BOARD OF DIRECTORS' MANAGEMENT REPORT

AT DECEMBER 31, 2016

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MEDICREA INTERNATIONAL

A French corporation *(société anonyme)* with share capital of €1,605,306.72
Registered office: 5389, route de Strasbourg – 69140 RILLIEUX-LA-PAPE
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BOARD OF DIRECTORS' REPORT ON THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016 SUBMITTED TO THE COMBINED SHAREHOLDERS' MEETING OF JUNE 15, 2017

MEDICREA Group specializes in bringing pre-operative digital planning and pre- and post-operative analytical services to the world of complex spine. Through the lens of predictive medicine, it leads the design, integrated manufacture, and distribution of 30+ FDA approved implant technologies, utilized in over 100k spinal surgeries to date. The Company has an ultra-modern manufacturing facility in Lyon, France housing the development and machining of 3D-printed patient-specific implants.

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 its own marketing entities for its key markets, namely the United States (with MEDICREA USA in New York), France, the United Kingdom (with MEDICREA TECHNOLOGIES UK in Cambridge), Germany (with MEDICREA GMBH in Cologne) and, since the end of 2016, Poland (with MEDICREA POLAND in Warsaw).

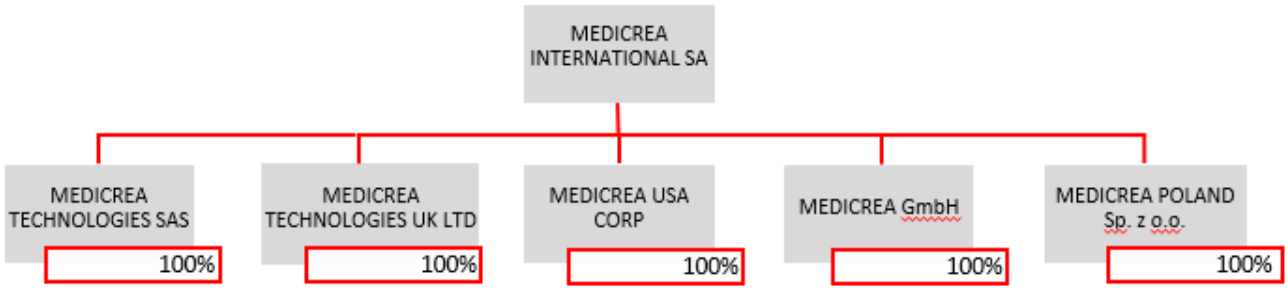
In accordance with the law and the Bylaws, this Report contains a summary of the position and activity of MEDICREA Group and of the company MEDICREA INTERNATIONAL during the fiscal year ended December 31, 2016. The annual consolidated and parent company financial statements for the fiscal year are subject 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, 2016, MEDICREA Group was structured as follows:



The company MEDICREA POLAND, a company incorporated under Polish law, was created in November 2016 with share capital of PLN 200,000.

MEDICREA EUROPE FRANCOPHONE was wound up with no liquidation process on December 30, 2016 via a decision of the sole shareholder, and absorbed by MEDICREA INTERNATIONAL.

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

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

The following are the highlights of the 2016 fiscal year:

- Market and environment

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

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, firstly with the personalization of treatment and subsequently by 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.

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

- Results and performance

With 10 years of listing on the Alternext Paris Stock Exchange and the development of a unique spine company with an unparalleled breakthrough technology in patient specific implants, 2016 represented a year of large-scale transformation, marked by several key events summarized below:

- The development of new and unique digital services for pre-operative planning and for pre- and post-operative analyses;
- A significant acceleration in the adoption rate of UNiD™ patient-specific rods (up 106% compared with 2015) with more than 1,100 surgical procedures carried out at December 31, 2016 following the launch in France in September 2013 and the approval of this technology by the FDA early in 2015;
- The continued compilation of a growing clinical database, enriched daily using deep learning capabilities for the predictive modeling of the most appropriate patient-specific surgical strategies based on surgeon specific techniques;
- Fundraising of €20 million in August 2016, from predominantly US investors;
- Appointment of Rick KIENZLE, co-founder of GLOBUS MEDICAL, as Chief Strategy and Business Development Officer, who also became a Company shareholder;
- Bringing the production factory, the research and development center and all the Group's support functions together under one roof at a new ultra-modern site in Lyon spanning 8,000 m^2;
- The continued development of titanium 3D printing manufacturing processes for patient-specific interbody cages and corpectomy implants, expected to be marketed in the United States and Europe in the second and third quarters of 2017 respectively;

These developments translated into very significant intangible and tangible investments totaling €9 million in 2016, including €2 million in research costs.

Group Sales reached a total of €29.4 million in 2016, generating a 6% growth compared to the previous year.

Gross margin, structurally close to 80%, fell by 3 points to 76% due to the use of subcontracting from the second half to mitigate the shutdown in production at the La Rochelle factory and the gradual resumption of operations at the new Lyon site following receipt of the necessary certifications issued by the regulatory certification bodies after a successful certification audit in late 2016.

Structure costs increased by €3.5 million compared with the 2015 fiscal year in support of the roll-out, primarily in the United States, of the Group's innovations in customized implants with the creation of a dedicated team of engineers within the UNiD™ laboratory, and the launch of marketing initiatives aimed at raising awareness among both surgeons and patients.

Other non-recurring expenses totaling €2.4 million primarily comprise the cost of closing the La Rochelle factory and bringing operations under one roof at the new headquarters (€1.2 million), as well as a loss of €0.9 million related to the recognition in expenses of advances on fees paid regularly since 2013 as part of the development of a software platform, and which will not be able to be recovered quickly.

Cost of net financial debt rose by €0.5 million following the implementation of a €15 million convertible bond loan, for which the application of recognition rules defined under IAS 32, IAS 39 and IFRS 7 significantly increased financial expenses without any impact on cash.

Loss before tax amounted to €7.8 million, versus a loss of €1.8 million for the year ended December 31, 2015. These results reflect the transformation undertaken by MEDICREA during the 2016 fiscal year.

Available cash amounted to €8 million at December 31, 2016.

- Products

MEDICREA Group has transformed itself into a company offering ground-breaking technologies for the treatment of spinal pathologies. It is seen as a genuine pioneer in this market by combining health-related IT technologies with the design and manufacture of next generation medical devices, and by prioritizing clinical results from a unique standpoint: improving the benefits of surgery for patients, and providing unrivaled operating comfort for surgeons.

This new approach relies on compiling and analyzing clinical data using deep learning algorithms and predictive interpretation solutions, which for the first time have led to the treatment of spinal pathologies through the combination of scientific precision and the fitting of patient-specific and modular implants. It is becoming a matter of course for surgeons, with a very high loyalty rate once they agree to entrust the Group with a few surgical cases to test its capabilities.

- Research & development

In 2016, the Group finalized the extension of its range of implants with the development of a highly innovative "tulip" type screw which 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. The registration files required to market the customized 3D printed implants particularly for the European and North American markets were submitted during the fiscal year and the corresponding approvals should be issued by the certifying bodies during the first half of 2017.

- Organization

In September 2016, MEDICREA Group moved into its new headquarters located on the Vancia site in Rillieux-la-Pape, on the outskirts of Lyon. With this site, MEDICREA has brought together its former Neyron (Ain) headquarters and its production unit, until then based in La Rochelle. Since the majority of MEDICREA's subcontractors, particularly in the field of mechanics, are based in the Auvergne-Rhône-Alpes region, the Company is moving closer to its strategic partners. The 8,000m² building houses offices, a research and development center and state-of-the-art production workshops dedicated to the manufacture of customized implants via 3D printing, and via titanium machining.

Richard KIENZLE, co-founder of the company GLOBUS MEDICAL, joined MEDICREA Group as Chief Commercial and Business Development Officer in the United States. He has more than 25 years' experience in sales management within companies operating on the medical device market, notably SYNTHES and US SURGICAL. His role is to coordinate MEDICREA's commercial development of services and of the personalized treatments which use UNiD™ technology.

In December 2016, MEDICREA EUROPE FRANCOPHONE was dissolved without liquidation and absorbed by MEDICREA INTERNATIONAL. This decision was taken with the aim of simplifying and rationalizing flows, and involved no change to the structure of the sales force on the French market.

In addition, a new marketing subsidiary was opened in Poland in late 2016.

- Financing

In August 2016, MEDICREA raised €20 million in financing, which consisted of €15 million in convertible bonds, held by ATHYRIUM CAPITAL MANAGEMENT, a US investor strongly regarded in the healthcare industry, and €5 million in equity through a private placement, in which Denys SOURNAC, President and CEO, and Richard KIENZLE participated.

2.1 Review of the financial statements

The financial statements of MEDICREA Group at December 31, 2016 have been prepared in accordance with the IFRS (International Financial Reporting Standards) in force within the European Union, pursuant to European Regulation n° 1606/2002 of July 19, 2002, and available at http://ec.europa.eu/internal_market/accounting/ias/index_en.htm.

The summarized financial statements are as follows:

Consolidated income statements (IFRS)

(€ K)	12.31.2016	12.31.2015
Net sales	**29,375**	**27,757**
Cost of sales	(6,941)	(5,954)
Gross margin	**22,434**	**21,803**
Research & development costs	(1,064)	(984)
Sales & marketing expenses	(16,165)	(13,218)
Sales commissions	(3,426)	(3,109)
General and administrative expenses	(6,224)	(5,956)
Other operating income and expenses	(2,377)	(85)
Operating income/(loss) before share-based payments	**(6,822)**	**(1,549)**
Share-based payments	(283)	(45)
Operating income/(loss) after share-based payments	**(7,105)**	**(1,594)**
Cost of net financial debt	(1,085)	(329)
Other financial (expenses) / income	358	100
Tax (charge) / income	263	308
Consolidated net income/(loss)	**(7,569)**	**(1,515)**

Consolidated balance sheet (IFRS)

(€ K)	**12.31.2016**	**12.31.2015**
Goodwill	2,629	2,637
Intangible assets	6,071	4,901
Property, plant and equipment	10,099	7,013
Non-current financial assets	938	687
Deferred tax assets	2,454	1,022
Total non-current assets	**22,191**	**16,260**
Inventories	8,727	7,019
Trade receivables	5,159	4,710
Other current assets	3,511	2,902
Cash and cash equivalents	8,063	2,168
Total current assets	**25,460**	**16,799**
Total assets	**47,651**	**33,059**

(€ K)	**12.31.2016**	**12.31.2015**
% share capital	1,605	1,438
Issue, merger and contribution premiums	42,448	37,636
Consolidated reserves	(22,403)	(22,321)
Group net income/(loss) for the year	(7,569)	(1,515)
Total shareholders' equity	**14,081**	**15,238**
Conditional advances	317	404
Non-current provisions	514	461
Deferred tax assets	1,408	324
Long-term financial debt	18,309	7,156
Total non-current liabilities	**20,548**	**8,345**
Current provisions	1,125	31
Short-term financial debt	3,602	3,270
Other current financial liabilities	-	11
Trade payables	6,001	4,056
Other current liabilities	2,294	2,108
Total current liabilities	**13,022**	**9,476**
Total shareholders' equity and liabilities	**47,651**	**33,059**

2.2 Comments on the consolidated income statement

Net sales for 2016 totaled €29.4 million, an increase of 6% compared with the previous year. The United States, which is the leading and priority market, generated 60% of total sales.

The five subsidiaries that distribute directly to hospitals and clinics (MEDICREA USA, MEDICREA EUROPE FRANCOPHONE, MEDICREA TECHNOLOGIES UK, MEDICREA GMBH and MEDICREA POLAND) generated 80% of consolidated sales (79% in 2015).

Gross margin, structurally close to 80%, fell by 3 points to 76% due to the use of subcontracting from the second half to mitigate the shutdown in production at the La Rochelle factory and the gradual resumption of operations at the new Lyon site.

Payroll costs stood at €14.3 million and were up €2 million in relation to the previous fiscal year. This increase was due to the recruitment undertaken in 2016, with in particular the creation of a dedicated team of engineers within the UNiD™ laboratory in both France and the United States.

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 (€2.3 million) and allocation of the research tax credit (€1 million), stood at €1.1 million (€1 million in 2015), including a provision of €1.3 million to amortization in relation to the capitalized research costs.

Sales and marketing expenses, of which the payroll component represented approximately 53 % of the total, grew 22% in comparison with 2015, reaching €16.2 million, following the intensification of marketing efforts and in particular the launch of initiatives to raise awareness among both surgeons and patients.

Sales commissions, proportionate to sales, totaled €3.4 million in 2016. 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 4% in comparison with 2015, following the increase in staff numbers, the expenses incurred in relation to the IT infrastructure and the new real estate leases.

The larger workforce and intensified research and development and marketing investment in 2016 increased the operating breakeven point to quarterly sales of €10.4 million (compared with €7.3 million in 2015).

Other non-recurring expenses totaling €2.4 million primarily comprise the cost of closing the La Rochelle factory and bringing operations under one roof at the new headquarters (€1.2 million), as well as a loss of €0.9 million related to the recognition in expenses of advances on fees paid regularly since 2013 as part of the development of a software platform, and which will not be able to be recovered quickly.

The loss from recurring operations before share-based payments was therefore €6.8 million in 2016 (a loss of €1.5 million in 2015).

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, 2016 EBITDA was €0.3 million compared with €1.9 million in 2015.

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 no significant effect on the development of revenues and costs over the period.

Net financial debt rose by €0.5 million following the implementation of a €15 million convertible bond loan, for which the application of recognition rules defined under IFRS significantly increased financial expenses without any impact on cash. The average interest rate was 5.54% in 2016, compared with 3.93% in 2015.

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 €7.6 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 in both 2016 and 2015).

2.3 Comments on the consolidated balance sheet

Total assets were €47.7 million, an increase of €14.6 million compared with the previous fiscal year.

Non-current assets, which increased by €5.9 million, represented 47% of total assets.

Intangible assets grew €1.2 million as a result of the ongoing research and development efforts and the development of a surgical planning software package.

The €3.1 million increase in property, plant and equipment is due to fittings and fixtures at the Group's new headquarters for €2.3 million as well as work to extend MEDICREA USA's offices in New York for €0.9 million.

The €1.4 million increase in deferred tax assets was directly related to consolidation adjustments and the recognition of deferred taxes on the tax losses carried forward of the US subsidiary alone.

Within current assets, net inventories increased by €1,7 million in comparison with 2015, including a €0.1 million increase in impairment provision. They represented 18% of total assets, compared with 21% in 2015. The gross value of inventories grew 26% subsequent to the forecast of the closure of the La Rochelle factory in late January 2017 and the gradual start-up of the Rillieux-la-Pape factory.

Trade receivables were relatively stable due to god control of the average collection period, which was 53 days at December 31, 2016, compared with 58 days one year earlier.

The €0.6 million increase in other current assets was due to the growth in tax receivables yet to be recovered.

The strengthening of the net cash position was primarily due to the total gross €20 million fundraising completed by the Group in August 2016.

Shareholders' equity stood at €14.1 million at the end of 2016. Its change in relation to 2015 was mainly the result of the share capital increases in 2016 as well as the comprehensive income for the fiscal year.

Provisions include relocation allowances and/or severance pay relating to employees of the La Rochelle factory.

Gross financial debt was €22 million, up €12 million compared with 2015. The increase was primarily due to the issue of €15 million in convertible bonds, to mature in 4 years and at an interest rate of 6.75%. These bonds include a non-conversion premium amounting to 10% of its face value.

The increase in deferred tax liabilities was mainly related to consolidation adjustments, notably those involving IFRS treatment of the funds raised in August 2016.

Trade payables totaled €6 million, an increase of €2 million compared with the previous fiscal year which was due to the very substantial use of sub-contractors since the end of the 1st half of 2016, in order to offset the two-stage shut-down of the La Rochelle plant (in August 2016 and in January 2017), and the gradual rise in expenses at the new site in Rillieux-la-Pape, which was the subject of mandatory regulatory classification audits, as part of the issuance of authorizations to bring products to the European market.

Other current liabilities totaled €2.3 million at the end of 2016 and mainly comprised tax and social security liabilities.

3 – DEVELOPMENT AND FUTURE PROSPECTS

During the first quarter of 2017, MEDICREA continued the Group's major transformation works initiated in 2016, which will allow it to address new market challenges. The permanent closure of the original La Rochelle site and the relocation of all manufacturing operations to the new ultra-modern facility in Rillieux-la-Pape, near Lyon, was finalized during the period.

This transfer mobilized a significant portion of the Company's resources, which were also in great demand due to the two certification audits successfully completed, one by the FDA (Food and Drug Administration) for the marketing of implants in the United States, and one by LNE/G-MED (Working Group for the Evaluation of Medical Devices) for the renewal of CE marking. Against this backdrop, Q1 sales remained stable compared to the same period of the previous year at €7 million.

Adoption of the UNiD™ patient-specific rod technology continued over Q1 2017 with a 38% increase in surgeries carried out in the United States compared to the same quarter of 2016.

MEDICREA submitted a 510(k) registration application to the US Food and Drug Administration (FDA), aimed at securing marketing authorization for its 3D printed titanium interbody cages, which are compatible with its "UNiD™ Lab" personalized surgical planning and analysis services. Relying on both its in-house additive manufacturing capabilities and the FDA approval expected by the end of 2017, the 3D titanium cage printing platform will enable the Group to offer patients and surgeons an improved and comprehensive range.

4 – INFORMATION RELATING TO SUBSIDIARIES AND INVESTMENTS

The corporate results of the subsidiaries and significant comments on activity over the 2016 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)	2016	2015	2014
Sales	7,610	7,806	7,923
Operating income/(loss)	(71)	330	690
Net financial income / (expense)	4	8	13
Net exceptional income/(expense)	(1,202)	31	-
Net income / (loss)	(1,249)	265	789
Workforce size (excluding trainees)	28	30	30

The change in sales between 2016 and 2015 is analyzed by customer as follows:

(€ K)	2016	2015	Change
MEDICREA INTERNATIONAL	6,792	7,026	(3)%
Repair center	788	686	+15%
Other	30	94	(68)%
Sales	**7,610**	**7,806**	**(2)%**

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

Sales fell 2% compared with the previous fiscal year, since the Company's business relies very heavily on the inventory levels and the needs of MEDICREA INTERNATIONAL and its subsidiaries. To anticipate the shut-down of the La Rochelle plant in two stages, in August 2016 and in January 2017, together with the gradual start-up of the new site in Rillieux-la-Pape, which related to the need to obtain all of the mandatory regulatory classifications, the Company made significant use of sub-contractors during the 2nd half of 2016, in order to ensure continuity of service for all of its customers. This temporary situation had a negative impact on operating income, leading to a loss of €0.1 million for the 2016 fiscal year, compared with an income of €0.3 million for the previous fiscal year.

The net exceptional expense of €1.2 million includes all the expenses relating to transferring the La Rochelle operations to the new site in Rillieux-la-Pape, and the costs of closing the La Rochelle production facility.

Taking into account these elements, a net loss of €1.2 million was recorded in 2016, compared with a net income of €0.3 million for the previous fiscal year.

- MEDICREA EUROPE FRANCOPHONE SAS

(€ K)	2016	2015	2014
Sales	5,208	4,750	3,873
Operating income/(loss)	307	(389)	(395)
Net financial income / (expense)	(28)	(35)	(34)
Net exceptional income/(expense)	-	-	920
Net income / (loss)	279	(424)	491
Workforce size (excluding trainees)	12	11	12

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

(€ K)	2016	2015	2014
France	5,115	4,701	3,823
Mediterranean region	93	49	50
Sales	**5,208**	**4,750**	**3,873**

In December 2016, MEDICREA EUROPE FRANCOPHONE was dissolved without liquidation and absorbed by MEDICREA INTERNATIONAL. This decision was taken with the aim of simplifying and rationalizing flows, and involved no change to the structure of the sales force on the French market. All employees were retained by MEDICREA INTERNATIONAL.

The company continued to grow in France with a 9% rise in sales compared with the previous fiscal year. Operating income grew by €0.7 million as a result of the MEDICREA INTERNATIONAL taking back all the

Company's inventory in late 2016, and without this exceptional event, a loss of approximately €0.3 million would have been recorded.

The 2016 net income amounted to €0.3 million, versus a loss of €0.4 million in 2015.

- MEDICREA USA CORP

(€ K)	**2016**	**2015**	**2014**
EUR/USD exchange rate	1.106	1.115	1.3348
Sales	17,656	16,342	13,996
Operating income/(loss)	(2,016)	(1,486)	657
Net financial income / (expense)	14	3	23
Net income/(loss)	(2,002)	(1,634)	443
Workforce size (excluding trainees)	42	30	33

In dollars, 2016 sales grew 7.2% in relation to the previous fiscal year. The stronger dollar had no material impact on the conversion of sales into euros.

In percentage of sales, the gross margin was stable in comparison with the 2015 fiscal year.

In dollars, operating expenses increased 13% following the strengthening of sales teams, in particular with the recruitment of a Chief Commercial & Business Development Officer and investments made to promote the patient-specific pre-contoured rods and the UNiD® operation planning platform.

Against this backdrop, the operating loss was €2 million in 2016, compared with a loss of €1.5 million for the previous fiscal year.

- MEDICREA TECHNOLOGIES UK LTD

(€ K)	**2016**	**2015**	**2014**
EUR/GBP exchange rate	0.8125	0.7279	0.8077
Sales	522	833	1,163
Operating income/(loss)	(784)	(333)	(78)
Net income/(loss)	(703)	(229)	(23)
Workforce size (excluding trainees)	7	6	5

The 2016 fiscal year was a year of transition for the Company, with the arrival at the end of 2015 of a new VP of Operations, the post having remained vacant for a year, and the complete renewal of the sales force during the first half of 2016. Against this backdrop, sales fell 37% in euros (30% in pounds sterling) and an operating loss of €0.7 million was recorded.

- MEDICREA GMBH

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

The company, which was created in 2015, saw its sales rise only very slowly in 2016, following a complete restructuring of the company's sale force and operational management, which meant it could not cover staff costs, operating costs and the marketing expenses aimed at penetrating the German market. The operating loss was €0.8 million.

- MEDICREA POLAND

(€ K)	2016
EUR/PLN exchange rate	4.3622
Sales	0
Operating income/(loss)	(27)
Net income/(loss)	(27)
Workforce size (excluding trainees)	2

The company was formed at the very end of 2016, without any significant sales over the period, with only the charges connected with the operational launch of the structure (staff and administrative costs) having been incurred.

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)	2016	2015	2014	2013	2012
Capitalized R&D costs	2,281	1,886	1,069	1,017	845
Expensed R&D costs (1)	2,055	1,960	1,893	1,729	1,741
- of which amortization charge of R&D costs	(1,284)	(993)	(904)	(842)	(717)

(1): before allocation of the Research Tax Credit

In 2016, MEDICREA was granted seven FDA authorizations: OCT UNiD™ rod, PASS LP XS, LigaPASS XS, PASS Tulip screws and hooks, PASS OCT domino and connector offset. 379 new references have also been CE marked.

During the 2016 fiscal year, the work of the research and development teams more specifically focused on the following products:

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

- **UNiD VBR**: Custom corporectomy implant for a given patient according to the pre-operative planning defined by the surgeon, associated with an assisted planning service

- **IMPIX 3D Print**: interbody lumbar cage manufactured using the 3D impression process

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

- **PASS LP XS**: thoraco-lumbar fixation system specially adapted for pediatric and juvenile surgery leading to the gradual reduction in spinal deformity thanks to the use of an entire polyaxial anchoring system.

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

The Group is actively working to expand its range of patient-specific implants and in 2017, 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 – CORPORATE AND ENVIRONMENTAL INFORMATION

6.1 Corporate information

At December 31, 2016, the Group's workforce comprised 169 employees, of whom one was part-time, one was on a skills training contract and two people were on fixed-term contracts. The workforce is supplemented by a small number of trainees, for whom agreements are signed throughout the year.

113 people are employed in France (parent company and subsidiaries), 42 work for the US subsidiary, 7 for the UK subsidiary, 5 for the German subsidiary and 2 for the Polish subsidiary.

The average gross salary for the 2016 fiscal year stood at €6,010 (€5,923 in 2015). Excluding the remuneration of employees of the US subsidiary, the average gross salary was €4,471 (€4,449 in 2015).

The gender breakdown by staff category is as follows:

	Male	Female	Total
Executives	53	31	84
Supervisors - Employees	51	34	85
Total	**104**	**65**	**169**

- Training

Payments made to collecting bodies for continuous in-service training amounted to approximately €62,900 in 2016 (€60,000 in 2015) for the French companies, amounts that were used in full to train Group employees and were higher than the legal training obligation.

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

- Safety

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

A comprehensive risk management assessment has been prepared and is updated annually for all French organizations.

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 2016 fiscal year.

In addition, in 2016 the Board of Directors made use of the delegation granted to it by the Annual General Meeting of December 18, 2015 by allocating 406,500 share subscription options to American employees. It also made use of the delegation of authority relating to the allocation of free shares by allocating 72,990 free shares to French and US employees.

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. The use of subcontracting increased sharply in relation to the previous fiscal year following the transfer and two-step shut down of the La Rochelle production unit, and the need to continue to guarantee supplies to customers and to ensure their requirements were met, in the expectation that the regulatory certifications for the new Rillieux-la-Pape site would be received at the end of 2016. Purchases of components during the 2016 fiscal year totaled €3.4 million (€2.5 million in 2015).

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

Moreover, the legislative and regulatory provisions defined by ANSM (French National Drug Safety Authority), the European Commission, the FDA and 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 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.

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

7.3 Risks associated with the malfunction of industrial processes

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

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

7.8 Liquidity risks

In 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.

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

The financial resources secured following equity fundraising transactions totaling approximately €34 million at June 30, 2016 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.

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

7.9 Exchange rate risks

Most of the Group's supplies are denominated in Euros. Sales to US, UK and Polish subsidiaries are made in local currencies, the products then being sold in these markets in the country's 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, 2016, 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 60% of its consolidated sales in dollars in the 2016 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.

7.14 Warranties on UNiD products

As of November 2016 and exclusively for sales in the United States, the Group introduced a lifetime warranty relating to its customized technology UNiD™. It covers all surgical procedures carried out using customized UNiD™ thoraco-lumbar and cervical rods as well as all MEDICREA implants used in combination with these rods.

The warranty offered covers all costs related to the use of the analysis services provided by the UNiD™ Lab unit, as well as the replacement at no cost of UNiD™ customized rods and any MEDICREA implants necessary for the treatment of patients requiring corrective surgery.

Since the launch of this lifetime warranty across the United States, no activation request has been recorded. On this basis, the Group did not recognize any provision in its financial statements at December 31, 2016 and, depending on the data collected in 2017, it will assess whether or not it is necessary to review its position for the next fiscal year.

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, 2016 have been prepared pursuant to French generally accepted accounting principles.

The summarized financial statements are as follows:

Income statement

(€ K)	**12.31.2016**	**12.31.2015**
Net sales	14,071	15,694
Finished products and work in progress	290	147
Own work capitalized	2,131	1,800
Operating grants	5	17
Provision reversals and transfers of charges	65	51
Other revenue	32	25
Operating revenues	**16,594**	**17,734**
Purchases consumed, subcontracting and other supplies	(3,664)	(6,240)
Other external purchases and charges	(6,486)	(4,624)
Taxes and duties	(235)	(248)
Wages and salaries	(3,489)	(3,076)
Social security costs	(1,442)	(1,247)
Amortization and depreciation charges	(2,079)	(1,592)
Provision charges	(1,525)	(193)
Other expenses	(753)	(534)
Operating expenses	**(19,673)**	**(17,754)**
Operating income/(loss)	**(3,079)**	**(20)**
Financial income	2,134	350
Financial expenses	(9,672)	(819)
Net financial income / (expense)	**(7,538)**	**(469)**
Income/(loss) before tax	**(10,617)**	**(489)**
Exceptional income	12	38
Exceptional expenses	(1,171)	(14)
Net exceptional income/(expense)	**(1,159)**	**24**
Corporate tax	970	1,080
Net income / (loss)	**(10,806)**	**615**

Balance sheet

(€ K)	12.31.2016	12.31.2015
Intangible assets	5,400	4,513
Property, plant and equipment	4,842	1,489
Non-current financial assets	12,019	20,514
Non-current assets	**22,261**	**26,516**
Inventories	5,979	4,184
Trade receivables	2,413	4,721
Other receivables	12,211	4,466
Cash and cash equivalents	7,701	884
Current assets	**28,304**	**14,255**
Total assets	**50,565**	**40,771**

(€ K)	12.31.2016	12.31.2015
Share capital	1,605	1,438
Reserves	28,026	22,598
Net income/(loss) for the year	(10,806)	615
Shareholders' equity	**18,825**	**24,651**
Conditional advances	318	404
Other equity	**318**	**404**
Long-term financial debt	19,811	5,679
Group and associates	-	3,480
Non-current liabilities	**19,811**	**9,159**
Provisions for liabilities and charges	276	15
Short-term financial debt	2,716	2,243
Group and associates	1,021	-
Trade payables	6,074	3,176
Other liabilities	1,524	1,123
Current liabilities	**11,611**	**6,557**
Total shareholders' equity and liabilities	**50,565**	**40,771**

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

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

The change in sales between 2016 and 2015 is analyzed by customer as follows:

(€)	**2016**	**2015**	**Change**
MEDICREA USA	7,348,225	6,862,852	7%
MEDICREA EUROPE FRANCOPHONE	941,587	3,385,854	(72)%
MEDICREA GMBH	364,421	15,547	2,244%
MEDICREA TECHNOLOGIES UK	161,856	247,882	(35)%
MEDICREA TECHNOLOGIES	106,307	75,567	41%
MEDICREA POLAND	24,997	-	100%
Total intra-Group sales and rebillings	**8,947,393**	**10,587,702**	**(15)%**
Distributors	5,082,746	5,061,414	- %
Other	40,911	44,619	(8)%
Net sales	**14,071,050**	**15,693,735**	**(10)%**

Sales with the Company's marketing subsidiaries fell by almost 15% compared with the previous year, as a result of the takeover of MEDICREA EUROPE FRANCOPHONE's entire inventory at the end of 2016. Sales to other distribution subsidiaries grew 11% in parallel with the growth in sales achieved by these entities in their respective markets. These sales meet demand from customer hospitals and subsidiaries to replenish their inventories.

Sales generated with international distributors, which represents MEDICREA INTERNATIONAL's direct sales activity, remained stable in relation to 2015, with trends varying according to geographic region: an increase in South America with a recovery in Brazil triggered by an a one-off order, stability in Asia and a decline in traditional European markets which are generally experiencing increasing levels of pricing pressure.

Other operating revenues totaled €2.5 million, versus €2 million in 2015. They mainly consist of finished products and work in progress (€0.3 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 (€2.1 million). The structurally high level of this item reflects the research and development efforts the Company has undertaken in recent years.

The gross management margin (which includes the subcontracting recorded in the parent company financial statements under "other external purchases and charges") stood at 54% of sales in 2016, against 57% in 2015. To anticipate the shut-down of the La Rochelle plant, together with the gradual start-up of the new site due to the need to obtain all of the mandatory regulatory classifications, the Company recruited production staff at the new site in Rillieux-la-Pape, ahead of the closure of the original factory in La Rochelle. The additional cost caused by the temporary doubling up of certain positions contributed to the temporary decline in gross margin, as was the case with the takeover, after the issue of credit notes on sales, of the entirety of MEDICREA EUROPE FRANCOPHONE's inventory.

The 2016 payroll grew significantly in comparison with the previous fiscal year (up 14%). The increase in workforce was primarily due to the introduction of production teams within the new factory in Rillieux-la-Pape. MEDICREA TECHNOLOGIES employees who agreed to relocate will move to MEDICREA INTERNATIONAL during the first half of 2017.

Amortization and depreciation charges grew €0.5 million in correlation with the significant investments made by the Company in recent fiscal years, notably research and development costs, and fixtures and fittings at the new headquarters, which have been in service since the 4th quarter of 2016. Provision charges, up €1.3 million in relation to the previous fiscal year, primarily relate to the depreciation of implant inventory levels.

Taking into consideration the points specified above, 2016 operating loss was €3.1 million, compared with a virtually breakeven position in 2015.

The net financial expense was €7.5 million, mainly due to the €0.7 million cost of financial debt, €7.1 million of equity security impairment, and €0.4 million of positive exchange rate effects.

The closure of the La Rochelle factory which fell under the legal entity MEDICREA TECHNOLOGIES, led the Company to recognize an additional provision of €8.6 million for the impairment of shares, which explains most of the increase in net financial expense in 2016 in relation to the previous fiscal year.

The net exceptional expense of €1.1 million includes the expenses relating to transferring the Neyron and La Rochelle operations to the new site in Rillieux-la-Pape, and the write-off of advances paid to a software designer in connection with the development of a healthcare IT platform, which will not be recovered.

Ultimately, after a research tax credit of €1 million was taken into account, a net loss of €10.8 million was recorded over the 2016 fiscal year, which was impacted by the numerous exceptional and non-recurring items detailed above, against a net income of €0.6 million in 2015.

1.2 Comments on the balance sheet

Total assets were €51 million, an increase of €10 million compared with the end of 2015.

Non-current assets represented 44% of total assets, compared with 65% in 2015. The main changes concern the capitalization of research and development costs for the period totaling €2.1 million, installations and fittings at the new headquarters totaling €2.3 million as well as an €8.6 million impairment of MEDICREA TECHNOLOGIES shares as previously explained.

Inventories increased 43% in relation to the previous fiscal year as a result of several elements: the takeover of MEDICREA EUROPE FRANCOPHONE's inventory following its absorption, the temporary increase in inventory levels as part of the closure of the La Rochelle factory in order to ensure continuity of service to customers, and the start-up of MEDICREA INTERNATIONAL's production activity which necessitated the build-up of inventories of raw materials and semi-finished products.

The reduction in Group receivables was due to the absorption of the company MEDICREA EUROPE FRANCOPHONE, the transfer to the current account of virtually all of MEDICREA USA's receivables and the significant efforts undertaken by the Company to recover its non-Group receivables, resulting in an improvement in the average settlement period which fell from 66 days at December 31, 2015 to 43 days at December 31, 2016.

Other receivables increased €7.8 million under the combined effect of intra-Group current accounts which grew €4.4 million as a result of the transfer of virtually all of MEDICREA USA's trade receivables, the transfer of all the assets and liabilities of the company MEDICREA EUROPE FRANCOPHONE, and the recognition under deferred charges of €15 million in bond loan issue costs (€1.4 million).

Shareholders' equity was €19 million at the end of 2016, down €6 million compared with 2015. This fall was due to the 2016 net loss of €10.8 million, offset by the €5 million share capital increase completed in August 2016.

Financial debt increased by €14.6 million compared with 2015. €16.4 million in new borrowing was taken out in 2016 including two bond loans of €1.1 million issued in February 2016 at an interest rate of 7%, repayable at maturity upon expiry of a period of two years, and of €15 million in August 2016 at a rate of 6.75%, repayable at maturity upon expiry of a period of four years and including a non-conversion premium of 10%.

Other current liabilities (excluding financial liabilities and intra-Group current accounts) stood at €8 million and rose €3.7 million as a result of the increase in trade payables which was mainly due to investments and improvements made at the new Rillieux-la-Pape site and the gradual transfer to the Company of the management of all MEDICREA TECHNOLOGIES' production suppliers and subcontractors.

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)		**2016**	**2015**
Trade payables - not due (1)		**2,429**	**998**
Of which:	*within 30 days*	*816*	*941*
	within 30 to 60 days	*1,613*	*57*
	within more than 60 days	*-*	*-*
Trade payables - overdue (1)		**3,006**	**1,848**

(1) 54% of payables not due and 58% of payables overdue are intra-Group liabilities.

2 – DEVELOPMENT AND FUTURE PROSPECTS

Since August 2016 with the transfer to the new site at Rillieux-la-Pape of one section of the production equipment from the La Rochelle factory and the planned closure of the latter, MEDICREA INTERNATIONAL is now a manufacturer of implants in its own right. All the Group's production will be progressively handled by the Company which will market its products either direct, on the French market, or via a network of independent distributors across 30 countries, or through distribution subsidiaries held directly on strategic markets (the US, UK, Germany, and since 2016, Poland). 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.

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:

	2016	**2015**	**2014**
Number of shares at December 31	10,033,067	8,987,588	8,481,305
High price	7.04	9.34	10.60
Low price	4.33	6.31	7.05
Average price for the period	5.46	7.75	9.10
Share price at 12/31	5.40	6.78	8.70
Market capitalization at 12/31	€54,178,562	€60,935,847	€73,787,354
Number of transactions	6,465	8,776	20,512
Trading volume	1,937,451	1,638,981	3,609,057
Capital turnover rate	20.18%	18.2%	42.6%

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 7, 2016, the Company carried out the following transactions concerning its own shares during the fiscal year which ended on December 31, 2016:

- number of shares bought during the fiscal year:	146,787
- number of shares sold during the fiscal year:	147,183
- average price of the purchases:	€5.37
- average price of the sales:	€5.34
- trading fees:	Nil
- number of shares registered in the Company's name at December 31, 2016:	2,650
- value based on the purchase price:	€14,236
- 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 12.31.2016		**At 12.31.2015**	
	% share capital	% voting rights	% share capital	% voting rights
More than 5%	GRANDEUR PEAK ADVISORS	GRANDEUR PEAK ADVISORS	GRANDEUR PEAK ADVISORS	GRANDEUR PEAK ADVISORS
More than 15%	ORCHARD INTERNATIONAL		ORCHARD INTERNATIONAL	
More than 25%		ORCHARD INTERNATIONAL		ORCHARD INTERNATIONAL

Since January 1, 2017 and until the date of drafting of this Report, the Company has been made aware of no declaration regarding the crossing of any 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:

	12.31.2016			12.31.2015		
	Number of shares	% share capital	% voting rights	Number of shares	% share capital	% voting rights
ORCHARD INTERNATIONAL (1)	1,727,490	17.22	27.24	1,727,490	19.22	29.71
Denys SOURNAC (2)	463,732	4.62	3.66	270,547	3.01	2.33
Jean Philippe CAFFIERO	246,089	2.45	3.76	246,089	2.74	4.10
Other Directors						
Pierre BUREL (2)	194,587	1.94	1.53	91,707	1.02	1.44
Patrick BERTRAND (2)	113,968	1.14	1.04	93,392	1.04	0.93
François Régis ORY (2)	108,652	1.08	0.86	108,652	1.21	0.93
Christophe BONNET	52,128	0.52	0.81	52,128	0.58	0.88
Jean Joseph MORENO	22,900	0.23	0.30	22,900	0.25	0.33
Marc RECTON	18,752	0.19	0.25	18,752	0.21	0.27
Total	**2,948,298**	**29.39%**	**39.45%**	**2,631,657**	**29.28%**	**40.92%**

(1): Shares held by the holding company, ORCHARD INTERNATIONAL. The following table provides details of ORCHARD INTERNATIONAL's shareholding structure as of December 31, 2016:

- Société civile DENYS SOURNAC COMPANY	58.37%
- Société civile PLG Invest (Jean-Philippe CAFFIERO)	36.60%
- AMELIANE SAS	4.87%
- Christelle LYONNET	0.13%
- 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, 2016, the Company held 2,650 of its own shares as part of the share's liquidity and market-making contract on the stock market.

At December 31, 2016, share capital totaled €1,605,306.72, and comprised 10,033,167 shares as follows:
- 10,033,067 ordinary shares;
- 100 unlisted preference shares.

Pursuant to the provisions of Article L. 225-211 sub-paragraph 2 of the French Commercial Code and in accordance with the authorizations granted by the Combined Shareholders' Meeting of June 3, 2015 and the Combined Shareholders' Meeting of June 7, 2016, the Company bought back some of its own shares during the year ended December 31, 2016, 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 2016 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: 316,641
  Persons concerned: Denys SOURNAC, Pierre BUREL et Patrick Bertrand), as part of a share capital increase via private placement completed in August 2016 concerning a total of 1,028,803 shares
- 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, 2016 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, 2016, employees of the Company and related companies held 0.87% of the Company's capital, including 0.55% 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 2016 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 406,500 stock options were allocated during the fiscal year ended December 31, 2016, as well as 72,990 free shares.

Taking into account the employees who left between the 2008 and 2016 fiscal years, the exercise of options and the lapsing of the plan introduced in 2009, the free shares (including free shares allocated but whose retention period has not yet expired) and stock options allocated to employees stood at 167,273 and 569,718 respectively at December 31, 2016.

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, 2016, 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

No director's term of office expires at the end of the next General Meeting.

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 2016 fiscal year for work carried out by Mr. SOURNAC was €300,000 exclusive of tax (unchanged from 2015).

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 2016 (unchanged from 2015).

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 2016, ORCHARD INTERNATIONAL invoiced a total of €64,000 exclusive of tax (unchanged from 2015) 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 2016 (unchanged from 2015).

13 – DETERMINATION OF DIRECTORS' FEES

We would remind you that the Shareholders' Meeting of June 7, 2016 determined the amount of directors' fees allocated to the Board of Directors at €56,000 for the year ended December 31, 2016 and for subsequent years, until decided otherwise.

We suggest allocating the amount of €72,000 to your Board of Directors as directors' fees for the year ending December 31, 2017 and for subsequent years, until decided otherwise by the Shareholders' Meeting.

14 – CORPORATE AND ENVIRONMENTAL INFORMATION

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

15 – PROPOSED ALLOCATION OF 2016 NET INCOME

It is requested that the financial statements be approved as presented (balance sheet, income statement and notes), showing a net loss of €10,805,933.45 for the fiscal year ended December 31, 2016, which the Board of Directors proposes at the Shareholders' Meeting to allocate it in its entirety to 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 included in Appendix 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 €104,516 and €34,835 respectively for the fiscal year ended December 31, 2016 (€88,078 and €29,356 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;
- cancellation of shares purchased;
- coverage of debt securities convertible into shares.

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);
- 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 €25,082,917.50, financed either by own resources or by the use of short- or medium-term external funding.

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

The authorization would be valid from the date of the Annual Shareholders' Meeting called to approve the financial statements at December 31, 2016 and for a period of eighteen months.

If this resolution is adopted, the Board of Directors should report annually on the use of this authorization. A request is also made to authorize the Board of Directors, for a period of 18 months, 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 7, 2016 authorized the Board of Directors to grant Company share subscription and/or purchase options for a period of twenty-six months. Although this delegation has not yet expired, we consider it appropriate to bring the expiry dates of this authorization into line with the authorization granted to the Board of Directors to allocate free shares, given that their ceilings are common, such authorization expires on February 18, 2018 and the renewal of which we are proposing, (see 20.3 below).

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

Under this authorization and under previous authorizations:

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

In any event, the cumulative total number of shares resulting from both (i) the exercise of purchase and/or subscription options that would be granted in respect of this authorization, and (ii) the allocation of free shares hereafter, may not exceed an overall number equal to 5% of the total number of shares comprising Company stock at the date of allocation.

Beneficiaries

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

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

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

Price

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

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

Period of validity

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

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

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

Capital increase resulting from exercise of share subscription

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

The amount of the share capital increase resulting from the exercise of options would not count towards the **Overall Ceiling** set in the 12th Resolution at the Shareholders' Meeting of May 11, 2017.

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

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

Other conditions

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

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

20.3 Authorization to be granted to the Board of Directors to allocate free shares to Group employees and executive corporate officers

It should be noted that the Combined Shareholders' Meeting of December 18, 2015 authorized the Board of Directors to grant free Company shares to Group employees and executive corporate officers for a period of twenty-six months.

This authorization will cease to be valid on February 18, 2018.

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 that you:

- Authorize the Board of Directors, for a period of 26 months from this Shareholders' Meeting, to allocate, in one or more instalments and at its sole discretion, either existing free shares in the Company resulting from the purchase made by it or free shares to be issued via a share capital increase, in favor of employed members of staff or corporate officers that it selects from the employees and executive corporate officers of the Company and of French or international companies related to it within the meaning of Article L. 225-197-2 I of the French Commercial Code subject to the legal and regulatory provisions in force at the time of its implementation;

- Decide that the cumulative total number of shares issuing (i) both from the free allocation of shares resulting from this authorization, be they existing shares or shares to be issued, and (ii) from the exercise of the purchase and/or subscription options provided for above, may not exceed an overall number equal to 5% of the total number of shares comprising the share capital of the Company at the date of allocation;

- Decide that the allocation of shares to their beneficiaries will be definitive at the end of a minimum vesting period of one year;

- Decide that the duration of the vesting period will end early, in the event of the incapacity of the beneficiary falling into the second or third categories provided for in Article L. 341-4 of the French Social Security Code;

- Decide that at the end of the above-mentioned vesting period, the beneficiaries, having definitively become the owners of the shares allocated to them free of charge by the Board of Directors, may only transfer said shares at the end of a retention period whose duration will be determined by the Board of Directors, but which may under no circumstances be less than one year;

- Decide that, for beneficiaries not resident in France for tax purposes, the Board of Directors may annul the above-mentioned retention period provided that the vesting period lasts a minimum of two years;

- Decide that the shares acquired, under this authorization, shall be in registered form;

- Note that, regarding the shares to be issued, (i) this authorization will entail, at the end of the vesting period, a share capital increase by capitalization of reserves, profits or issue premiums in favor of the recipients of said shares and the corresponding waiver by the Shareholders in favor of the beneficiaries of the allocations to the portion of reserves, profits and premiums thus capitalized, (ii) this authorization would automatically entail, in favor of the beneficiaries of said shares, waiver by the shareholders of their preferential subscription right;

- The amount of the share capital increase would not count towards the **Overall Ceiling I** set in the 12th resolution of the Shareholders' Meeting of May 11, 2017.

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

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

20.4 Delegation of authority to be granted to the Board of Directors to proceed with a share capital increase reserved for employees of the Company and companies within its Group

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 employees 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 12th resolution of the Shareholders' Meeting of May 11, 2017.

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);

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 delegation 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 authority to the Board of Directors, who may further delegate such authority to the Chairman and Chief Executive Officer, in order to implement the aforementioned delegation, 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 allocation of free shares to employees and/or executive corporate officers of the Company and the Group;
- 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	3,342,349	100%	11,946,000	3,346,000	48,274 (1)	-	7,610,484	(1,249,076)	-
International subsidiaries									
MEDICREA TECHNOLOGIES UK	212,349	100%	2,465,018	665,018	310,303	-	522,451	(703,810)	-
MEDICREA USA	4,992,732	100%	7,395,058	7,395,058	6,705,788	-	17,656,364	(2,002,404)	-
MEDICREA GMBH	(891,598)	100%	100,000	100,000	1,036,420	-	68,788	(785,968)	-
MEDICREA POLAND	18,412	100%	47,119	47,119	-	-	296	(27,234)	-

(1) Including €48,274 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 12.31.2016

Denys SOURNAC:

Company name	Headquarters	Terms of office	Duties
MEDICREA INTERNATIONAL	5389, route de Strasbourg – 69140 Rillieux-la-Pape	Chairman and CEO	Nil
MEDICREA TECHNOLOGIES	5389, route de Strasbourg – 69140 Rillieux-la-Pape	Chairman	Nil
DENYS SOURNAC 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
BDB GESTION MARINE	345, montée de Bellevue – 01600 Reyrieux	Co-Manager	Nil
SUM LAB	345, montée de Bellevue – 01600 Reyrieux	Co-Manager	Nil
IDS GESTION	6, rue Adolphe – L 1116 Luxembourg	Category A Co-Manager	Nil
IDS KAP	209 A, avenue Louise – B 1050 Bruxelles	Category A Co-Manager	Nil

Jean-Philippe CAFFIERO:

Company name	Headquarters	Terms of office	Duties
MEDICREA INTERNATIONAL	5389, route de Strasbourg – 69140 Rillieux-la-Pape	Director and Deputy CEO	Nil
PLG INVEST	12, rue de la Garenne – 69005 Lyon	Manager	Nil

Christophe BONNET:

Company name	Headquarters	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	5389, route de Strasbourg – 69140 Rillieux-la-Pape	Director	Nil

Patrick BERTRAND:

Company name	Headquarters	Terms of office	Duties
MEDICREA INTERNATIONAL	5389, route de Strasbourg – 69140 Rillieux-la-Pape	Director	Nil
SARL EURO-PJB	119, boulevard Stalingrad – 69100 Villeurbanne	Manager	Nil
SCI PJB MONTCHALIN	Montchalin – 38510 Courtenay	Manager	Nil
SCI LA TOUR ST JEAN	Montchalin – 38510 Courtenay	Manager	Nil
MARTINET SA	24, rue du Limousin – 38070 Saint Quentin Fallavier	Director	Nil

Jean-Joseph MORENO:

Company name	Headquarters	Terms of office	Duties
MEDICREA INTERNATIONAL	5389, route de Strasbourg – 69140 Rillieux-la-Pape	Director	Nil
SCI MC		Manager	Nil
SCI SAGITTAIRE	298, cote de Chanvre – 69360 Solaize	Manager	Nil
SCI MORAY	3, chemin des Verzières – 69110 Saint Foy Les Lyon	Manager	Nil
SAS MORE INVESTMENTS	298, cote de Chanvre – 69360 Solaize	Chairman	Nil
SAS MORE LOCK	298, cote de Chanvre – 69360 Solaize	Chairman	Nil

Marc RECTON:

Company name	Headquarters	Terms of office	Duties
MEDICREA INTERNATIONAL	5389, route de Strasbourg – 69140 Rillieux-la-Pape	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 PARTICIPATIONS 2	72, rue du Faubourg Saint Honoré – 75008 Paris	Manager	Nil
SAS ALAMA LUXURY Paris	72, rue du Faubourg Saint Honoré – 75008 Paris	Chairman	Nil
SAS FINANCIERE GERARD FAIVRE	72, rue du Faubourg Saint Honoré – 75008 Paris	Chairman of the Management Committee	Nil

François Régis ORY:

Company name	Headquarters	Terms of office	Duties
MEDICREA INTERNATIONAL	5389, route de Strasbourg – 69140 Rillieux-la-Pape	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	Headquarters	Terms of office	Duties
MEDICREA INTERNATIONAL	5389, route de Strasbourg – 69140 Rillieux-la-Pape	Director	Nil
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 – 97,133 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 Ollières	Manager	Nil
SPB GESTION	65A, route de Saint Maximin – 83149 Bras	Manager	Nil
LE MAS DE LA MAROTTE	65A, route de Saint Maximin – 83149 Bras	Manager	Nil
THEAS	65A, route de Saint Maximin – 83149 Bras	Manager	Nil
LES DOMAINES DE PROVENCE	Route de Rians - 83470 Ollières	Manager	Nil
ABBAYE SAINT HILAIRE	Route de Rians - 83470 Ollières	Manager	Nil

APPENDIX 3

FIVE-YEAR FINANCIAL SUMMARY

(€)	2016	2015	2014	2013	2012
Share capital at year-end					
Share capital	1,605,307	1,438,030	1,357,025	1,355,121	1,353,281
Number of shares outstanding	10,033,167	8,987,688	8,481,405	8,467,505	8,458,005
Transactions and net income for the year					
Net sales	14,071,050	15,693,735	14,335,814	10,630,773	10,124,736
Income/(loss) before tax, depreciation, amortization and provisions	43,546	1,637,488	(127,773)	298,936	(668,623)
Corporate tax	970,054	1,080,418	451,516	275,905	382,781
Employee profit sharing	-	-	-	-	-
Income after tax, depreciation, amortization and provisions	(10,805,933)	614,916	241,888	(929,753)	(2,661,208)
Dividends	-	-	-	-	-
Earnings per share					
EPS after tax, before depreciation, amortization and provisions	(0.01)	0.18	0.04	0.07	(0.31)
EPS after tax, depreciation, amortization and provisions	(1.08)	0.07	0.03	(0.11)	(0.03)
Dividend per share	-	-	-	-	-
Workforce					
Average workforce size during the year	65	51	40	36	38
Total payroll for the year	3,489,325	3,076,459	2,329,736	1,810,750	1,808,422
Social security contributions for the year	1,441,946	1,247,209	970,525	801,705	783,390

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 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 €10,000,000 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 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 €10,000,000 to €15,000,000 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 (€15,000,000 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.

The Extraordinary Shareholders' Meeting of June 7, 2016:

- 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 a period of 26 months, the Board of Directors to carry out, at its sole discretion, a share capital increase reserved for all employees of the Company and companies in its Group.

- **concerning the use made during the fiscal year of the above-mentioned delegations.**

Regarding the delegations granted by the Combined Shareholders' Meeting of June 3, 2015:

The Board of Directors of July 25, 2016, 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 and as part of an offering referred to in Article L.411-2 Paragraph II of the Monetary and Financial Code. By delegation of authorization from the Board of Directors, the Chairman, by decision of August 12, 2016, recorded the capital increase by issuance of 1,028,803 new shares with a par value of €0.16 each and thus an increase of €164,608.48.

It is specified that on June 3, 2015 the Board of Directors made use of this delegation and decided to increase the share capital with waiver of the preferential subscription right in favor of a limited circle of investors. By sub-delegation 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:

The Board of Directors of July 25, 2016, making use of the delegation granted to it by the Combined Shareholders' Meeting of December 18, 2015 in its second resolution, decided in principle to issue bonds with waiver of preferential subscription rights in favor of a category of individuals. Upon sub-delegation by the Board of Directors, the Chairman took note, by decision of August 12 2016, of the issue of 2,400,000 convertible bonds under the conditions set in the Terms and Conditions and Securities Purchase Agreement in their final version dated August 9, 2016.

DRAFT RESOLUTIONS PROPOSED TO THE SHAREHOLDERS' MEETING

OF JUNE 15, 2017

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DRAFT RESOLUTIONS TO THE COMBINED SHAREHOLDERS' MEETING OF JUNE 15, 2017

Ordinary resolutions

FIRST RESOLUTION

Approval of the parent company financial statements

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, 2016, approves the parent company 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 €104,516, as well as the tax payable due to said expenses and costs amounting to €34,835.

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 loss for the fiscal year, totaling €10,805,933.45.

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, 2016, 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

Change in Directors' fees

The Shareholders' Meeting determines at €72,000 the amount of directors' fees allocated to the Board of Directors for the year ending December 31, 2017 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:

- 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;
- cancellation of shares purchased;
- 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 €25,082,917.50, 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 authority are granted to the Board of Directors who may further delegate to the Chairman and CEO the authority 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 authority to the bearer of originals, copies or extracts of these minutes in order to accomplish all necessary filing and other formalities.

Extraordinary resolutions

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 and subject to approval of the 6th resolution submitted to this Shareholders' Meeting, authorizes the Board of Directors, who may further delegate to the Chairman and CEO, to:

- 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;
- make a corresponding reduction in the share capital by the amount of the canceled shares;
- 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

Authorization 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 10th resolution of this Shareholders' Meeting 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.

It is specified that the amount of said share capital increase, resulting from the exercise of subscription options will not count towards the overall ceiling provided for in the 12th resolution of the Combined Shareholders' Meeting of May 11, 2017 ("**Overall Ceiling I**").

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 authority to the Board of Directors, who may further delegate to the Chairman and CEO, 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 Board of Directors for a period of 26 months, to award free existing shares or shares to be issued; with waiver of the preferential subscription right of Shareholders

The Shareholders' Meeting, having read the Board of Directors' Report and the Statutory Auditors' Special Report and in accordance with the provisions of Articles L. 225-197-1 *et seq*. of the French Commercial Code:

- Authorizes the Board of Directors, for a period of 26 months from this Shareholders' Meeting, to allocate, in one or more instalments and at its sole discretion, either existing free shares in the Company resulting from the purchase made by it or free shares to be issued via a share capital increase, in favor of employed members of staff or corporate officers that it selects from the employees and executive corporate officers of the Company and of French or international companies related to it within the meaning of Article L. 225-197-2 I of the French Commercial Code;

- Decides that the cumulative total number of shares issuing (i) both from the allocation of free shares resulting from this authorization, and (ii) from the exercise of the purchase and/or subscription options provided for under the 9th resolution of this Shareholders' Meeting may not exceed an overall number equal to 5% of the total number of shares comprising the share capital of the Company at the date of allocation;

- Decides that the allocation of the shares to their beneficiaries will become definitive at the end of a vesting period set by the Board of Directors, it being understood that this duration may not be less than one year, and that said shares shall be retained for a minimum period set by the Board of Directors, it being understood that this period may not be less than one year.

- Decides that the duration of the vesting period will end early in the event of the incapacity of the beneficiary falling into the second or third categories provided for in Article L. 341-4 of the French Social Security Code;

- Decides that, for beneficiaries not resident in France for tax purposes, where the legal and regulatory provisions in force at the date of its decision so authorize it, the Board of Directors may annul the above-mentioned retention period provided that the vesting period is at least as long as the cumulative vesting and retention periods set by the legal and regulatory provisions in force at the date of the decision of the Board of Directors;

- Decide that the shares acquired under this authorization shall be held in registered form;

– Notes that, regarding the shares to be issued, (i) this authorization will entail, at the end of the vesting period, a share capital increase by capitalization of reserves, profits or issue premiums in favor of the recipients of said shares and the corresponding waiver by the Shareholders in favor of the beneficiaries of the allocations to the portion of reserves, profits and premiums thus capitalized, (ii) this authorization would automatically entail, in favor of the beneficiaries of said shares, waiver by the Shareholders of their preferential subscription right. It is specified that said share capital increase will not count towards the overall ceiling provided for in the 12th resolution of the Combined Shareholders' Meeting of May 11, 2017 ("**Overall Ceiling I**").

The Shareholders' Meeting grants full authority to the Board of Directors, who may further delegate to the Chairman and CEO, acting subject to the above conditions, in particular to:

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

ELEVENTH RESOLUTION

Delegation of authority to be granted to the Board of Directors to proceed with a share capital increase reserved for employees of the Company and companies within its Group

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 the provisions of Article L. 3332-18 *et seq.* of the French Labor Code, at the dates that it will determine, to a maximum aggregate nominal amount of forty thousand (40.000) euros 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 12th resolution to the Combined Shareholders' Meeting of May 11, 2017 (**"Overall Ceiling I").**

The price will be determined pursuant to the 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 authority to the Board of Directors, who may further delegate to the Chairman and CEO, 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.

TWELFTH RESOLUTION

Cancellation of shareholders' preferential subscription rights in favor of employees of the Company and its Group's companies

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 11th 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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