sales management duties carried out by Mr. CAFFIERO. It should be noted that since January 1, 2015, at Mr. CAFFIERO's request to reduce his activities within the Group, the amount of services invoiced by ORCHARD INTERNATIONAL has been significantly revised downward.

Mr. CAFFIERO did not receive any direct or indirect compensation other than that mentioned above, excluding Directors' fees of €6,000 in 2015 (€4,000 in 2014).

NOTE 4: INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT, AND FINANCIAL ASSETS

4.1 Impairment testing of amortizable assets

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 expenses.

4.2 Intangible assets

Intangible assets include research and development costs, patents and trademarks, and software. Research and development costs are amortized over five years when they meet all of the criteria required for their recognition as assets. Capitalized costs are based on precise analytical monitoring, resulting in a breakdown of costs incurred by type and by project. Patents, licenses and trademarks are amortized over 5 to 10 years, depending on their useful lives. Software is amortized over periods ranging from 1 to 3 years.

4.3 Property, plant and equipment

Property, plant and equipment are valued using the historical cost method. 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 their components have different useful lives or if they provide benefits to the Company at a different pace that requires the use of different amortization rates and methods.

Property, plant and equipment primarily comprise industrial equipment, demonstration equipment, sets of instruments on consignments with certain distributors, premises' fittings, computer hardware, and furniture.

The depreciation periods applied by the Company are as follows:

- demonstration equipment and sets of instruments on consignment are depreciated over their estimated useful lives, ranging from 3 to 5 years.
- Industrial equipment is depreciated over its estimated useful life, estimated to be 5 to 10 years.
- technical facilities and fittings are depreciated over their estimated useful lives, ranging from 5 to 10 years.
- office equipment, computer hardware, and furniture are depreciated over their useful lives, ranging from 3 to 10 years.

4.4 Non-current financial assets and current accounts

Equity securities are valued at their historical acquisition cost and current accounts with subsidiaries at book value. Impairment is recognized when the recoverable value assessed in accordance with the following criteria is lower than the value recognized under assets:

- value in use determined based on the net asset value of the subsidiary and its profitability prospects;

- value by reference to recent transactions involving companies operating in the same industry;
- value by reference to the discounted future cash flows generated by the subsidiary.

However, impairment is only recognized when the subsidiary has reached a normal operational level following its launch phase in the case of a start-up, or following the integration phase in the case of an acquisition.

The scope of the subsidiaries and interest percentages are detailed in the table below:

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

Equity securities are broken down as follows:

(€)	12.31.2015	12.31.2014
MEDICREA TECHNOLOGIES	11,946,000	11,946,000
MEDICREA TECHNOLOGIES UK	2,465,018	2,465,018
MEDICREA USA	7,395,058	7,395,058
MEDICREA EUROPE FRANCOPHONE	150,000	150,000
MEDICREA GMBH	100,000	-
Total gross values	**22,056,076**	**21,956,076**
Impairment	(1,950,000)	(1,650,000)
Total net values	**20,106,076**	**20,306,076**

The company MEDICREA GMBH, a company incorporated under German law, was created in late April 2015 and its share capital of €100,000 was paid up in July 2015.

The discounting of future cash flows generated by the subsidiaries at December 31, 2015 resulted in an additional provision of €0.3 million being recognized in relation to MEDICREA TECHNOLOGIES UK shares.

4.5 Treasury shares

The MEDICREA shares held by the Company are recognized at acquisition cost 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. Capital gains and losses on disposals are recorded in net financial income / (expense).

At December 31, 2015, treasury shares were analyzed as follows:

(€)	2015		2014	
	Number	Amount	Number	Amount
Liquidity contract	3,046	20,867	2,722	23,355
Total number of MEDICREA shares	**3,046**	**20,867**	**2,722**	**23,355**

4.6 Change in non-current assets, and depreciation and amortization during fiscal year 2015

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

(€) Gross values	01.01.2015	Acquisitions	Disposals	12.31.2015
Research & development costs	6,124,838	1,684,628	-	7,809,466
Patents and similar rights	2,046,894	115,059	-	2,161,953
Computer software and licenses	384,839	312,906	18,445	679,300
Brands	25,133	-	-	25,133
Intangible assets	**8,581,704**	**2,112,593**	**18,445**	**10,675,852**
Plant & equipment	134,965	808,915	-	943,880
Demonstration equipment	415,453	71,489	149,750	337,192
Equipment on consignment	247,030	108,159	91,092	264,097
Computer hardware and office equipment	560,408	39,544	-	599,952
Other non-current assets	373,313	55,117	-	428,430
Property, plant and equipment	**1,731,169**	**1,083,224**	**240,842**	**2,573,551**
Equity securities	21,956,076	100,000	-	22,056,076
Receivables from investments	-	272,260	12,431	259,829
Treasury shares (1)	23,355	-	2,503	20,852
Guarantees and deposits	108,439	25,361	6,182	127,618
Non-current financial assets	**22,087,870**	**397,621**	**21,116**	**22,464,375**
Total gross values	**32,400,743**	**3,593,438**	**280,403**	**35,713,778**

(€) Amortization, depreciation and provision charges	01.01.2015	Charges	Reversals	12.31.2015
Research & development costs	3,791,889	930,964	-	4,722,853
Patents and similar rights	1,048,079	205,178	-	1,253,257
Computer software and licenses	88,811	77,767	4,666	161,912
Brands	23,706	1,427	-	25,133
Intangible assets	**4,952,485**	**1,215,336**	**4,666**	**6,163,155**
Plant & equipment	9,151	80,786	-	89,937
Demonstration equipment	211,259	108,063	147,925	171,397
Equipment on consignment	169,890	49,171	44,002	175,059
Computer hardware and office equipment	358,107	102,926	-	461,033
Other non-current assets	151,755	35,620	-	187,375
Property, plant and equipment	**900,162**	**376,566**	**191,927**	**1,084,801**
Equity securities	1,650,000	300,000	-	1,950,000
Non-current financial assets	**1,650,000**	**300,000**	**-**	**1,950,000**
Total amortization, depreciation and impairment	**7,502,647**	**1,891,902**	**196,593**	**9,197,956**

(€) Net values	01.01.2015	Increase	Decrease	12.31.2015
Intangible assets	3,629,219	897,257	13,779	4,512,697
Property, plant and equipment	831,007	706,658	48,915	1,488,750
Non-current financial assets	20,437,870	97,621	21,116	20,514,375
Total net values	24,898,096	1,701,536	83,810	26,515,822

(1) cash held via the liquidity contract is included in Cash and cash equivalents.

1 / Research and development activity is structurally important and is a key differentiating factor for the Company. The main costs incurred in 2015 include:

- 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 manufacturing process using additive titanium layers;
- Integration of a rapid prototyping unit.

2/ The increase in patents costs in 2015 primarily concerned the PASSLP® thoraco-lumbar fixation system and its extensions, the IMPIX ALIF SA® interbody cage and the PASSOCT® occipito-cervical fixation system.

3/ The increase in computer licenses and software is linked to the setting up of a new information system, which has been operational since July 2015.

4/ In 2015, the Company continued to renew its machines with investments of €0.8 million, comprising primarily a comprehensive prototyping unit. These investments will lead to improved responsiveness to surgeons' needs.

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 surgery, the Company provides certain of its suppliers, for specific contracts, with sets comprising instruments and implants, of which it remains the owner. This equipment is subsequently stored at healthcare facilities or is available on loan. The instruments are recorded under property, plant and equipment and amortized over a period of 3 years. Fully-amortized instruments are taken off the books on a regular basis.

7 / Computer hardware and office equipment acquisitions mainly include purchases of servers and other hardware as part of the rollout of the new information system.

8 / Other property, plant and equipment mainly includes fixtures and fittings, as well as transport equipment.

9/ Non-current financial assets include equity securities, treasury shares held as part of a liquidity contract, receivables from investments and guarantees paid. Receivables from investments correspond to two loans at a fixed rate of 2.15% for a term of seven years, taken out by MEDICREA INTERNATIONAL on behalf of MEDICREA TECHNOLOGIES and used to finance various investments in industrial equipment.

4.7 Leases

4.7.1 Finance leases

Lease-financed non-current assets are broken down as follows:

(€)	12.31.2015	12.31.2014
Technical facilities and equipment	1,124,145	755,161
Computer hardware	76,517	76,517
Total gross values	**1,200,662**	**831,678**
Technical facility and equipment depreciation	39,140	3,026
Computer hardware depreciation	35,632	14,216
Total amortization and depreciation	**74,772**	**17,242**
Total net values	**1,125,890**	**814,436**

The technical facilities acquired in 2015 through leasing arrangements mainly concern a €0.4 million machining center for the prototyping unit.

Lease-financed commitments are analyzed as follows:

(€)	12.31.2015	12.31.2014
Original value	1,200,662	831,678
Amortization and depreciation	(74,772)	(17,242)
Of which depreciation charges for the year	*57,531*	*11,010*
Net value	**1,125,890**	**814,436**
Lease payments (1)		
Total payments from previous years	36,637	7,581
Lease payments for the year	227,415	29,056
Total	**264,052**	**36,637**
Future minimum lease payments		
Within 1 year	221,332	227,415
1 to 5 years	817,576	1,038,908
Total	**1,038,908**	**1,266,323**
Residual values	**11,908**	**8,308**

(1) Total payments from previous years and lease payments for the year only include lease payments made in relation to leases still in force at year-end.

4.7.2 Operating leases

Certain items of equipment (mainly photocopiers and computer hardware) are lease-financed over periods of 3 to 5 years.

The lease for MEDICREA INTERNATIONAL's premises was revoked and extended until October 31, 2016, the date on which it moves in to a new building that is under construction, near the current site, and of which the Company will also be a tenant. At the time of this change of premises, the Company will bring together the operations of its three subsidiaries on a single site, which will result in a significant increase in annual rental charges to €1 million with a 12-year commitment to the lessor. In contrast, the short-term lease for the manufacturing site at La Rochelle will be terminated.

Operating lease commitments can therefore be summarized as follows:

(€)	12.31.15	Within 1 year	1 to 5 years	5 to 10 years	More than 10 years
Real estate and equipment rental	**13,706,575**	577,524	4,520,273	5,554,050	3,054,728

NOTE 5: INVENTORIES AND WORK IN PROGRESS

Inventories mainly include finished products valued at purchase cost plus ancillary costs, 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:

(€)	12.31.2015	12.31.2014
Raw materials	98,939	-
Work-in-process	9,095	-
Semi-finished goods	39,061	-
Finished goods	5,456,656	4,555,522
Gross values	**5,603,751**	**4,555,522**
Provision for writedown of finished goods	(1,419,477)	(1,249,477)
Net values	**4,184,274**	**3,306,045**

MEDICREA INTERNATIONAL owns inventories intended for supply to marketing subsidiaries and to fulfill the needs of independent distributors. Inventories of finished goods are centrally managed, allowing the Company to optimize and anticipate the needs of its distribution subsidiaries at its own site.

Inventories of raw materials, work-in-progress and semi-finished products are related to a manufacturing center for 3D printed additive titanium layers coming into service.

The gross value of inventories rose 23% in relation to the previous fiscal year to respond to the sustained growth in the sales of subsidiaries and to ensure the operation of the prototyping unit put into service at the beginning of 2015. Products undergoing evaluation also contributed to this increase. The rise in writedowns is in correlation with that of gross inventories.

NOTE 6: TRADE AND OTHER RECEIVABLES

Trade and other receivables 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 Company factors some of its receivables based on its cash flow requirements. The value of invoicing subject to factoring at year-end, which as a result no longer appears in trade receivables at that date, is disclosed in off-balance sheet commitments.

Trade and other receivables are analyzed as follows:

(€)	12.31.2015	12.31.2014
Trade receivables - gross value	4,728,505	4,205,860
Provision for doubtful debts	(7,600)	(3,719)
Trade receivables	**4,720,905**	**4,202,141**
Social security receivables	9,100	8,100
Tax receivables	1,233,629	766,778
Intra-Group current accounts	3,694,849	1,772,497
Other receivables	48,854	110,589
Advances and prepayments to suppliers	830,591	373,037
Prepaid expenses	183,792	189,146
Asset translation adjustment	5,543	582
Other gross receivables	**6,006,358**	**3,220,729**
Impairment of intra-Group current accounts	(1,540,000)	(1,500,000)
Other receivables	**4,466,358**	**1,720,729**
Total receivables – gross values	**10,734,863**	**7,426,589**
Total receivables – net values	**9,187,263**	**5,922,870**

The change in trade receivables between 2015 and 2014 is analyzed as follows:

(€)	12.31.2015	12.31.2014
MEDICREA USA	3,361,654	2,309,719
MEDICREA EUROPE FRANCOPHONE	352,025	1,144,780
MEDICREA TECHNOLOGIES UK	67,190	37,376
MEDICREA TECHNOLOGIES	17,527	38,573
MEDICREA GMBH	15,547	-
Intra-Group receivables	**3,813,943**	**3,530,448**
Non-Group receivables	914,562	675,412
Total	**4,728,505**	**4,205,860**

The increase in Group receivables was due to both the growth in sales detailed in Note 2.1 and the change in the methods for recording MEDICREA EUROPE FRANCOPHONE payments, which are now initially recognized as a decrease in trade receivables and are then subtracted from current accounts.

The average settlement period for non-Group trade receivables was 66 days at December 31, 2015, against 46 days at the previous year-end. This increase was due to the growth in sales in 2015 as well as to occasional delays in payment, resolved since the end of the fiscal year.

Trade receivables deemed highly unlikely to be collected are the subject of a provision for impairment for their full amount exclusive of VAT.

Tax receivables include the research tax credit of €912,445 and the competitiveness and employment tax credit of €70,589. Other tax receivables primarily include VAT to be recovered.

At December 31, 2015, intra-Group current accounts were broken down as follows:

(€)	12.31.2015	12.31.2014
MEDICREA EUROPE FRANCOPHONE current account	3,390,570	1,772,497
MEDICREA TECHNOLOGY tax consolidation current account	180,337	-
MEDICREA GMBH current account	123,942	-
Total intra-Group current accounts (gross value)	**3,694,849**	**1,772,497**
MEDICREA EUROPE FRANCOPHONE current account impairment	(1,540,000)	(1,500,000)
Total intra-Group current accounts (net value)	**2,154,849**	**272,497**

Advances and prepayments to suppliers include:

- The payment of a $800,000 advance (€734,824 at the closing rate) as part of a cooperation contract with a US IT company (see section 13.1.4). Commissions due under this contract, which stood at €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 $76,138 (€69,935 at the closing rate) as part of a contract for the transfer of the inventor's copyright with a surgeon.

The maturity dates of receivables are broken down as follows:

(€)	12.31.2015	Within 1 year	1 to 5 years	More than 5 years
Other non-current financial assets	127,618	60,227	27,350	40,041
Receivables from investments	259,829	40,845	155,329	63,655
Trade receivables	4,728,505	4,728,505	-	-
Social security receivables	9,100	9,100	-	-
Tax receivables	1,233,629	1,233,629	-	-
Intra-Group current accounts	3,694,849	3,694,849	-	-
Other receivables	48,854	48,854	-	-
Advances and prepayments to suppliers	830,591	279,473	551,118	-
Prepaid expenses	183,792	183,792	-	-
Total	**11,116,767**	**10,279,274**	**733,797**	**103,696**

Accrued income included in various asset items are broken down as follows:

(€)	12.31.2015	12.31.2014
Receivables from investments	604	-
Trade receivables	99,438	323,281
Tax receivables	-	1,000
Other receivables	20,672	20,308
Total	**120,714**	**344,589**

NOTE 7: FINANCING AND FINANCIAL INSTRUMENTS

7.1 Net financial debt

7.1.1 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:

(€)	12.31.2015	12.31.2014
Loans from credit institutions	6,031,636	3,746,031
Bond issues	1,760,662	545,000
Other financial debt	108,663	97,222
Accrued loan interest	9,329	14,255
Accrued bank interest	4,567	5,426
Non-Group financial debt	**7,914,857**	**4,407,934**
Group and associates	3,486,775	4,549,945
Total financial debt	**11,401,632**	**8,957,879**

At December 31, 2015, 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 in 2015 within the framework of existing amortization schedules, and to the following new loans that were taken out:

- €1,000,000 at a fixed rate of 1.15% over a period of 5 years, to finance various industrial equipment;
- €800,000 at a fixed rate of 2.1% over a period of 5 years, to finance working capital requirements;
- €741,297 at a fixed rate of 2.15% over a period of 7 years, to finance various investments made in industrial equipment, mainly comprising two digitally-controlled lathes and one wire-cutting machine;
- €500,000 at a fixed rate of 3.3% over a period of 7 years, to finance costs inherent in the launch of innovations;
- €500,000 at a fixed rate of 1.9% over a period of 5 years, in order to strengthen the financial structure;
- €450,000 at a fixed rate of 4.25% over a period of 2 years, to finance the costs of research and development in 2015 eligible for the research tax credit;
- €52,000 at a fixed rate of 1.82% over a period of 3 years, to finance various industrial equipment;

Moreover, as part of the consolidation of its financing requirements and to fund its investments, in April 2015 the Company issued a five-year bond for €2,000,000 at an interest rate of 6%. This bond issue carries a potential non-conversion premium to be repaid at an interest rate of 1%.

Financial debt with other Group entities are analyzed as follows:

(€)	12.31.2015	12.31.2014
MEDICREA TECHNOLOGIES current account	2,635,178	2,069,518
MEDICREA USA current account	515,153	2,171,467
MEDICREA TECHNOLOGIES UK current account	329,242	301,758
Group and associates	**3,479,573**	**4,542,743**
MEDICREA TECHNOLOGIES guarantee	3,412	3,412
MEDICREA EUROPE FRANCOPHONE guarantee	3,790	3,790
Other financial debt	**7,202**	**7,202**
Total	**3,486,775**	**4,549,945**

The average interest rate for 2015 stood at 4.16% compared with 4.43% for 2014. This change was due to the subscription in 2015 of borrowings bearing lower fixed rates than those applying to existing funding.

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

(€)	12.31.2015	Within 1 year	1 to 5 years	More than 5 years
Loans from credit institutions	6,031,636	1,739,381	4,006,603	285,652
Bond issues	1,760,662	374,104	1,386,558	-
Other financial debt	108,663	108,663	-	-
Accrued loan interest	9,329	9,329	-	-
Accrued bank interest	4,567	4,567	-	-
Group and associates	3,486,775	7,202	3,479,573	-
Total	**11,401,632**	**2,243,246**	**8,872,734**	**285,652**

7.1.2 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) and cash 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:

(€)	12.31.2015	12.31.2014
Cash	730,748	509,058
Marketable securities	153,550	153,550
Cash and cash equivalents	**884,298**	**662,608**
Bank overdrafts	-	-
Net cash and cash equivalents	**884,298**	**662,608**

Marketable securities mainly include money market funds (SICAV) as security for a bank guarantee given for payment of rent.

The cash flow statement for the period January 1, 2015 to December 31, 2015 highlights cash usage over the fiscal year.

7.1.3 Hedge instruments

Most of the Company'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 currency. As a result, subsidiaries are not exposed to an exchange rate risk on purchases but MEDICREA INTERNATIONAL is exposed to an exchange risk on part of its sales, which it hedges against as opportunities arise using forward sales transactions.

At December 31, 2015, USD/Euro forward sales commitments totaled $600,000 under a €1 million package put into place during the fourth quarter at a hedging rate of 1.11 applicable until June 30, 2016.

7.2 Net financial income / (expense)

Net financial income / (expense) can be analyzed as follows:

(€)	12.31.2015	12.31.2014
Cost of net financial debt	(299,794)	(190,472)
Net exchange gain / (loss)	182,051	(280,469)
Capital gain / (loss) on disposal of marketable securities	(5,893)	(2,829)
Charges to provisions for exchange losses	(5,543)	(508)
Reversal of provisions for exchange losses	582	-
Charges to provisions for impairment of MEDICREA EUROPE FRANCOPHONE securities	-	(45,000)
Charges to provisions for impairment of MEDICREA TECHNOLOGIES UK securities	(300,000)	(1,500,000)
Reversal of provisions for impairment of MEDICREA TECHNOLOGIES securities	-	3,600,000
Charges to provisions for impairment of the MEDICREA EUROPE FRANCOPHONE current account	(40,000)	(565,000)
Net financial income / (expense)	**(468,597)**	**1,015,722**

The net exchange gain of €0.2 million was primarily due to the exchange rate differences recorded when payments were made by MEDICREA USA.

NOTE 8: TRADE PAYABLES AND OTHER CURRENT LIABILITIES

Trade payables and other liabilities are analyzed as follows:

(€)	12.31.2015	12.31.2014
Trade payables	**3,175,983**	**3,684,060**
Social security liabilities	824,060	625,901
Tax liabilities	123,457	142,703
Other liabilities	62,277	77,441
Translation adjustment liability	113,539	206,456
Total other liabilities	**1,123,333**	**1,052,501**
Total operating liabilities	**4,299,316**	**4,736,561**

The change in trade payables between 2015 and 2014 is analyzed as follows:

(€)	12.31.2015	12.31.2014
MEDICREA TECHNOLOGIES	1,931,408	2,732,486
MEDICREA EUROPE FRANCOPHONE	1,649	5,074
MEDICREA USA	6,591	-
Intra-Group liabilities	**1,939,648**	**2,737,560**
Non-Group liabilities	1,236,335	946,500
Total	**3,175,983**	**3,684,060**

The fall in trade payables was mainly due to the change in the methods for allocating payments made to MEDICREA TECHNOLOGIES which are now initially recognized as a decrease in trade payables and are then subtracted from current accounts.

The exchange rate differential recorded under liabilities mainly relates, at December 31, 2015, to the conversion of Group receivables denominated in foreign currencies and the conversion of advances paid to a US IT company as part of a cooperation agreement (see sections 6 and 13.1.4).

At December 31, 2015, the maturity of all operating liabilities was less than one year.

Accrued liabilities included in various liability items are broken down as follows:

(€)	12.31.2015	12.31.2014
Financial debt	13,896	19,681
Trade payables	329,684	680,825
Social security liabilities	558,852	386,037
Tax liabilities	107,818	125,791
Other liabilities	55,692	48,000
Total	**1,065,942**	**1,260,334**

NOTE 9: 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. MEDICREA EUROPE FRANCOPHONE, now wholly owned, 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 change in the corporate tax charge is analyzed as follows:

(€)	12.31.2015	12.31.2014
Research tax credit	(912,320)	(451,516)
Tax consolidation	(168,098)	-
Corporate tax charge / (income)	**(1,080,418)**	**(451,516)**

The research tax credit for the 2015 fiscal year totaled €0.9 million against €0.5 million for the previous fiscal year. This increase reflects the significant efforts made by the Company in research and development.

The corporate tax income of €168,098 recorded at December 31, 2015 offsets the tax charge of the same amount recognized by MEDICREA TECHNOLOGIES to acknowledge the adjustments of which it was notified by the authorities during the latest tax audit. It should be noted that this audit had no tax impact at Group level.

Temporarily non-deductible expenses totaled €106,850 for the year to December 31, 2015, compared with €210,991 for the year to December 31, 2014.

The MEDICREA INTERNATIONAL tax consolidation group had cumulative losses of €17,558,202 at December 31, 2015.

NOTE 10: IMPACT OF EXCHANGE DIFFERENCES ON SALES AND OPERATING INCOME

Average exchange rates evolved as follows:

Average conversion rate	2015	2014
USD / EUR	1.11500	1.33483
GBP / EUR	0.72794	0.80767

The impact of currency fluctuations on the comparability of the financial statements for the 2014 and 2015 fiscal years is as follows:

(€)	12.31.2015 at the 2015 rate	12.31.2015 at the 2014 rate	Impact of exchange rate
Sales	15,693,735	14,505,306	1,188,429
Operating income	(20,451)	(1,185,902)	1,165,451

NOTE 11: SHAREHOLDERS' EQUITY

16.1 Shareholders' equity

16.1.1 Share capital

Following equity transactions carried out during the fiscal year, share capital at December 31, 2015 totaled €1,438,030.08 and comprised of 8,987,688 shares with par value of €0.16 each. The number of authorized shares outstanding is as follows:

(€)	12.31.2015	12.31.2014	12.31.2013
Number of authorized shares	8,987,588	8,481,305	8,467,505
Number of preference shares	100	100	-
Number of shares issued and fully paid up	8,987,688	8,481,305	8,467,505
Par value (€)	0.16	0.16	0.16
Number of shares outstanding at end of period	8,987,588	8,481,405	8,467,505
Number of shares with double voting rights	2,641,990	2,744,677	2,473,956
Number of treasury shares held by the Group	-	-	-
Number of treasury shares held by the parent company	3,046	2,722	-

Transactions in the share capital of MEDICREA INTERNATIONAL over the period January 1, 2015 to December 31, 2015 are summarized as follows:

- At January 1, 2015, the share capital was €1,357,008.80 represented by 8,481,305 shares.
- On April 2, 2015, the Board of Directors recognized the share capital increase related to the exercise of 20,845 Stock Options, and to the issue of 100 P preference shares (covered in section 11.1.2 below).
- On June 29, 2015, the Board of Directors recognized the issue of 485,438 new shares as part of a share capital increase reserved for qualified investors.
- At December 31, 2015, the share capital was therefore made up of 8,987,588 ordinary shares and 100 P preference shares.

16.1.2 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 December 31, 2015. These preference shares do not grant voting rights or entitlement to dividends. They are not listed on Alternext.

16.1.3 Change in shareholders' equity

Changes in shareholders' equity during the year are analyzed as follows:

(€)	01.01.2015	Increase	Decrease	12.31.2015
Share capital	1,357,025	81,005	-	1,438,030
Merger premium	2,738,619	-	-	2,738,619
Issue premium	34,130,572	3,590,607	-	37,721,179
Allocation of share capital increase-related costs	(2,515,834)	-	(308,310)	(2,824,144)
Legal reserve	19,360	-	-	19,360
Reserve for own shares	8,167	33,600	-	41,767
Statutory reserves	208,270	-	-	208,270
Other reserves	449,244	-	-	449,244
Retained earnings	(15,997,713)	241,888	-	(15,755,825)
Net loss for fiscal year 2015	-	614,916	-	614,916
Net loss for fiscal year 2014	241,888	-	(241,888)	-
Shareholders' equity	**20,639,598**	**4,562,016**	**(550,198)**	**24,651,416**

Changes in issue premiums net of capital increase costs are summarized as follows:

(€)	2015	2014
Balance at January 1	**31,614,738**	**31,563,447**
Share capital increase in cash	3,590,607	154,474
Sub-total	**35,205,345**	**31,717,921**
Allocation of share capital increase-related costs	(274,710)	(103,183)
Allocation to the reserve for own shares	(33,600)	-
Balance at December 31	**34,897,035**	**31,614,738**

Share capital increase-related costs are allocated to issue premium in accordance with the opinion of CNC's Emergency Committee of December 21, 2000.

16.1.4 Dividends paid during the fiscal year

Nil

16.1.5 Issue, buyback and redemption of debt and equity securities

Movements that occurred during the 2015 fiscal year concerned:

- A €2 million bond issue in April 2015 repayable over five years at the rate of 6%, and accompanied by a potential non-conversion premium of 1%, with principal, interest and premiums redeemed on a monthly basis.
- The issue of 485,438 new shares in June 2015 as part of a €3.5 million share capital increase within the framework of an offer referred to in Paragraph II of Article L. 411–2 of the French Monetary and Financial Code.

NOTE 12: 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 2015 fiscal year.

NOTE 13: OTHER INFORMATION

18.1 Off-balance sheet commitments

18.1.1 Commitments given in relation to medium-term borrowings

(€)	12.31.2015	12.31.2014	12.31.2013
Pledges of business goodwill (1)	7,564,456	7,572,500	4,025,000
Financial instrument collateral (2)	153,550	153,550	153,550
Joint and several guarantees (3)	500,000	300,000	700,000
Cash collateral (4)	62,500	37,500	22,500

(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

A four-year bank loan of €1 million taken out in November 2014 is 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 the projected dividend payment.

At December 31, 2015, the consolidated net financial debt to consolidated shareholders' equity ratio was 0.57 and the consolidated net financial debt to consolidated EBITDA ratio was 4.45. The Group has secured a waiver from the banking institution concerned, without any change to initial borrowing terms and at no additional cost.

The dividend covenant is not applicable since the Group has never paid any dividends.

18.1.2 Commitments received in relation to the establishment of authorized overdrafts and short-term credit

(€)	12.31.2015	12.31.2014	12.31.2013
Assignment of trade receivables – Dailly	500,000	400,000	300,000
Miscellaneous guarantees and sureties	307,239	307,239	-
BPI counter guarantee (1)	2,371,978	1,492,156	1,423, 865

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

The total amount of overdrafts authorized but unconfirmed at December 31, 2015 was €245,000.

18.1.3 Commitments received in relation to the establishment of exchange rate hedges

During the 2015 fiscal year, dollar forward sale transactions implemented in late 2014 covering the period September 2014 – March 2015 were unwound for $450,000 and those implemented in late 2015 covering the period October 2015 –June 2016 were unwound for $400,000.

18.1.4 Other commitments

During the 2013 fiscal year, MEDICREA INTERNATIONAL 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 INTERNATIONAL of royalties on products sales ordered via the software. The parties have agreed to the annual payment, by the Company, 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.

Amounts already paid totaling $800,000 (€734,824 at the year-end rate) were recognized in other receivables at December 31, 2015. Commissions due under this contract, which stood at €34,616 on the same date, were subject to a provision that will be allocated to advances already paid.

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

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

	12.31.2015			12.31.2014		
	Number of shares	% share capital	% voting rights	Number of shares	% share capital	% voting rights
ORCHARD INTERNATIONAL (1)	1,727,490	19.22	29.71	1,727,490	20.33	30.11
Jean Philippe CAFFIERO	246,089	2.74	4.10	246,089	2.90	4.24
Denys SOURNAC (2)	270,547	3.01	2.33	202,054	2.38	3.47
Other Directors						
François Régis ORY (2)	108,652	1.21	0.93	108,652	1.28	0.97
Patrick BERTRAND (2)	93,392	1.04	0.95	93,392	1.10	0.96
Pierre BUREL (2)	91,707	1.02	1.44	91,707	1.08	1.48
Christophe BONNET	52,128	0.58	0.88	52,128	0.61	0.91
Jean Joseph MORENO	22,900	0.25	0.33	22,900	0.27	0.34
Marc RECTON	18,752	0.21	0.27	18,752	0.22	0.28
Total	**2,631,657**	**29.28%**	**40.92%**	**2,563,164**	**30.17%**	**42.76%**

(1): Shares held by the holding company, ORCHARD INTERNATIONAL. The following table provides details of ORCHARD INTERNATIONAL's shareholding structure as of December 31, 2015:

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

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

18.3 Related-party disclosures

As mentioned in section 3.7 above, ORCHARD INTERNATIONAL invoices MEDICREA INTERNATIONAL for various services, the amounts of which changed over the last three fiscal years as follows:

(€)	2015 amount invoiced, excl. VAT	2014 amount invoiced, excl. VAT	2013 amount invoiced, excl. VAT
Management services	300,000	292,000	432,000
Rebilling of employee costs	151,500	151,500	151,498
Rebilling of seconded executive's salary	64,000	151,458	191,314
Rebilling of seconded executive's expenses	-	6,681	32,685
Share of expenses	11,003	11,000	11,000
Rent and rental costs	20,436	20,464	43,223
Total	**546,939**	**633,103**	**861,720**

18.4 Statutory Auditors' fees

	EY				Odiceo			
	Amount (excl. VAT)		%		Amount (excl. VAT)		%	
(€)	2015	2014	2015	2014	2015	2014	2015	2014
AUDIT								
Audit, certification, review of individual and consolidated financial statements	41,100	44,000	87%	94%	22,200	22,100	87%	100%
Other assignments directly related to the audit assignment	6,300	3,000	13%	6%	3,200	-	13%	-
SUB-TOTAL AUDIT FEES	47,400	47,000	100%	100%	25,400	22,100	100%	100%
OTHER SERVICES PROVIDED BY STATUTORY AUDITORS TO CONSOLIDATED SUBSIDIARIES								
Legal, tax and corporate	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
SUB-TOTAL OTHER SERVICES	-	-	-	-	-	-	-	-
TOTAL	47,400	47,000	100%	100%	25,400	22,100	100%	100%

18.5 Post-balance sheet events

Nil.

18.6 Five-year financial summary

See the management report.

18.7 List of subsidiaries and equity investments

The amounts below are expressed in Euros.

Entities	Total shareholders' equity	Share capital ownership (%)	Book value of shares owned		Loans and advances granted and outstanding	Guarantees and sureties given by the Company	Net sales for last fiscal year	Net income for last fiscal year	Dividends paid to the parent company
			Gross	Net					
French subsidiaries									
MEDICREA TECHNOLOGIES	4,591,425	100%	11,946,000	11,946,000	440,166 (1)	-	7,806,443	264,950	-
MEDICREA EUROPE FRANCOPHONE	(397,637)	100%	150,000	-	3,390,570	500,000	4,750,382	(423,965)	-
International subsidiaries									
MEDICREA TECHNOLOGIES UK	1,026,855	100%	2,465,018	665,018	-	-	833,167	(229,404)	-
MEDICREA USA	6,868,373	100%	7,395,058	7,395,058	-	-	16,341,821	(1,633,661)	-
MEDICREA GMBH	(105,630)	100%	100,000	100,000	123,942	-	-	(205,630)	-

(1) Including €259,829 of receivables related to equity securities

STATUTORY AUDITOR'S REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS

AT DECEMBER 31, 2015

ODICEO ERNST & YOUNG et Autres

Medicrea International

Fiscal year ended December 31, 2015

Statutory Auditors' report
on the parent company financial statements

ODICEO
115, boulevard Stalingrad
C.S. 52038
69616 Villeurbanne Cedex
French corporation (société anonyme)
with share capital of €275,000

Statutory Auditor
Member of Compagnie
régionale de Lyon

ERNST & YOUNG et Autres
Tour Oxygène
10-12, boulevard Marius Vivier Merle
69393 Lyon Cedex 03
Corporation with variable capital
(S.A.S. à capital variable)

Statutory Auditor
Member of Compagnie
régionale de Versailles

Medicrea International

Fiscal year ended December 31, 2015

Statutory Auditor's report
on the parent company financial statements

To the Shareholders,

In compliance with the assignment entrusted to us by your Shareholders' Meeting, we hereby present our report for the year ended December 31, 2015, on:

- our audit of the accompanying Medicrea International parent company financial statements;
- the justification of our assessments;
- the specific verifications and information required by law.

The parent company financial statements have been prepared by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the parent company financial statements

We have conducted our audit in accordance with professional standards applicable in France; these standards require that we plan and perform the audit to obtain reasonable assurance as to whether the parent company financial statements are free from material misstatement. An audit includes examining, on a test basis or other method of selection, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, in light of French accounting principles and methods, the parent company financial statements provide a true and fair view of the financial performance for the fiscal year then ended and the financial position, assets and liabilities of the company at the end of the fiscal year.

II. Justification of assessments

Pursuant to the provisions of Article L. 823-9 of the Commercial Code relative to the justification of our assessments, we bring to your attention the following matters:

Note 4.4 to the parent company financial statements outlines the valuation, recognition and impairment rules applied to equity securities. As part of our assessment of the accounting principles adopted by your Company, we have verified the appropriateness of the above-specified accounting methods and information disclosed in the notes to the parent company financial statements and we have assured ourselves of their correct application.

These assessments were made within the framework of our audit, which focuses on the parent company financial statements as a whole, and accordingly contributed to the issuance of our opinion in the first part of this report.

III. Specific verification and information

We have also performed the specific verification required by law in accordance with professional standards applicable in France.

We have no comments to make concerning the fairness and consistency with the parent company financial statements of the information given in the Board of Directors' management report and in the documents sent to the shareholders concerning the financial position and the parent company financial statements.

In accordance with the law, we have verified that the various information relating to the identity of shareholders and holders of voting rights was disclosed in the management report.

Lyon, April 29, 2016

The Statutory Auditors

ODICEO	ERNST & YOUNG et Autres
Alain Fayen	Lionel Denjean

BOARD OF DIRECTORS' MANAGEMENT REPORT

AT DECEMBER 31, 2015

Leading personalized spine | medicrea.com

MEDICREA INTERNATIONAL
A French corporation *(société anonyme)* with share capital of €1,440,698.24
Registered office: 14, Porte du Grand Lyon – 01700 NEYRON
Trade and company register: 93 175 807 RCS BOURG-EN-BRESSE

BOARD OF DIRECTORS' REPORT ON THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015 SUBMITTED TO THE COMBINED SHAREHOLDERS' MEETING OF JUNE 7, 2016

Specialized in the development and manufacture of innovative implantable solutions for the surgical treatment of spinal column pathologies, and global leader in personalized solutions for each patient, MEDICREA Group operates in a market worth an estimated $11 billion. As a consequence of the financial and economic crisis, and within a broader context of healthcare policy reform, this market has seen low growth over the last three years. Nevertheless, the recovery now seems to be underway, encouraged by changing demographics (an aging population, increase in obesity and healthcare access in emerging countries), surgical techniques (reduction in operating time, less invasive surgery), and mergers between major players in the sector.

The spinal surgery market is highly concentrated and dominated by eight US giants, including MEDTRONIC, DEPUY / SYNTHES, STRYKER, NUVASIVE and GLOBUS, alongside which some smaller, highly innovative companies are developing, including MEDICREA which, through its energy and innovation capacity, is making a name for itself. By providing patient-specific osteosynthesis rods and a platform of related analysis and pre-operative planning services, as well as a range of implants and instruments for the spinal fusion and non-fusion segments, the Company is driven by a three-pronged objective: improving the operative comfort of the practitioner, reducing the intervention time and offering the patient long-term relief, thanks to unrivaled expertise.

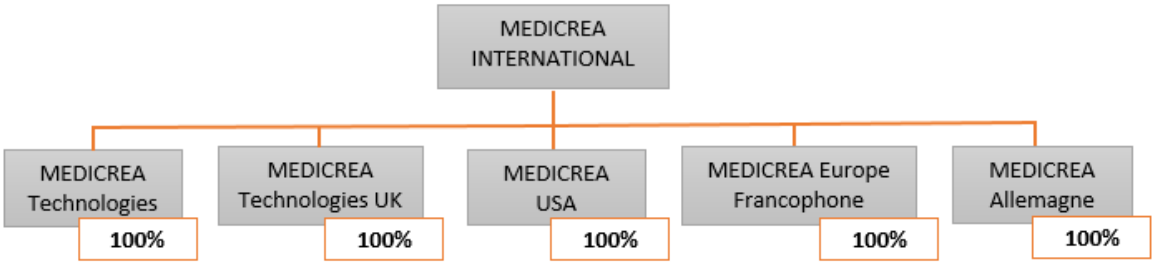
In accordance with the law and the Bylaws, this Report contains a summary of the situation and activity of MEDICREA Group and of the company MEDICREA INTERNATIONAL during the fiscal year ended December 31, 2015. The annual consolidated and parent company financial statements for the fiscal year are subject to the approval of the Shareholders' Meeting.

INFORMATION ABOUT THE GROUP

1 – GROUP SCOPE

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

At December 31, 2015, MEDICREA Group was structured as follows:



MEDICREA GMBH, a company incorporated under German law with a share capital of €100,000 was created in late April 2015.

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

2 – SITUATION AND DEVELOPMENT OF ACTIVITY OVER THE FISCAL YEAR JUST ENDED

The following are the highlights of the 2015 fiscal year:

- Market and environment

2015 was characterized by the following:

1/ There was continued pressure on pricing from hospitals, on repayment conditions from social security institutions and mutual insurance funds, and on market access conditions for medical devices from health authorities. A further price reduction of 3% was applied in France on October 1, 2015.

2/ Numerous transactions took place with the companies Safe Orthopaedics and SeaSpine (spinal column division of INTEGRA LIFE SCIENCES) floated on the Stock Exchange, the companies K2M, LDR and Implanet increasing share capital, expansion plans by the companies Nuvasive (new production facility and purchase of Ellipse Technologies) and Globus (acquisition of Branch Medical Group, instrument manufacturer).

- Results and performance

In 2015, a 15% increase in sales was recorded in comparison with the previous year. The Group confirmed that it is now a leading player in France with sales growth there of 23% in relation to 2014, due in particular to the interest shown by surgeons in the UNiD innovations and the related

personalized implants platform. Commercial investments made in 2014 resulted in the opening of new export markets primarily in Eastern Europe and South America in 2015. The United States, which is the leading and priority market, generated 60% of total sales.

Gross margin grew €2.2 million in comparison with 2014. Investments in new industrial equipment and the rollout of the new UNiD™ platform, not yet offset by further productivity gains and the expected increase in sales volumes, account for a temporary fall in the gross margin rate (79% in 2015 versus 81% in 2014), which nevertheless remains one of the best in the sector.

The proactive development phase launched in 2014 continued in 2015. MEDICREA used the additional margin generated to strengthen its teams in the various subsidiaries and upgrade its production facility. Within this context of high investment, the Group posted a substantial operating income before amortization, depreciation and provisions (EBITDA) for the sixth consecutive year.

- Products

The Group has become a pioneer and global leader in the manufacture of patient-specific implants for personalized spinal surgery, with the development of a comprehensive process incorporating the software analysis of each patient, the preparatory planning of the surgical strategy, and the production of patient-specific spinal osteosynthesis rods (UNiD® rod) and lumbar interbody osteosynthesis cages (UNiD® ALIF cage) that are made to measure by a 3D printer.

In 2015, MEDICREA concentrated its efforts on the development and promotion of this innovative solution. Since marketing of the UNiD® patient-specific rods began and FDA approval was secured in late 2014, almost 500 surgical procedures have been performed in Europe and the United States. By the end of December 2015, 70 surgeons had made use of UNiD® services, 20 of whom were regular users.

The Group has also continued to develop its range of standard implants:

- In April 2015, the LigaPASS® 2.0 system, a sub-laminar band connector technology for posterior thoraco-lumbar spinal anchoring, was launched in the United States. This new generation technology includes numerous improvements and its use has now been extended to young patients (over the age of 10 suffering from idiopathic and neuromuscular scoliosis) as well as adults.

- PASS MIS®, designed for minimally invasive surgery, was finally launched on the French market and PASS Degen®, specifically developed for degenerative pathologies, marketed in the United States.

- Research & development

The Group is actively working both to expand its range of implants with the development of a highly innovative "tulip" type screw which will allow it to serve the highly important degenerative spinal indications market, and to develop manufacturing processes for intervertebral cages and titanium 3D printed corpectomy implants. The Group firmly believes that computer-assisted patient-specific surgery is the most appropriate solution to spinal column pathologies, a view that has been confirmed by the growing interest manifested in its solutions not only by surgeons, but also by patients.

- Organization

The Group continued to strengthen its teams in 2015 by recruiting 12 people, mainly in the Research & Development and Marketing Departments. Greg Rhinehart's arrival as Vice-President of Sales in the United States marks a very significant step in the development of the US subsidiary.

An additive manufacturing center using titanium 3D printing and a comprehensive prototyping unit have been integrated into the production facility. A new distribution subsidiary has also been opened in Germany, which is the leading spinal market in Europe.

The Group has begun construction of a new site in Rillieux La Pape - Vancia (69), that it will take over as tenant from the fourth quarter of 2016, and which will house the head office and production facility currently located in La Rochelle, which will close when this transfer takes place. Employees at the La Rochelle site have been informed of this decision and a support plan will be offered to them to help with their relocation to the Lyon region.

Lastly, the implementation of a new ERP was successfully completed on July 1 2015 providing the Group with better management of flows, and the coordination of its operations within an environment shared by all its subsidiaries.

- Financing

A share capital increase of €3.5 million via private placement was completed in June 2015. The purpose of this issue was to strengthen commercial resources, launch the new marketing subsidiary in Germany and rebalance the "debt to equity" ratio.

Medium-term loans totaling €4 million were set up and bonds of €2 million were issued in 2015. Their purpose is to fund working capital requirements and a latest generation machinery base including a prototyping center installed in Neyron in late 2014.

Industrial equipment was also purchased through a finance lease, notably a machining unit, for €0.8 million.

2.1 Review of the financial statements

The financial statements of MEDICREA Group at December 31, 2015 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.

The summarized financial statements are as follows:

Consolidated income statements (IFRS)

(€)	12.31.2015	12.31.2014
Net sales	**27,757**	**24,204**
Cost of sales	(5,954)	(4,562)
Gross margin	**21,803**	**19,642**
Research & development costs	(984)	(1,380)
Sales & marketing expenses	(13,218)	(10,808)
Sales commissions	(3,109)	(2,592)
General and administrative expenses	(5,956)	(4,993)
Other operating income and expenses	(85)	(72)
Operating income before share-based payments	**(1,549)**	**(203)**
Share-based payments	(45)	(79)
Operating income after share-based payments	**(1,594)**	**(282)**
Cost of net financial debt	(329)	(188)
Other financial (expenses) / income	100	(230)
Tax (charge) / income	308	(350)
Consolidated net income	**(1,515)**	**(1,050)**
Attributable to the Group	**(1,515)**	**(1,023)**
Attributable to minority interests	-	**(27)**

Consolidated balance sheet (IFRS)

(€ K)	12.31.2015	12.31.2014
Goodwill	2,637	2,634
Intangible assets	4,901	3,970
Property, plant and equipment	7,013	5,481
Non-current financial assets	687	419
Deferred tax assets	1,022	603
Total non-current assets	**16,260**	**13,107**
Inventories	7,019	6,331
Trade receivables	4,710	4,381
Other current assets	2,902	2,303
Cash and cash equivalents	2,168	1,182
Total current assets	**16,799**	**14,197**
Total assets	**33,059**	**27,303**

(€ K)	12.31.2015	12.31.2014
Share capital	1,438	1,357
Issue, merger and contribution premiums	37,636	34,353
Consolidated reserves	(22,321)	(22,066)
Group net income for the year	(1,515)	(1,023)
Total shareholders' equity	**15,238**	**12,621**
Conditional advances	404	455
Non-current provisions	461	337
Deferred tax liabilities	324	715
Long-term financial debt	7,156	3,921
Total non-current liabilities	**8,345**	**5,428**
Current provisions	31	12
Short-term financial debt	3,270	3,049
Other current financial liabilities	11	25
Trade payables	4,056	4,180
Other current liabilities	2,108	1,988
Total current liabilities	**9,476**	**9,254**
Total shareholders' equity and liabilities	**33,059**	**27,303**

2.2 Comments on the consolidated income statement

Net sales for 2015 totaled €27.8 million, an increase of 15% compared with the previous year. The Group has confirmed that it is now a leading player in France with a 23% increase in sales in the country in relation to 2014. The United States, which is the leading and priority market, generated 60% of total sales.

The four subsidiaries that distribute directly to hospitals and clinics (MEDICREA USA, MEDICREA EUROPE FRANCOPHONE, MEDICREA TECHNOLOGIES UK and MEDICREA GMBH) generated 79% of consolidated sales (81% in 2014).

Gross margin grew €2.2 million in comparison with 2014. Investments in new industrial equipment and the rollout of the new UNiD™ platform, not yet offset by further productivity gains and the expected increase in sales volumes, account for a temporary fall in the gross margin rate, which nevertheless remains one of the best in the sector.

Payroll costs stood at €11.2 million and were up €1.9 million in relation to the previous fiscal year. This increase was due firstly to the recruitments made over the course of 2014 and which are recorded for the full year this year, and secondly to the strengthening of the Research and Development and Marketing teams.

The Group continued to invest heavily in research and development, with details of the major projects provided in Paragraph 5. The R&D costs recorded under expenses for the fiscal year, after recognition under assets of expenditure to be capitalized (€1.9 million) and allocation of the research tax credit (€1 million), stood at €1 million (€1.4 million in 2014), including a provision of €1 million to amortization in relation to the capitalized research costs.

Sales and marketing expenses, of which the payroll component represented approximately 52% of the total, grew 22% in comparison with 2014, reaching €13.2 million, following the strengthening of teams in 2014, the intensification of marketing efforts and the participation in numerous international conferences.

Sales commissions, proportionate to sales, totaled €3.1 million in 2015. They primarily relate to MEDICREA USA and remunerate the commercial work of the sales agents used by the Company.

Administrative expenses mainly comprised of salaries and charges grew 19% in comparison with 2014, following the increase in staff numbers and the expenses incurred in relation to the IT infrastructure.

The larger workforce and intensified research and development and marketing investment in 2015 increased the operating breakeven point to quarterly sales of €7.3 million (compared with €6.1 million in 2014).

The loss from recurring operations before share-based payments was therefore €1.5 million in 2015 (a loss of €0.2 million in 2014).

Charges to amortization and impairment provisions are recognized in respect of the large number of instrument sets and implants provided to public and private hospitals necessary for the expansion of the Group's business and therefore such equipment has a significant impact on Group earnings. Before taking these costs and provision charges into account, 2015 EBITDA was €1.9 million compared with €2.5 million in 2014.

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

The currency impact had a significant effect on the development of revenues and costs over the period, particularly in relation to sales, marketing and administrative costs. The impact of exchange differences on Group sales and operating income in 2015 were as follows:

(€)	12.31.2015 at the 2015 rate	12.31.2015 at the 2014 rate	Impact of exchange rate
Sales	27,757,300	24,983,705	2,773,595
Operating income after share-based payments	(1,593,827)	(2,195,427)	601,600

The cost of debt increased by €0.1 million in comparison with the previous fiscal year after new loans were taken out in 2015. The average interest rate was 3.79% in 2015, compared with 4.24% in 2014.

Taking into account these factors and after recognition of the deferred tax charges primarily related to the capitalization of losses carried forward recorded in the balance sheet of the US subsidiary, there was a net loss of €1.5 million. The Group does not pay any corporate tax and, for its fiscally-consolidated French subsidiaries, has substantial reserves of tax losses carried forward not recognized in its financial statements.

In accordance with the presentation method selected during the transition to IFRS, the research tax credit is recognized as a deduction from research and development expenditure (€1 million for the 2015 fiscal year, compared with €0.5 million in 2014).

2.3 Comments on the consolidated balance sheet

Total assets were €33.1 million, an increase of €5.8 million compared with the previous fiscal year.

Non-current assets, which increased by €3.2 million, represented 49% of total assets.

Intangible assets grew €0.9 million as a result of the ongoing research and development efforts and a new IT system coming into service in July 2015.

The €1.5 million increase in property, plant and equipment was due to the continued acceleration of production investments in line with those made in 2014, with in particular a comprehensive prototyping unit coming into service in early 2015.

In addition, the expansion of the Group's business required it to continually increase and renew the instrument and ancillary kits used by its customers, notably in the United States, which represented a €1 million investment in 2015.

The €0.4 million increase in deferred tax assets was directly related to consolidation adjustments.

Within current assets, net inventories increased by €0,7 million in comparison with 2014, including a €0.3 million increase in impairment provision. They represented 21% of total assets, compared with 23% in 2014. The gross value of inventories increased by 13% 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.

Trade receivables grew significantly. The average collection period was 58 days during the year ended December 31, 2015, compared with 56 days one year earlier. This change was mainly related to occasional delays in the collection of receivables at the end of 2015, which were absorbed at the start of 2016.

The €0.6 million increase in other currents assets was due to the payment of an advance to an American IT company following the introduction of a cooperation agreement for the development of medical imaging software.

The strengthening of the net cash position results from the €3.5 million share capital increase completed in June 2015.

Shareholders' equity stood at €15.2 million at the end of 2015. Its change in relation to 2014 was mainly the result of the share capital increase in June 2015 as well as the comprehensive income for the fiscal year.

Non-current provisions consisted primarily of the value of the rights acquired by the employees of the French subsidiaries in connection with retirement benefit schemes.

Financial debt was €10 million, up €3 million compared with 2014. The increase was the result of new loans (banking and bonds) and leases introduced to finance production investments and on an ad-hoc basis to meet working capital requirements generated by the growth in the Group's business.

The fall in deferred tax liabilities was mainly related to consolidation adjustments, notably those involving finance leases.

Trade payables stood at €4 million, and were stable compared with the previous fiscal year.

Other current liabilities totaled €2.1 million at the end of 2015 and mainly comprised tax and social security liabilities.

3 – DEVELOPMENT AND FUTURE PROSPECTS

Sales for the first quarter of 2016 totaled €7 million, an increase of 20% in comparison with the same period of 2015. The Group's two main markets achieved strong growth: the United States posted growth of 27% at constant exchange rates and sales in France rose by 20%.

The strengthening of the sales teams in the United States, the marketing of new products and the growing momentum of the British and German subsidiaries will sustain growth in the coming quarters.

The beginning of 2016 looks promising. The pace of adoption of the UNiD™ technology, which provides patient-specific osteosynthesis rods and a platform of related patient analysis and pre-operative planning services, is accelerating. In early March, the Group passed the milestone of 600 surgical procedures completed and is now handling 60 surgical plans each month. UNiD™ is a fantastic growth driver thanks to its particularly innovative service-based approach. The Group is actively working to expand its range of patient-specific implants and in 2016, will ramp up the production of intervertebral cages and corpectomy implants manufactured via titanium 3D printing.

During the 2016 fiscal year, all the Group's French operations will be transferred to the site in Rillieux La Pape - Vancia (69), which will house the Group's current head office and production facility located in La Rochelle. This new industrial site should mean that certain manufacturing processes, notably sterile packaging, that until now have been subcontracted, can be brought in-house more quickly, thus leading to a reduction in costs and shorter production lead times.

4 – INFORMATION RELATING TO SUBSIDIARIES AND INVESTMENTS

The corporate results of the subsidiaries and significant comments on activity over the 2015 fiscal year are presented below:

- MEDICREA INTERNATIONAL SA

Information about the company MEDICREA INTERNATIONAL SA is identical to that provided in Paragraph 1 of the information concerning the parent company contained in this Report.

- MEDICREA TECHNOLOGIES SAS

(€ K)	2015	2014	2013
Sales	7,806	7,923	5,715
Operating income	330	690	(61)
Net financial income / (expense)	8	13	16
Net exceptional income/(expense)	31	-	2
Net income	265	789	20
Workforce size (excluding trainees)	30	30	26

The change in sales between 2015 and 2014 is analyzed by customer as follows:

(€ K)	2015	2014	Change
MEDICREA INTERNATIONAL	7,026	7,239	(3)%
Repair center	686	644	7%
Other	94	40	135%
Sales	**7,806**	**7,923**	**(1)%**

Excluding repair center customers who are invoiced directly, MEDICREA TECHNOLOGIES' sole customer is MEDICREA INTERNATIONAL.

Sales fell 1% compared with the previous fiscal year, since the Company's business relies very closely on the inventory levels of MEDICREA INTERNATIONAL. This fall, coupled with a deterioration of the gross margin, impacted the operating income which for the 2015 fiscal year stood at €0.3 million.

Taking into account a research tax credit of €0.1 million and a tax consolidation expense of €0.2 million, 2015 net income stood at €0.3 million.

- MEDICREA USA CORP

(€ K)	2015	2014	2013
EUR/USD exchange rate	1.115	1.3348	1.3259
Sales	16,342	13,996	12,306
Operating income	(1,486)	657	1,803
Net financial income / (expense)	3	23	7
Net income	(1,634)	443	1,779
Workforce size (excluding trainees)	30	33	27

In dollars, 2015 sales were stable in comparison with the previous fiscal year, the stronger currency having a favorable impact (up 17%) on the conversion of sales into Euros.

As a percentage of sales, gross margin fell significantly compared with 2014 due to the increase in the purchase prices of implants sourced from MEDICREA INTERNATIONAL.

In dollars, operating expenses increased 4% following the recruitment of a Vice President of Sales and investments made to promote the patient-specific pre-contoured rods and the UNiD® operation planning platform.

Within a context of a falling gross margin in absolute terms in comparison with 2014, the conversion of operating expenses into Euros adversely impacted operating income, which in 2015 stood at a €1.5 million loss against a €0.7 million income the previous fiscal year.

After allocation of State taxes due even when losses carried forward are recognized, a net loss of €1.6 million was recorded compared with a net income of €0.4 million in 2014.

- MEDICREA TECHNOLOGIES UK LTD

(€ K)	2015	2014	2013
EUR/GBP exchange rate	0.7279	0.8077	0.8486
Sales	833	1,163	1,379
Operating income	(333)	(78)	272
Net income	(229)	(23)	272
Workforce size (excluding trainees)	6	5	7

The Company experienced a difficult fiscal year with a 28% fall in its sales in Euros (35% in GBP), related to a sustained decline in the business of its two main installer centers and the departure at the end of 2014 of its operations director who was only replaced in the fourth quarter of 2015. Within this context, despite strict control of marketing expenditure, an operating loss of €0.3 million was recorded, against a loss of €0.1 million in 2014.

- MEDICREA EUROPE FRANCOPHONE SAS

(€ K)	2015	2014	2013
Sales	4,750	3,873	3,412
Operating income	(389)	(395)	(238)
Net financial income / (expense)	(35)	(34)	(33)
Net exceptional income/(expense)	-	920	(3)
Net income	(424)	491	(274)
Workforce size (excluding trainees)	11	12	9

By invoicing market, sales over the last three fiscal years progressed as follows:

(€ K)	2015	2014	2013
France	4,701	3,823	2,991
Benelux	-	-	277
Mediterranean region	49	50	144
Sales	**4,750**	**3,873**	**3,412**

The Company continued to grow in France with a 23% rise in sales compared with the previous fiscal year. This led to a €0.3 million increase in gross margin in comparison with 2014, which offset the increase in marketing costs of the same amount, thereby stabilizing operating income at the same level as the previous fiscal year.

The Company recorded a €0.4 million net loss for 2015 compared with a net income of €0.5 million in 2014 which, it should be noted, included a debt waiver of €0.9 million granted by MEDICREA INTERNATIONAL.

- MEDICREA GMBH

(€ K)	2015
Sales	-
Operating income	(206)
Net income	(206)
Workforce size (excluding trainees)	2

The company was created in 2015 and during this fiscal year has only recorded charges related to the start of its operations (recruitment, office rental and initial contact with hospitals).

5 – RESEARCH AND DEVELOPMENT ACTIVITIES

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

(€ K)	2015	2014	2013	2012	2011
Capitalized R&D costs	1,886	1,069	1,017	845	866
Expensed R&D costs (1)	1,960	1,893	1,729	1,741	1,553
- of which amortization charge of R&D costs	(993)	(904)	(842)	(717)	(569)

(1): before allocation of the Research Tax Credit

In 2015, MEDICREA was granted two FDA authorizations for the products PASS LP® (cannulated screws) and PASS OCT® (patient-specific cervical osteosynthesis rods). 490 new product listings were also CE certified and primarily relate to the PASSLP®, PASS MIS®, PASS OCT®, ALIF S/A® and UNiD® products.

During the 2015 fiscal year, the work of the research and development teams more specifically focused on the following products:

- UNiD: Osteosynthesis rod custom contoured for a given patient according to the pre-operative planning defined by the surgeon

- LIGAPASS: vertebral anchoring system using flexible bands, and LIGAPASSLP for adolescent idiopathic scoliosis indications

- PASS OCT: occipito-cervical fixation system allowing thoracic spinal constructs to be extended to the base of the skull.

- IMPIX ALIF S/A: standalone anterior cage for use in the treatment of degenerative lumbar pathologies

- PASS DEGEN TOPLO: top loading polyaxial screw allowing surgeons to pre-operatively set the polyaxiality to a given value in order to control the correction applied

- CARYATID: First radio transparent corpectomy implant resulting from additive manufacturing technology

The Group is actively working to expand its range of patient-specific implants and in 2016, will ramp up the production of intervertebral cages and corpectomy implants manufactured via titanium 3D printing. The Group firmly believes that computer-assisted patient-specific surgery is the most appropriate solution to spinal column pathologies, a view that has been confirmed by the growing interest manifested in its solutions not only by surgeons, but also by patients.

6 – SOCIAL AND ENVIRONMENTAL INFORMATION

6.1 Corporate information

At December 31, 2015, the Group's workforce included 140 employees, five of whom worked part-time, one was on an apprenticeship contract and one was on a skills training contract. Three people were employed on fixed-term contracts at this date. The workforce is supplemented by a small number of trainees, for whom agreements are signed throughout the year.

102 people are employed in France (parent company and its two subsidiaries), six work for the UK subsidiary, 30 for the US subsidiary and two for the German subsidiary.

The average gross salary for the 2015 fiscal year stood at €5,923 (€5,540 in 2014). Excluding the remuneration of employees of the US subsidiary, the average gross salary was €4,449 (€4,545 in 2014).

The gender breakdown by staff category is as follows:

	Male	Female	Total
Executives	48	24	72
Supervisors - Employees	41	27	68
Total	**89**	**51**	**140**

- Training

Payments made to collecting bodies for continuous in-service training amounted to approximately €32,700 in 2015 (€40,500 in 2014) for the three French companies, amounts that were used in full to train Group employees and were higher than the legal training obligation.

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

- Safety

Given their configuration, the La Rochelle factory premises enable very high levels of safety to be ensured, particularly concerning the production facilities, the risks linked to work-related accidents to be reduced, and the operating conditions of the site to be optimized. A comprehensive risk management assessment has been prepared and is updated annually for all French organizations.

The management of finished products inventories is overseen from large premises at the head office in Neyron dedicated to logistics operations. The activity repairing motors for surgical devices is also based at the Neyron site.

By virtue of its medical device design and manufacturing operations, the Group is also subject to Public Health Code regulations.

- Staff retention

Employees of the French entities have access to a Group Savings Plan, thereby entitling them to subscribe to Company shares under favorable terms, supplemented by an employer contribution of 50% on the occasion of any share capital increase. There was no share capital increase reserved for employees during the 2015 fiscal year.

In addition, in 2015 the Board of Directors made use of the delegation granted to it by the Annual General Meeting of June 14, 2012 by allocating 12,000 subscription share options to an American employee. The delegation was not used in relation to the allocation of free shares.

Since the French companies are in a tax loss situation, mechanisms for legal employee profit-sharing do not apply.

- Subcontracting

As part of its manufacturing business, the Group relies on a network of qualified subcontractors, with no facilities to date in controlled environments such as cleanrooms. The ultra-clean processing and the sterilization using gamma irradiation of sterile products are also subcontracted. Purchases of components during the 2015 fiscal year totaled €2.5 million (€2.9 million in 2014).

6.2 Environmental information

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

The La Rochelle site, governed by the legal entity MEDICREA TECHNOLOGIES and dedicated to the manufacture of medical devices, is ISO 13485 2012 version) and ISO 9001 certified. Since 2010, ISO 13485 and ISO 9001 certifications as well as CE marking have been extended to include MEDICREA INTERNATIONAL. The Group has introduced a program of overseeing processes and of quality control inspections, specifically a set of operating procedures, and processes and specifications designed to ensure compliance with best practices in relation to the development and manufacture of products, and of monitoring the environmental impact.

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

7 – RISKS

7.1 Specific risks associated with the Company's business

The spinal surgery market is highly competitive, with the potential for innovative products to be introduced into it by its participants via extensive distribution networks. This market is also highly concentrated, mainly in the United States, with 10 leading players who share between them approximately 80% of the global market. These major players benefit from competitive advantages such as:

- Powerful distribution networks,
- Substantial financial resources for the research and development of new products, their protection in relation to industrial property and their commercial promotion,
- Firmly established relationships with specialist surgeons and hospitals.

7.2 Regulatory environment risks

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

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

The most recent Quality Certification Audits of the Neyron and La Rochelle sites were respectively carried out in June 2013 by the FDA (US regulations), and in January 2016 by LNE-GMED (European regulations), resulting in the qualifications and existing certificates being maintained (FDA) or renewed (LNE-GMED). These audits specifically confirmed the level of expertise in the various skills used within the Group, with areas for further improvement, in particular in the field of formally setting out "good practices".

7.3 Risks associated with the malfunction of industrial processes

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

In case of an issue with a medical device, non-conformities can be identified internally throughout design and manufacturing processes, as well as during inspections before a medical device is released, but also during (external or internal) audits or regulatory inspections, or even by customers.

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

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

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

7.4. Intellectual property risks

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

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

As a result, the Group cannot guarantee:

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

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

7.5 Litigation risk

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

7.6 Risks related to changes in raw material prices

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

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

7.7 Risks associated with changes to medical device reimbursement policies

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

7.8 Liquidity risks

In order to best manage this risk, the Group has implemented daily monitoring of its cash, and monthly updates of cash receipts and payments over 12 rolling months. This ensures it will always have enough liquidity to honor maturing liabilities and, if difficulties are anticipated, necessary action can be taken to secure its cash flow.

However, the Group may need to raise additional funds should opportunities for new product development or targeted technology or business acquisitions arise, or if the working capital requirements necessary for its expansion turn out to be greater than anticipated.

7.9 Exchange rate 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 currency. As a result, subsidiaries are not exposed to an exchange rate risk on purchases but MEDICREA INTERNATIONAL, the Group's parent company, is exposed to an exchange risk on part of its foreign currency-denominated sales, which it hedges against as opportunities arise, mostly by setting up forward sales transactions.

7.10 Interest rate risks

At December 31, 2015, all loans carried a fixed rate.

7.11 Share risks

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

7.12 Inflation risks

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

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

The Group generated 59% of its consolidated sales in dollars in the 2015 fiscal year, through its subsidiary MEDICREA USA. This proportion should increase over the coming fiscal years and could stand at almost two thirds of the business.

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 and operating income growth.

8 – SIGNIFICANT EVENTS BETWEEN THE YEAR-END AND THE DATE OF THE REPORT

No significant event has occurred since the year-end.

INFORMATION ON THE PARENT COMPANY

1 – SITUATION AND DEVELOPMENT OF ACTIVITY OVER THE FISCAL YEAR JUST ENDED

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

MEDICREA INTERNATIONAL's financial statements at December 31, 2015 have been prepared pursuant to French generally accepted accounting principles.

The summarized financial statements are as follows:

Income statement

(€ K)	12.31.2015	12.31.2014
Net sales	15,694	14,336
Finished products and work in progress	147	7
Own work capitalized	1,800	1,100
Operating grants	17	1
Provision reversals and transfers of charges	51	319
Other revenue	25	35
Operating revenues	**17,734**	**15,798**
Purchases consumed, subcontracting and other supplies	(6,240)	(6,767)
Other external purchases and charges	(4,624)	(4,124)
Taxes and duties	(248)	(192)
Wages and salaries	(3,076)	(2,330)
Social security costs	(1,247)	(971)
Amortization and depreciation charges	(1,592)	(1,363)
Provision charges	(193)	(5)
Other expenses	(534)	(404)
Operating expenses	**(17,754)**	**(16,156)**
Operating income	**(20)**	**(358)**
Financial income	350	3,651
Financial expenses	(819)	(2,635)
Net financial income / (expense)	**(469)**	**1,016**
Income/(loss) before tax	**(489)**	**658**
Exceptional income	38	52
Exceptional expenses	(14)	(920)
Net exceptional income/(expense)	**24**	**(868)**
Corporate tax	1,080	452
Net income	**615**	**242**

Balance sheet

(€ K)	12.31.2015	12.31.2014
Intangible assets	4,513	3,629
Property, plant and equipment	1,489	831
Non-current financial assets	20,514	20,438
Non-current assets	**26,516**	**24,898**
Inventories	4,184	3,306
Trade receivables	4,721	4,202
Other receivables	4,466	1,721
Cash and cash equivalents	884	663
Current assets	**14,255**	**9,892**
Total assets	**40,771**	**34,790**

(€ K)	12.31.2015	12.31.2014
Share capital	1,438	1,357
Reserves	22,598	19,041
Net income for the year	615	242
Shareholders' equity	**24,651**	**20,640**
Conditional advances	404	455
Other equity	**404**	**455**
Long-term financial debt	5,679	2,454
Group and associates	3,480	4,543
Non-current liabilities	**9,159**	**6,997**
Provisions for liabilities and charges	15	1
Short-term financial debt	2,243	1,961
Trade payables	3,176	3,684
Other liabilities	1,123	1,052
Current liabilities	**6,557**	**6,698**
Total shareholders' equity and liabilities	**40,771**	**34,790**

1.1 Comments on the income statement

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

MEDICREA USA, MEDICREA TECHNOLOGIES UK, MEDICREA EUROPE FRANCOPHONE and now MEDICREA GmbH buy directly and solely from MEDICREA INTERNATIONAL.

MEDICREA INTERNATIONAL makes most of its purchases from MEDICREA TECHNOLOGIES, the Group's production factory located in La Rochelle.

The change in sales between 2015 and 2014 is analyzed by customer as follows:

(€ K)	2015	2014	Change
MEDICREA USA	6,863	6,238	10%
MEDICREA EUROPE FRANCOPHONE	3,386	3,224	5%
MEDICREA TECHNOLOGIES UK	248	263	(6)%
MEDICREA TECHNOLOGIES	76	59	29%
MEDICREA GMBH	15	-	100%
Total intra-Group sales and rebillings	**10,588**	**9,784**	**+8%**
Distributors	5,062	4,499	13%
Other	44	53	(17)%
Net sales	**15,694**	**14,336**	**9%**

Sales with the Company's commercial subsidiaries grew almost 8% compared with the previous year, in line with the business development of these entities in their respective markets, in particular in the US and France. These sales meet demand from customer hospitals and subsidiaries to replenish their inventories. The strengthening of the dollar over the fiscal year had a positive impact of €1.1 million on intra-group sales made with MEDICREA USA.

Sales with international distributors, which reflect the direct marketing business of MEDICREA INTERNATIONAL, increased by 13% compared with 2014. The Company won additional market shares in Eastern Europe and developed its distribution network in South America. In Asia, most sales were generated by the Company's historical distributors, primarily in China and Malaysia.

Other operating revenues totaled €2.8 million, versus €1.5 million in 2014. They mainly consist of finished products and work in progress (€0.9 million), and research and development expenditure, as well as patent costs recorded as own work capitalized and transferred to the assets side of the balance sheet (€1.8 million). The structurally high level of own work capitalized reflects the research and development efforts the Company has undertaken in recent years.

The gross margin was 57% of net sales in 2015, compared with 52% in 2014. This increase reflects the development of operations amplified by the favorable exchange rate in 2015 with MEDICREA USA, the subsidiary with which MEDICREA INTERNATIONAL earns its highest margins.

Other external purchases and charges totaled €4.6 million in 2015 compared with €4.1 million in 2014. This change is explained by the €0.2 million increase in leasing costs related to the introduction of a prototyping unit in early 2015, and €0.1 million of increased travel costs due to the deployment of international sales teams.

The increase in payroll costs reflects the significant efforts made both to strengthen research and development teams, with the arrival of two research engineers and one project manager, and to structure the Quality Assurance and Regulated Affairs Department, with the appointment of a Quality Assurance and Regulated Affairs Director.

Taking into consideration the points specified above, 2015 operating income is virtually in balance compared with a €0.3 million loss in 2014.

The net financial expense was negative by €0.5 million due to the €0.3 million cost of negative net debt, €0.4 million of equity security impairment, and €0.2 million of positive exchange rate effects.

Ultimately, taking into consideration the €0.9 million of Research Tax Credit and tax consolidation income of €0.2 million, the 2015 fiscal year shows a €0.6 million net income, compared with a net income of €0.2 million in 2014.

1.2 Comments on the balance sheet

Total assets were €41 million, an increase of €6 million compared with the end of 2014.

Non-current assets represented 65% of total assets, compared with 72% in 2014. The main changes concern the capitalization of research and development costs for the period totaling €1.7 million, and investments related to the prototyping unit totaling €0.8 million (excluding operating leases).

The gross value of inventories rose 26% in relation to the previous fiscal year to respond to the sustained growth in the sales of subsidiaries and to ensure the operation of the prototyping unit put into service at the beginning of 2015. Products undergoing evaluation also contributed to this increase.

The increase in trade receivables is related to the increase in intra-Group activity as well as the change in the methods for allocating payments made to MEDICREA EUROPE FRANCOPHONE.

Other receivables increased by €2.7 million under the combined effect of intra-Group current accounts which rose by €1.9 million due to a change in intra-Group payment allocation methods, payment of a $0.4 million advance to a US IT company as part of a cooperation agreement, and the €0.5 million increase in the Research Tax Credit.

Shareholders' equity was €25 million at the end of 2015, up by €4 million compared with 2014. This increase is due to the €3.5 million capital increase completed in June 2015 (and allocation of €0.3 million of costs to the share premium) and the €0.6 million net income in 2015.

Financial debt increased by €3.5 million compared with 2014. New borrowings of €6 million were taken out in 2015 to finance investment in industrial equipment (prototyping center, numerical control machines), the working capital requirement, and research and development costs. Repayments of principal maturities totaled €2.5 million.

Other current liabilities (excluding financial debts) totaled €4.3 million and decreased by €0.4 million, mainly as a result of lower trade payables due to a change in intra-Group payment allocation methods.

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

(€ K)		2015	2014
Trade payables - not due (1)		998	2,201
Of which:	*within 30 days*	*941*	*1,127*
	within 30 to 60 days	*57*	*1,074*
	within more than 60 days	-	-
Trade payables - overdue (1)		1,848	802

(1) 78% of payables not due and 66% of payables overdue are intra-Group liabilities.

2 – DEVELOPMENT AND FUTURE PROSPECTS

The Company markets products manufactured by MEDICREA TECHNOLOGIES via a network of independent distributors in 30 countries and through directly-owned sales subsidiaries in strategic markets (USA, France, United Kingdom and Germany since 2015). Its development growth is directly related to that of the Group, the main trends of which are summarized in paragraph 2 of the Board of Directors' report on the Group.

During the 2016 fiscal year, MEDICREA INTERNATIONAL's operations will be transferred to the site in Rillieux La Pape - Vancia (69), which will house the Group's current head office and production facility located in La Rochelle. This new industrial site should mean that certain manufacturing processes, notably sterile packaging, that until now have been subcontracted, can be brought in-house more quickly, thus leading to a reduction in costs and shorter production lead times.

3 – INFORMATION RELATING TO SUBSIDIARIES AND INVESTMENTS

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

4 – RESEARCH AND DEVELOPMENT ACTIVITIES

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

5 – STOCK MARKET PERFORMANCE

The share is covered by a market-making contract in partnership with Gilbert Dupont. The share is listed on Alternext Paris, under the ISIN code FR004178572 and the ticker ALMED.

Key stock market data is as follows:

	2015	2014	2013
Number of shares at December 31	8,987,588	8,481,305	8,467,505
High price	9.34	10.60	9.49
Low price	6.31	7.05	6.00
Average price for the period	7.75	9.10	8.20
Share price at 12/31	6.78	8.70	8.88
Market capitalization at 12/31	€60,935,847	€73,787,354	€75,191,444
Number of transactions	8,776	20,512	16,700
Trading volume	1,638,981	3,609,057	2,219,000
Capital turnover rate	18.2%	42.6%	26.2%

6 – REPORT ON OWN SHARE TRANSACTIONS CARRIED OUT BY THE COMPANY DURING THE YEAR

Pursuant to the provisions of Article L. 225–211 sub-paragraph 2 of the French Commercial Code, and as part of the approval given by the Combined Shareholders' Meeting of June 3, 2015, the Company carried out the following transactions concerning its own shares during the fiscal year which ended on December 31, 2015:

- number of shares bought during the fiscal year:	137,182
- number of shares sold during the fiscal year:	136,858
- average price of the purchases:	€7.57
- average price of the sales:	€7.57
- trading fees:	Nil
- number of shares registered in the Company's name at December 31, 2015:	3,046
- value based on the purchase price:	€20,428
- par value of shares:	€0.16
- fraction of share capital represented:	Negligible

These transactions were conducted by the brokers Gilbert Dupont, an investment services provider, as part of the liquidity contract drawn up in accordance with the Ethics Code of the AMF.

7 – SENIOR EXECUTIVES' THRESHOLD CROSSINGS, HOLDINGS, TREASURY SHARES AND SECURITIES TRANSACTIONS

7.1 Information pertaining to the share capital and threshold crossings

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

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

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

	At 12.31.2015		At 12.31.2014	
	% share capital	% voting rights	% share capital	% voting rights
More than 5%	GRANDEUR PEAK ADVISORS	GRANDEUR PEAK ADVISORS	OTC ASSET MANAGEMENT GRANDEUR PEAK ADVISORS ODYSEE VENTURE	IXO PRIVATE EQUITY
More than 15%	ORCHARD INTERNATIONAL			
More than 20%			ORCHARD INTERNATIONAL	
More than 25%		ORCHARD INTERNATIONAL		ORCHARD INTERNATIONAL

- threshold crossings notified to the Company between January 1, 2015 and the preparation date of this report:

1) by the company APICAP (former OTC ASSET MANAGEMENT): decrease below the 5% threshold.

2) by the company CAISSE DES DEPOTS: decrease below the 2% threshold.

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

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

	12.31.2015			12.31.2014		
	Number of shares	% share capital	% voting rights	Number of shares	% share capital	% voting rights
ORCHARD INTERNATIONAL (1)	1,727,490	19.22	29.71	1,727,490	20.33	30.11
Jean Philippe CAFFIERO	246,089	2.74	4.10	246,089	2.90	4.24
Denys SOURNAC (2)	270,547	3.01	2.33	202,054	2.38	3.47
Other Directors						
François Régis ORY (2)	108,652	1.21	0.93	108,652	1.28	0.97
Patrick BERTRAND (2)	93,392	1.04	0.93	93,392	1.10	0.96
Pierre BUREL (2)	91,707	1.02	1.44	91,707	1.08	1.48
Christophe BONNET	52,128	0.58	0.88	52,128	0.61	0.91
Jean Joseph MORENO	22,900	0.25	0.33	22,900	0.27	0.34
Marc RECTON	18,752	0.21	0.27	18,752	0.22	0.28
Total	2,631,657	29.28%	40.92%	2,563,164	30.17%	42.76%

(1): Shares held by the holding company, ORCHARD INTERNATIONAL. The following table provides details of ORCHARD INTERNATIONAL's shareholding structure as of December 31, 2015:

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

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

7.3 Share capital and treasury shares

At December 31, 2015, the Company held 3,046 of its own shares as part of the share's liquidity and market-making contract on the stock market.

At December 31, 2015, share capital totaled €1,438,030.08, and comprised 8,987,688 shares as follows:
- 8,987,588 ordinary shares
- 100 unlisted preference shares

In addition, there were 16,676 shares resulting from the exercise of stock options for which recognition and listing formalities had not completed by December 31, 2015.

Pursuant to the provisions of Article L. 225-211 sub-paragraph 2 of the French Commercial Code and in accordance with the authorizations granted by the Combined Shareholders' Meeting of June 25, 2014 and the Combined Shareholders' Meeting of June 3, 2015, the Company bought back some of its own shares during the year ended December 31, 2015, as described in point 6 above.

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

In accordance with the legal and regulatory requirements, we provide a table hereafter which summarizes the transactions carried out in the Company's securities during the fiscal year 2015 by

senior executives or by persons closely connected to them, prepared on the basis of information provided to us:

- Number of securities sold: 0
- Number of securities acquired: 0
- Number of securities subscribed: 68,493 (person concerned: Denys SOURNAC)
- Number of shares exchanged: 0

8 – EMPLOYEE SHAREHOLDING

Pursuant to the provisions of Article L. 225-102 of the French Commercial Code, the number of shares of the Company's capital held by employees at the last day of the fiscal year is reported annually, as well as the proportion of share capital represented on December 31, 2015 by shares held by company personnel and personnel of related companies within the meaning of Article L. 225-180 of the French Commercial Code under a company savings plan and a company investment trust.

At December 31, 2015, employees of the Company and related companies held approximately 1% of the Company's capital, including 0.65% via the company savings plan.

8.1 Group savings plan

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

There was no capital increase reserved for employees during the 2015 fiscal year, consequently the Company did not pay any employer's matching contributions.

8.2 Stock subscription or purchase options – Allocation of free shares

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

We inform you that 12,000 stock options were allocated during the fiscal year ended December 31, 2015.

Taking account of employee departures between 2008-2015 and the exercising of options, free shares and stock options allocated to employees totaled 94,283 and 229,338 respectively at December 31, 2015.

9 – AGREEMENTS REFERRED TO IN ARTICLES L. 225-38 ET SEQ OF THE FRENCH COMMERCIAL CODE

The Statutory Auditors will read their report, which mentions the agreements duly authorized by the Board of Directors for the year ended December 31, 2015, and the agreements authorized for previous years and which continued during the fiscal year.

10 – INFORMATION ON CORPORATE OFFICERS

Pursuant to the provisions of Article L. 225-102-1 of the French Commercial Code, a list in Appendix 2 details all the remits and functions performed in each company by each corporate officer during the fiscal year, based on information provided by each interested party.

11 – RENEWAL OF DIRECTORS' TERMS OF OFFICE

Nil

12 – CORPORATE OFFICERS' COMPENSATION AND BENEFITS OF ANY KIND, DIRECT AND INDIRECT

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 2015 fiscal year for work carried out by Mr. SOURNAC was €300,000 exclusive of tax (€292,000 exclusive of tax in 2014).

Mr. SOURNAC did not receive any direct or indirect compensation from the Company other than that mentioned above, excluding Directors' fees of €6,000 in 2015 (€4,000 in 2014).

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 2015, ORCHARD INTERNATIONAL invoiced a total of €64,000 exclusive of tax (€151,458 exclusive of tax in 2014) to MEDICREA INTERNATIONAL for the sales management duties carried out by Mr. CAFFIERO. It should be noted that since January 1, 2015, at Mr. CAFFIERO's request to reduce his activities within the Group, the amount of services invoiced by ORCHARD INTERNATIONAL has been revised downward accordingly.

Mr. CAFFIERO did not receive any direct or indirect compensation other than that mentioned above, excluding Directors' fees of €6,000 in 2015 (€4,000 in 2014).

13 – DETERMINATION OF DIRECTORS' FEES

We would remind you that the Shareholders' Meeting of June 3, 2015 determined the amount of directors' fees allocated to the Board of Directors at €48,000 for the year ended December 31, 2015 and for subsequent years, until decided otherwise.

We suggest allocating the amount of €56,000 to your Board of Directors as directors' fees for the year ending December 31, 2016 and for subsequent years, until decided otherwise by the Shareholders' Meeting.

14 – SOCIAL AND ENVIRONMENTAL INFORMATION

The very nature of MEDICREA INTERNATIONAL's activities is unlikely to present significant risks to the environment.

15 – PROPOSED ALLOCATION OF 2015 NET INCOME

It is requested that the financial statements be approved as presented (balance sheet, income statement and notes), showing a net income of €614,916.19, which the Board of Directors proposes at the Shareholders' Meeting to allocate to the partial settlement of Retained Losses.

16 – DIVIDENDS PAID

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

17 – FIVE-YEAR FINANCIAL SUMMARY

Pursuant to the provisions of Article R. 225-102 of the French Commercial Code, a summary of the Company's earnings over each of the last five fiscal years is appended in Note 3.

18 – NON-DEDUCTIBLE EXPENSES REFERRED TO IN ARTICLES 39-4 AND 223 OF THE FRENCH GENERAL TAXATION CODE

Pursuant to Article 223-IV and 223-V of the French General Taxation Code, the total of expenses and costs that cannot be deducted from earnings as referred to in Article 39-4 of the General Taxation Code, as well as the tax incurred in relation to said expenses and costs, were €88,078 and €29,356 respectively for the 2015 fiscal year (€60,805 and €20,268 respectively in relation to the previous year).

19 – SIGNIFICANT EVENTS THAT OCCURRED BETWEEN THE YEAR-END AND THE DATE OF THE REPORT

No significant events requiring disclosure occurred since the year-end.

20 – AUTHORIZATIONS GRANTED TO THE BOARD OF DIRECTORS BY THE SHAREHOLDERS' MEETING

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

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

- transactions conducted by an investment services provider as part of the liquidity contract drawn up in accordance with the Ethics Code of the AMAFI;
- allocation of plans for share purchase options and/or allocation of free shares;
- retaining and subsequently delivering in exchange or as payment as part of acquisition, merger, demerger, or contribution transactions;
- coverage of debt securities convertible into shares;
- cancellation of shares purchased.

No other use of this share buyback program is considered.

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

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

- the maximum number of shares to be acquired: no more than 10% of share capital (including shares already held) of which 5% of share capital if they are shares purchased by the Company to retain and subsequently deliver as payment or in exchange as part of a merger, demerger, or contribution transaction,

- the maximum purchase price per share, subject to adjustments relating to any transactions affecting the Company's capital, set at €25 (excluding acquisition costs).

The theoretical maximum amount for the implementation of this program would be €22,469,220, financed either by own resources or by use of short- or medium-term external funding.

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

The authorization would be valid from the date of the Annual Shareholders' Meeting called to approve the financial statements at December 31, 2015 until the date of the Shareholders' Meeting approving the next financial statements within the statutory limit of eighteen months.

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

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

20.2 Authorization to be granted to the Board of Directors to allocate share purchase and/or subscription options to the Group's employees or executive corporate officers

20.2.1 Reasons:

It should be noted that the Combined Shareholders' Meeting of June 25, 2014 authorized the Board of Directors to implement a Company share subscription and/or purchase option plan for a period of twenty-six months.

This authorization will cease to be valid on August 25, 2016.

We believe it advisable to continue with this system in order to involve both staff and executives in the successful development of both the Company and Group.

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

20.2.2 Purpose, and terms and conditions:

Implementation

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

The cumulative total number of shares resulting from both (i) the exercise of purchase and/or subscription options that would be granted in respect of this authorization, and (ii) the allocation of free shares under the 3rd resolution of the Extraordinary Shareholders' Meeting of December 18, 2015, may not exceed an overall number equal to 5% of the total number of shares comprising Company stock at the date of allocation.

The number of options granted in respect of this authorization and previous authorizations may not entitle beneficiaries to subscribe to or purchase shares in excess of 10% of share capital on the day the last option would be granted.

Beneficiaries

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

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

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

Price

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

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

Period of validity

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

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

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

Capital increase resulting from exercise of share subscription

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

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

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

Other conditions

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

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

20.3 Decision to be taken under the Law on Employee Savings

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

– when making any decision to increase the capital by way of cash contributions, subject to statutory exceptions;

– during the third calendar year following the previous Shareholders' Meeting having approved a capital increase project reserved for employees if employee hold less than 3% of the Company's share capital.

This capital increase would meet the specific attributes set out in articles L. 225-138-1 of the French Commercial Code and Articles L. 3332-18 et seq of the French Labor Code.

Consequently, we ask you to delegate to the Board of Directors the authority to proceed, at its sole discretion, with this capital increase within the limit of a maximum aggregate amount of €40,000 of nominal value; this amount would be deducted from the Overall Ceiling I which was set in the 1st resolution of the Shareholders' Meeting of December 18, 2015.

The beneficiaries of this increase would be all employees of the Company and its Group's companies as defined in Article L. 225-180 of the French Commercial Code via an employees' mutual fund (FCPE) as part of the Company Savings Plan.

Shareholders would have to waive their preferential subscription rights in favor of members of a company savings plan via an employees' mutual fund (or any other members' plan for which the articles L. 3332-18 et seq of the French Labor Code would allow the reservation of a capital increase on equivalent terms) belonging to the Company and Group companies as defined under Article L. 225-180 of the French Commercial Code.

The price would be determined pursuant to law, in particular according to objective share price valuation methods. The subscription price may neither exceed the purchase price thus determined, nor be less than 20% thereof (30% if the period of unavailability under the plan pursuant to Articles L. 3332-25 and L. 3332-26 of the French Labor Code is at least 10 years); it being noted that the Board of Directors is entitled to reduce such discount if it deems appropriate, particularly in the event members of a company savings plan are offered securities on the international market and/or abroad in order to meet the requirements of applicable local legislation.

The final amount of the capital increase, within the price limit indicated above, would only be set for the amount of the shares effectively subscribed to by employees upon expiry of the subscription period prescribed by the Board of Directors.

Shares should be fully paid up on the day of subscription and would be unavailable for five (5) years after the final completion date of the capital increase, except in cases exhaustively listed by law.

The authorization hereby given to the Board of Directors to determine a capital increase reserved for employees pursuant to the provisions of Article L. 3332-18 et seq of the aforementioned French Labor Code would be valid for 26 months from the date of this Shareholders' Meeting.

It is proposed to grant full powers to the Board of Directors, who may further delegate such powers, within limits it will determine, to the Chairman and Chief Executive Officer or Deputy Chief Executive Officer, in order to implement the aforementioned delegations, in particular to determine the attributes of the transferable securities issued and, more broadly, to take all measures and accomplish all formalities required for the successful completion of each capital increase, to record the completion thereof, and to amend the Bylaws accordingly.

21 – STATUTORY AUDITORS' REPORT

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

– Report on the parent company financial statements
– Report on the consolidated financial statements
– Special report on the agreements mentioned by Articles L. 225-38 et seq of the French Commercial Code;
– Special report on the cancellation of securities acquired under the Company's program to buy back its own shares;
– Special report on the allocation of stock purchase or subscription options;
– Special report on the cancellation of shareholders' preferential subscription rights in favor of employees of the Company and its Group's companies according to Article L-225-180 of the French Commercial Code

22 – BOARD OF DIRECTORS' REPORTS ON CAPITAL INCREASE DELEGATIONS

Pursuant to the provisions of Article L. 225-100 of the French Commercial Code, in Appendix 4 to this report information is listed pertaining to:

– currently valid delegations of authority and powers relating to capital increases, granted by the Shareholders' Meeting to the Board of Directors,
– any use made during the fiscal year of the above-mentioned delegations.

Once the Statutory Auditors' reports have been read, the Board of Directors invites you to adopt the resolutions submitted to the Shareholders' Meeting's vote.

APPENDIX 1

LIST OF SUBSIDIARIES AND EQUITY INVESTMENTS

Entities	Total shareholders' equity	Share capital ownership (%)	Book value of shares owned		Loans and advances granted and outstanding	Guarantees and sureties given by the Company	Net sales for last fiscal year	Net income for last fiscal year	Dividends paid to the parent company
			Gross	Net					
French subsidiaries									
MEDICREA TECHNOLOGIES	4,591,425	100%	11,946,000	11,946,000	440,166 (1)	-	7,806,443	264,950	-
MEDICREA EUROPE FRANCOPHONE	(397,637)	100%	150,000	-	3,390,570	500,000	4,750,382	(423,965)	-
International subsidiaries									
MEDICREA TECHNOLOGIES UK	1,026,855	100%	2,465,018	965,018	-	-	833,167	(229,404)	-
MEDICREA USA	6,868,373	100%	7,395,058	7,395,058	-	-	16,341,821	(1,633,661)	-
MEDICREA GMBH	(105,630)	100%	100,000	100,000	123,942	-	-	(205,630)	-

(1) Including €259,829 of receivables related to equity securities

APPENDIX 2

LIST OF ALL APPOINTMENTS AND DUTIES CARRIED OUT BY EACH CORPORATE OFFICER DURING THE FISCAL YEAR ENDED 12.31.2015

Denys SOURNAC:

Company name	Head office	Terms of office	Duties
ORCHARD INTERNATIONAL	14 Porte du Grand Lyon – 01700 Neyron	Chairman*	Nil
MEDICREA INTERNATIONAL	14 Porte du Grand Lyon – 01700 Neyron	Chairman and CEO	Nil
MEDICREA TECHNOLOGIES	ZI de Chef de Baie – 17000 La Rochelle	Chairman	Nil
DS COMPANY	345 Montée de Bellevue – 01600 Reyrieux	Manager	Nil
LES CHALETS Z	345 Montée de Bellevue – 01600 Reyrieux	Co-Manager	Nil
ID SOURNAC	345 Montée de Bellevue – 01600 Reyrieux	Co-Manager	Nil
SNC BDB GESTION MARINE	345 Montée de Bellevue – 01600 Reyrieux	Co-Manager	Nil
SUM LAB	345 Montée de Bellevue – 01600 Reyrieux	Co-Manager	Nil

* via its holding company

Jean-Philippe CAFFIERO:

Company name	Head office	Terms of office	Duties
ORCHARD INTERNATIONAL	14 Porte du Grand Lyon – 01700 Neyron	CEO*	Nil
MEDICREA INTERNATIONAL	14 Porte du Grand Lyon – 01700 Neyron	Director and Deputy CEO	Nil
PLG INVEST	12 Rue de la Garenne – 69005 Lyon	Manager	Nil

* via its holding company

Christophe BONNET:

Company name	Head office	Terms of office	Duties
SAS BORNE	12 Rue Gardénat Lapostol – 92150 Suresnes	Chairman	Nil
SCI LES ESTABLES	12 Rue Gardénat Lapostol – 92150 Suresnes	Manager	Nil
MEDICREA INTERNATIONAL	14 Porte du Grand Lyon – 01700 Neyron	Director	Nil

Patrick BERTRAND:

Company name	Head office	Terms of office	Duties
MEDICREA INTERNATIONAL	14 Porte du Grand Lyon – 01700 Neyron	Director	Nil
SARL EURO-PJB	119 Boulevard Stalingrad – 69100 Villeurbanne	Manager	Nil
SCI PJB MONTCHALIN		Manager	Nil
SCI LA TOUR ST JEAN		Manager	Nil
MARTINET SA		Director	Nil

Jean-Joseph MORENO:

Company name	Head office	Terms of office	Duties
MEDICREA INTERNATIONAL	14 Porte du Grand Lyon – 01700 Neyron	Director	Nil
SCI MC		Manager	Nil
SCI SAGITTAIRE		Manager	Nil
SCI MORAY		Manager	Nil
SAS MORE INVESTMENTS	298 Cote de Chanve – 69360 Solaize	Chairman	Nil
SAS MORE LOCK	298 Cote de Chanve – 69,360 Solaize	Chairman	Nil

Marc RECTON:

Company name	Head office	Terms of office	Duties
MEDICREA INTERNATIONAL	14 Porte du Grand Lyon – 01,700 Neyron	Director	Nil
MARC RECTON & ASSOCIES	72 Rue du Faubourg Saint Honoré – 75008 Paris	Manager	Nil
SC MR PIERRE 2	72 Rue du Faubourg Saint Honoré – 75008 Paris	Manager	Nil
SC MR PIERRE 3	72 Rue du Faubourg Saint Honoré – 75008 Paris	Manager	Nil
SC MR PARTICIPATIONS 1	72 Rue du Faubourg Saint Honoré – 75008 Paris	Manager	Nil
SC MR PARTICIPATIONS 2	72 Rue du Faubourg Saint Honoré – 75008 Paris	Manager	Nil

François Régis ORY:

Company name	Head office	Terms of office	Duties
MEDICREA INTERNATIONAL	14 Porte du Grand Lyon – 01700 Neyron	Director	Nil
L'AMELIANE	14 Chemin de la Pomme – 69160 Tassin	Chairman	Nil
LA FLORENTIANE	14 Chemin de la Pomme – 69160 Tassin	Chairman	Nil
LYPOLIANE	14 Chemin de la Pomme – 69160 Tassin	Chairman	Nil
SCI DE CHANAS	14 Chemin de la Pomme – 69160 Tassin	Manager	Nil
OLYMPIQUE LYONNAIS GROUPE	350 Avenue Jean Jaurès – 69007 Lyon	Director	Nil
SCI L'AMAURY	600 Chemin de la Ronze – 69480 Morance	Manager	Nil
SCI L'AMELAÏS	600 Chemin de la Ronze – 69480 Morance	Manager	Nil
SOCIETE CIVILE FLORINE	14 Chemin de la Pomme – 69160 Tassin	Manager	Nil
SWORD GROUP SE	9 Rue Charles de Gaulle – 69370 Saint Didier	Director	Nil
ABM MEDICAL	2 Rue Gabriel Bourdarias – 69200 Vénissieux	Manager	Nil
ABM ILE DE FRANCE	2 Rue Gabriel Bourdarias – 69200 Vénissieux	Manager	Nil
ABM NORD	2 Rue Gabriel Bourdarias – 69200 Vénissieux	Manager	Nil
ABM RHONE-ALPES	2 Rue Gabriel Bourdarias – 69200 Vénissieux	Manager	Nil
ABM SUD	2 Rue Gabriel Bourdarias – 69200 Vénissieux	Manager	Nil

Pierre BUREL:

Company name	Head office	Terms of office	Duties
SUD PARTICIPATION BUREL HOLDING	65A Route de Saint Maximin – 83149 Bras	Manager	Nil
SOGET	65A Route de Saint Maximin – 83149 Bras	Manager	Nil
RUMEX	65A Route de Saint Maximin – 83149 Bras	Manager	Nil
PETER'S	65A Route de Saint Maximin – 83149 Bras	Manager	Nil
SOCIETE HOTELIERE LA RESIDENCE	Saint Jean – 97133 Saint Barthélémy	Manager	Nil
ASPHODELE	65A Route de Saint Maximin – 83149 Bras	Manager	Nil
HYSOPE	65A Route de Saint Maximin – 83149 Bras	Manager	Nil
CHAMAN	65A Route de Saint Maximin – 83149 Bras	Manager	Nil
LES NOISETIERS	65A Route de Saint Maximin – 83149 Bras	Manager	Nil
SYCOMORE	65A Route de Saint Maximin – 83149 Bras	Manager	Nil
SAINT JEAN D'EST	65A Route de Saint Maximin – 83149 Bras	Manager	Nil
EGLANTINES	65A Route de Saint Maximin – 83149 Bras	Manager	Nil
COBAE	65A Route de Saint Maximin – 83149 Bras	Manager	Nil
BERGENIA	65A Route de Saint Maximin – 83149 Bras	Manager	Nil
LE ROYANNAIS	65A Route de Saint Maximin – 83149 Bras	Manager	Nil
XIMENIA	65A Route de Saint Maximin – 83149 Bras	Manager	Nil
ULMUS	65A Route de Saint Maximin – 83149 Bras	Manager	Nil
WISTARIA	65A Route de Saint Maximin – 83149 Bras	Manager	Nil
DAPHNEE	65A Route de Saint Maximin – 83149 Bras	Manager	Nil
FLORYAL	Saint Jean – 97133 Saint Barthélémy	Manager	Nil
VITIS	65A Route de Saint Maximin – 83149 Bras	Manager	Nil
HOTELLERIE DU SOLEIL	65A Route de Saint Maximin – 83149 BRAS	Manager	Nil
HOTEL BON REPOS	65A Route de Saint Maximin – 83149 BRAS	Manager	Nil
DOMAINE D AGOULT	La Grande Bastide – 83470 OLLIERES	Manager	Nil
SPB GESTION	65A Route de Saint Maximin – 83149 BRAS	Manager	Nil
LE MAS DE LA MAROTTE	65 A Route de Saint Maximin – 83149 BRAS	Manager	Nil
THEAS	65 A Route de Saint Maximin-83149 BRAS	Manager	Nil
LES DOMAINES DE PROVENCE	Route de Rians - 83470 OLLIERES	Manager	Nil
ABBAYE SAINT HILAIRE	Route de Rians - 83470 OLLIERES	Manager	Nil

APPENDIX 3

FIVE-YEAR FINANCIAL SUMMARY

	2015	2014	2013	2012	2011
Share capital at year-end					
Share capital	1,438,030	1,357,025	1,355,121	1,353,281	1,320,212
Number of shares outstanding	8,987,688	8,481,405	8,467,505	8,458,005	8,251,324
Transactions and net income for the year					
Net sales	15,693,735	14,335,814	10,630,773	10,124,736	9,698,534
Income before tax, depreciation, amortization and provisions	1,637,488	(127,773)	298,936	(668,623)	(438,568)
Corporate tax	1,080,418	451,516	275,905	382,781	203,038
Employee profit sharing	-	-	-	-	-
Income after tax, depreciation, amortization and provisions	614,916	241,888	(929,753)	(2,661,208)	458,624
Dividends	-	-	-	-	-
Net earnings per share					
Income after tax, before depreciation, amortization and provisions	0.18	0.04	0.07	(0.31)	(0.03)
Income after tax, depreciation, amortization and provisions	0.07	0.03	(0.11)	(0.03)	0.06
Dividend per share	-	-	-	-	-
Workforce					
Average workforce size during the year	51	40	36	38	36
Total payroll for the year	3,076,459	2,329,736	1,810,750	1,808,422	1,615,274
Social security contributions for the year	1,247,209	970,525	801,705	783,390	750,562

APPENDIX 4

DELEGATIONS OF AUTHORITY AND POWERS GRANTED TO THE BOARD OF DIRECTORS BY THE SHAREHOLDERS' MEETING

In order to comply with the provisions of Article L. 225-100 of the French Commercial Code, we hereby inform you as follows:

- currently valid delegations of authority and powers relating to capital increases, granted by the Shareholders' Meeting to the Board of Directors:

  The Extraordinary Shareholders' Meeting of June 20, 2013:

  - authorized, for 26 months, the Company to increase its share capital up to a maximum of €400,000 (and €10 million for issuances whose primary security is a debt security such as a bond) by issuance of all marketable securities, without preferential subscription rights, as appropriate, with delegation to the Board of Directors for 26 months to decide on said capital increases;

  - authorized, for 26 months, the Company to increase its share capital up to a maximum nominal amount of €400,000 (and €10 million for issuances whose primary security is a debt security such as a bond) by issuance of all marketable securities, with waiver of preferential subscription rights, as appropriate, with delegation to the Board of Directors to decide on said capital increases;

  - authorized, for 26 months, the Board of Directors to increase the share capital up to a maximum of 20% of the share capital by issuance of all marketable securities with waiver of preferential subscription rights by offering referred to in Section II of Article L. 411-2 of the French Monetary and Financial Code;

  - authorized, for 26 months, the Board of Directors to increase the number of securities to be issued under a capital increase as described above, in the event of over-subscription, all within the conditions of Article L. 225-135-1 of the French Commercial Code.

  The Combined Shareholders' Meeting of June 25, 2014:

  - authorized, for 26 months, the Board of Directors to grant Company share purchase and/or subscription options in favor of all or some of the employees and/or executive corporate officers of the Company and French or foreign companies related to it, pursuant to the conditions referred to in Article L. 225-180 of the French Commercial Code;

– authorized, for 26 months, that allocations be carried out, either of existing Company shares originating from purchases made by it, or of free shares to be issued through a capital increase, in favor of employees or executive corporate officers of the Company or of French or foreign companies related to it pursuant to the conditions referred to in Paragraph 1 of Article L. 225-197-2 I of the French Commercial Code.

The Extraordinary Shareholders' Meeting of June 3, 2015:

– authorized, for 26 months, the Company to increase its share capital up to a maximum of €400,000 (and €10 million for issuances whose primary security is a debt security such as a bond) by issuance of all marketable securities, without waiver of preferential subscription rights, with delegation to the Board of Directors to decide on said capital increases;

– authorized, for 26 months, the Company to increase its share capital up to a maximum nominal amount of €400,000 (and €10 million for issuances whose primary security is a debt security such as a bond) by issuance of all marketable securities, with waiver of preferential subscription rights, with delegation to the Board of Directors to decide on said capital increases;

– authorized, for 26 months, the Board of Directors to increase the share capital up to a maximum of 20% of the share capital by issuance of all marketable securities with waiver of preferential subscription rights in favor of qualified investors and/or a limited number of investors by offering referred to in Section II of Article L. 411-2 of the French Monetary and Financial Code;

– authorized, for 26 months, the Board of Directors to increase the number of securities to be issued under a capital increase as described above, in the event of over-subscription, all within the conditions of Article L. 225-135-1 of the French Commercial Code.

The Extraordinary Shareholders' Meeting of December 18, 2015:

– decided to increase the overall limits of capital increase ceilings to take them from €400,000 to €600,000 with regard to capital increases liable to be made immediately and/or in the future, and from €10 million to €15 million in par value with regard to debt securities giving access to capital by any means, whether immediate or in the future;

– authorized, for 18 months, that the Board of Directors increase the Company's share capital from €600,000 in par value (€15 million for the issuance of securities whose primary security is a debt security) by issuance of ordinary shares and/or securities giving access to Company capital or entitlement to the allocation of debt securities with waiver of preferential subscription rights pursuant to Article 225-138 of the French Commercial Code; with waiver of preferential subscription rights in favor of the following categories of people: International investment funds and/or companies (i.e.: that conduct financial transactions in several countries), mostly American (i.e. United States of America), active in the field of health and/or medical devices, and which will each participate in the transaction for an amount of no less than €500,000 or the equivalent of this amount in

foreign currency (in accordance with Article 211-2.3° of the General Regulations of the French financial markets authority).

- authorized, for 26 months, that allocations be carried out, either of existing Company shares originating from purchases made by it, or of free shares to be issued through a capital increase, in favor of employees or executive corporate officers of the Company or of French or foreign companies related to it pursuant to the conditions referred to in Paragraph 1 of Article L. 225-197-2 I of the French Commercial Code.

- concerning the use made during the fiscal year of the above-mentioned delegations.

Regarding the delegations granted by the Combined Shareholders' Meeting of June 20, 2013:

The Board of Directors of April 2, 2015, availing itself of the delegation granted to it by the Combined Shareholders' Meeting of June 20, 2013 in its thirteenth resolution, decided on the principle of the issuance of 200 convertible bonds of €10,000 nominal value, with waiver of shareholders' preferential subscription rights in favor of qualified investors, pursuant to the provisions of Article L. 411-2 of the French Monetary and Financial Code. The maximum capital increase that will result from the conversion of these bonds will be €40,557.60 nominal value, the conversion ratio being 1,267,425 new shares per bond.

Regarding the delegations granted by the Combined Shareholders' Meeting of June 25, 2014:

The Board of Directors of September 3, 2015 decided to allocate the Company's stock subscription options to Group employees; you can find additional information about this allocation in the Board of Directors' special report.

Regarding the delegations granted by the Combined Shareholders' Meeting of June 3, 2015:

The Board of Directors of June 3, 2015, making use of the delegation granted to it by the Combined Shareholders' Meeting of June 3, 2015 in its twelfth resolution, decided to increase the capital with waiver of preferential subscription rights in favor of a limited number of investors. By delegation of authorization from the Board of Directors, the Chairman, by decision of June 29, 2015, recorded the capital increase by issuance of 485,438 new shares with a par value of €0.16 each and thus an increase of €77.670.08.

Regarding the delegations granted by the Combined Shareholders' Meeting of December 18, 2015:

Nil.

DRAFT RESOLUTIONS PROPOSED TO THE SHAREHOLDERS' MEETING

OF JUNE 7, 2016

MEDICREA INTERNATIONAL

A French corporation (société anonyme) with share capital of €1,440,698.24
Registered office: 14 Porte du Grand Lyon – 01700 NEYRON, France
Trade and company register: 93 175 807 RCS BOURG-EN-BRESSE

DRAFT RESOLUTIONS PROPOSED TO THE COMBINED SHAREHOLDERS' MEETING OF JUNE 7, 2016

1/ ORDINARY RESOLUTIONS

FIRST RESOLUTION

Approval of the parent company financial statements for the year ended December 31, 2015

The Shareholders' Meeting, after submission of the Board of Directors' report and after reading the Statutory Auditors' report on the parent company financial statements for the year ended December 31, 2015, approves the financial statements as they were submitted, as well as the transactions recorded in these statements or summarized in these reports.

The Shareholders' Meeting also approves the total amount of non-deductible expenses and costs from profits liable to corporate tax totaling €88,078, as well as the tax payable due to said expenses and costs amounting to €29,356.

Consequently, it discharges the Directors from any liability in the performance of their duties for the fiscal year.

SECOND RESOLUTION

Allocation of net income

The Shareholders' Meeting, based on the proposal by the Board of Directors, resolves to carry forward to "Retained earnings" the entire net income for the fiscal year, totaling €614,916.19.

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

THIRD RESOLUTION

Regulated agreements

The Shareholders' Meeting, after hearing the special report of the Statutory Auditors on the agreements falling under Articles L. 225-38 et seq of the French Commercial Code, approves the

new regulated agreements entered into during the fiscal year, and acknowledges the continuation of agreements authorized in previous years and mentioned in said report.

FOURTH RESOLUTION

Approval of the consolidated financial statements

The Shareholders' Meeting, after submission of the Board of Directors' report including the Group's management report and after reading the Statutory Auditors' report on the consolidated financial statements for the year ended December 31, 2015, approves the consolidated financial statements as they were submitted as well as the transactions recorded in these statements or summarized in these reports.

FIFTH RESOLUTION

Directors' fees

The Shareholders' Meeting determines at €56,000 the amount of directors' fees allocated to the Board of Directors for the year ending December 31, 2016 and for subsequent fiscal years, until decided otherwise by the Shareholders' Meeting.

SIXTH RESOLUTION

Authorization granted to the Company to purchase and hold its own shares

The Shareholders' Meeting, upon proposal by the Board of Directors, decides, in accordance with Article L. 225-209 of the French Commercial Code, and subject to compliance with statutory and regulatory provisions applicable at the time of intervention, to authorize the Company to purchase and hold its own shares, up to no more than 10% of the share capital, for the sole purpose of, and by order of priority:

B.1) transactions conducted by an investment services provider as part of the liquidity contract drawn up in accordance with the Ethics Code of the AMAFI,
B.1) allocation of plans for share purchase options and/or allocation of free shares;
B.1) cancellation of shares purchased;
B.1) retaining and subsequently delivering in exchange or as payment as part of acquisition, merger, demerger, or contribution transactions;
B.1) coverage of debt securities convertible into shares.

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

Share purchases made under this authorization will be implemented within the following price limit, subject to adjustments relating to any transactions affecting the Company's capital: the

maximum purchase price cannot exceed €25 (excluding acquisition costs) per share with a par value of €0.16.

The theoretical maximum amount for the implementation of this program is €225,109,100, financed either by own resources or by the use of short- or medium-term external funding.

Shares can be bought back by any appropriate method, including through acquisition of blocks of securities on one or more occasions, and including while a public tender offer is in progress within the limits authorized by stock market regulations.

In the event of capital transactions, in particular by incorporation of reserves and free allocations, division or consolidation of securities, the above prices will be adjusted accordingly.

To this end, full powers are granted to the Board of Directors who may further delegate to the Chairman and CEO the power to place all stock market orders, enter into all agreements, in particular with a view to keeping records of share purchases and sales, make all declarations to the AMF and any other organizations; carry out all other formalities and, more generally, do all that is necessary.

This authorization is granted until the date of the next Shareholders' Meeting called to approve the financial statements, within the statutory limit of eighteen months as of this day.

Every year the Board of Directors shall inform the Ordinary General Meeting of transactions carried out pursuant to this authorization.

SEVENTH RESOLUTION

Powers to carry out formalities

The Shareholders' Meeting grants full powers to the bearer of originals, copies or extracts of these minutes in order to accomplish all necessary filing and other formalities.

II - EXTRAORDINARY

EIGHTH RESOLUTION

Authorization to be granted to the Board of Directors to cancel the shares held by the Company as part of the share buyback program

The Shareholders' Meeting, after reviewing the Board of Directors' report and after reading the Statutory Auditors' special report, authorizes the Board of Directors to:

B.1) cancel the shares held by the Company or acquired by it as part of the share buyback program, within the limit of 10% of the share capital per twenty-four-month period;
B.1) make a corresponding reduction in the share capital by the amount of the canceled shares;
B.1) amend the bylaws accordingly, and more generally do whatever is necessary.

This authorization is hereby granted for eighteen months as of the date of this Meeting.

NINTH RESOLUTION

Delegation of authority to be granted to the Board of Directors to proceed with the allocation of share purchase or subscription options

The Shareholders' Meeting, after reviewing the Board of Directors' report, and after reading the Statutory Auditors' special report, authorizes the Board of Directors, pursuant to the provisions of Articles L. 225-177 et seq of the French Commercial Code, to grant, on one or more occasions and at its sole discretion, Company share purchase and/or subscription options in favor of all or some employees and/or executive corporate officers of the Company and French or foreign companies related to it under the conditions referred to in Article L. 225-180 of the French Commercial Code, in the following conditions:

1° - Period during which the Meeting's authorization must be used by the Board:

This authorization, which may hereby be used by the Board of Directors on one or more occasions, is given by the Shareholders' Meeting for a period of 26 months as of this date.

2° - Period during which the options must be exercised by the beneficiaries:

As the maximum period during which the options may be exercised is freely set by the Meeting, pursuant to the provisions of Article L. 225-183, sub-paragraph 1 of the French Commercial Code, the Shareholders' Meeting decides that the options may be exercised during a period not exceeding 7 years, which shall start from the date the options were allocated, subject to restrictions that could be applied by the Board of Directors regarding the exercise period of said options.

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

3° - Determination of pricing terms:

The Shareholders' Meeting recalls that pursuant to current statutory provisions and in particular those of Article L. 225-177 of the French Commercial Code, the price of share purchase and/or subscription by beneficiaries is determined by the Board of Directors on the day the options are allocated and in accordance with objective methods applicable to the valuation of shares which takes account, applying a specific weighting, of the Company's net asset position, profitability and business prospects, on a consolidated basis.

Accordingly, the Shareholders' Meeting decides that the purchase and/or subscription price of shares by beneficiaries will be determined by the Board of Directors, on the date the options are allocated, as follows: equal to the weighted average of the last twenty trading days prior to the day the option is allocated.

4° - Total amount of options allocated:

The Shareholders' Meeting decides that the cumulative total number of shares resulting from both (i) the exercise of purchase and/or subscription options thus granted in respect of this authorization, and (ii) the allocation of free shares under the 3rd resolution of the Extraordinary Shareholders' Meeting of December 18, 2015 may not exceed an overall number equal to 5% of the total number of shares comprising Company stock at the date of allocation.

5° - Capital increase resulting from exercise of share subscription

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

At the first meeting following fiscal year-end the Board of Directors will record, if applicable, the number and amount of shares issued during the year, will amend the bylaws as necessary, and carry out the publication formalities.

6° - Entitlement:

Shares acquired or subscribed in conjunction with the preceding provisions are required to be registered and will bear rights immediately. Consequently, for the same par value they will be entitled to the same dividend that could be distributed to other shares carrying the same rights.

7° - Powers:

The Shareholders' Meeting gives full powers to the Board of Directors, acting subject to the above conditions, to:

- state the other conditions under which the options will be granted, such as the beneficiaries, the maximum number of options exercisable by each beneficiary, the price of the options available pursuant to the terms determined by the Shareholders' Meeting, the opening date, and the terms of exercise of the options;
- and, more generally, to hereby establish or amend the rules of the option plan with all the restrictions, in particular concerning the exercise period of the options and/or retention of the shares, and the specific conditions pertaining to said options that it deems appropriate and generally do whatever is required to implement said authorization and its consequences.

The Shareholders' Meeting also authorizes the Chairman and CEO to acquire, on behalf of the Company, the shares required for the allocation of share purchase options.

TENTH RESOLUTION

Authorization to be granted to the Company to proceed with a capital increase reserved for employees who are members of the company savings plan with delegation to the Board of Directors

The Shareholders' Meeting, after reviewing the Board of Directors' report and after reading the Statutory Auditors' special report, and by applying the provisions of Article L. 225-129-6 of the French Commercial Code, authorizes the Board of Directors from this day forward and for a period of twenty-six (26) months, full powers to proceed at its sole discretion with one or more share capital increases in accordance with Article L. 3332-18 et seq of the French Labor Code, at the dates that it will determine, to a maximum aggregate amount of €40,000 par value reserved for members of a company savings plan via an employees' mutual fund (FCPE) (or any other members' plan for which Article L. 3332-18 of the French Labor Code would allow the reservation of a capital increase on equivalent terms) belonging to the Company and its Group companies within the meaning of Article L. 225-180 of the French Commercial Code, it being specified that this amount will be deducted from the overall ceiling which was set in the 1st resolution ('Overall Ceiling I') of the Shareholders' Meeting on December 18, 2015.

The price will be determined pursuant to law, in particular according to objective share price valuation methods. The subscription price can neither exceed the purchase price thus determined, nor be less than 20% thereof (30% if the period of unavailability under the plan pursuant to Articles L. 3332-25 and L. 3332-26 of the French Labor Code is at least 10 years); it being noted that the Board of Directors is entitled to reduce such discount if it deems appropriate, particularly in the event members of a company savings plan are offered securities on the international market and/or abroad in order to meet the requirements of applicable local legislation.

The Shareholders' Meeting hereby grants full powers to the Board of Directors, who may further delegate within limits it specifies to the CEO or Deputy CEO, to implement this delegation, and in particular to decide to increase capital pursuant to the above-mentioned conditions, to determine the terms, in particular setting the share issue price within the limits stipulated by law and this Shareholders' Meeting, to determine the dates of subscription opening and closing, and more

generally to finalize all transactions contributing to this increase, and to amend the Bylaws accordingly.

The Shareholders' Meeting hereby acknowledges that this delegation invalidates any prior delegation having the same purpose.

ELEVENTH RESOLUTION

Cancellation of Shareholders' preferential subscription rights for the benefit of employees participating in the company savings plan

The Shareholders' Meeting, after reviewing the Board of Directors' report and after reading the Statutory Auditors' special report, decides to waive the preferential subscription rights of holders of ordinary shares or securities giving access to ordinary shares to be issued as part of the delegation under the 10th resolution above, in favor of members of a company savings plan via an employees' mutual fund (FCPE) (or any other members' plan for which the provisions of the Labor Code would allow the reservation of a capital increase on equivalent terms) of the Company and its Group companies within the meaning of Article L. 225-180 of the French Commercial Code.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