



MEDICREA INTERNATIONAL  
PARENT COMPANY  
FINANCIAL STATEMENTS

AT DECEMBER 31, 2016

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## 1. ACTIVITY

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 30 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).

MEDICREA INTERNATIONAL, the parent company, and MEDICREA TECHNOLOGIES, a production subsidiary, complete the Group structure.

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

The Group's production activity, until now overseen by the company MEDICREA TECHNOLOGIES and its production unit based in La Rochelle, was gradually transferred in 2016 into MEDICREA INTERNATIONAL in parallel with the launch of production at the new Vancia site at Rillieux-la-Pape (69), which has now received all the authorizations and certifications necessary for the manufacture of medical devices for the spinal column.

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

## **2. FISCAL YEAR HIGHLIGHTS**

The following are the highlights of the 2016 fiscal year:

### **2.1 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.

### **2.2 Distribution and activity**

2016 sales stood at €14 million, a decline of €1.7 million in relation to 2015, with exchange rate movements having no impact on the comparability of the sales performance of the two fiscal years. This trend is directly related to the recovery of all inventories held until that point by MEDICREA EUROPE FRANCOPHONE as part of the simplification of the marketing structure in France, and which led to the posting of significant credit notes on sales.

Sales with international distributors, which reflect the direct marketing business of MEDICREA INTERNATIONAL, were stable at €5 million. Invoicing in Brazil, which stood at almost €2 million, returned to a level more in line with the potential of the country as a result of a major order during the second half of the fiscal year, but the decline in sales in Europe (excluding France) offset the healthy performances recorded elsewhere.

## **2.3 Products**

MEDICREA INTERNATIONAL 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 Company with a few surgical cases to test its capabilities.

## **2.4 Research & development**

In 2016, the Company 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 Company firmly believes that computer-assisted patient-specific surgery is the most appropriate solution to spinal column pathologies, a view that has been confirmed by the growing interest manifested in its solutions not only by surgeons, but also by patients. The registration files required to market the customized 3D printed implants particularly for the European and 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.

## **2.5 Organization**

In September 2016, MEDICREA INTERNATIONAL 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 8,000m<sup>2</sup> 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.

## **2.6 Financing**

In August 2016, MEDICREA INTERNATIONAL 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.

### 3. PARENT COMPANY FINANCIAL STATEMENTS AT DECEMBER 31, 2016

#### 3.1 INCOME STATEMENT

(€)	Notes	12.31.2016	12.31.2015
Net sales	2.1	14,071,050	15,693,735
Finished products and work in progress		289,672	147,095
Own work capitalized	2.2	2,131,204	1,799,686
Operating grants		5,562	16,938
Provision reversals and transfers of charges	2.3	64,709	50,781
Other revenue		31,607	25,418
<b>Operating revenues</b>		<b>16,593,804</b>	<b>17,733,653</b>
Purchases consumed, subcontracting and other supplies		(3,663,887)	(6,239,714)
Other external purchases and charges		(6,486,362)	(4,623,683)
Taxes and duties		(234,949)	(248,017)
Wages and salaries	3.1	(3,489,325)	(3,076,459)
Social security costs	3.1	(1,441,946)	(1,247,209)
Amortization and depreciation charges		(2,078,656)	(1,591,902)
Provision charges		(1,524,940)	(193,391)
Other expenses		(752,303)	(533,729)
<b>Operating expenses</b>		<b>(19,672,368)</b>	<b>(17,754,104)</b>
<b>Operating income/(loss)</b>		<b>(3,078,564)</b>	<b>(20,451)</b>
Financial income		2,134,220	349,624
Financial expenses		(9,672,317)	(818,221)
<b>Net financial income / (expense)</b>	8.2	<b>(7,538,097)</b>	<b>(468,597)</b>
<b>Income/(loss) before tax</b>		<b>(10,616,661)</b>	<b>(489,048)</b>
Exceptional income		12,002	37,415
Exceptional expenses		(1,171,328)	(13,869)
<b>Net exceptional income/(expense)</b>	2.5	<b>(1,159,326)</b>	<b>23,546</b>
Corporate tax	10	970,054	1,080,418
<b>Net income / (loss)</b>		<b>(10,805,933)</b>	<b>614,916</b>

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

### 3.2 BALANCE SHEET

(€)	Notes	12.31.2016			12.31.2015
		Gross	Amort., depr. & prov.	Net	Net
Intangible assets	4.6	13,091,335	7,691,030	5,400,305	4,512,697
Property, plant and equipment	4.6	7,827,849	2,986,093	4,841,756	1,488,750
Non-current financial assets	4.6	22,419,264	10,400,000	12,019,264	20,514,375
<b>Non-current assets</b>		<b>43,338,448</b>	<b>21,077,123</b>	<b>22,261,325</b>	<b>26,515,822</b>
Inventories	5	8,578,755	2,600,105	5,978,650	4,184,274
Trade receivables	6	2,449,647	36,786	2,412,861	4,720,905
Other receivables	6	12,210,660	-	12,210,660	4,466,358
Cash and cash equivalents	8.1.2	7,701,530	518	7,701,012	884,298
<b>Current assets</b>		<b>30,940,592</b>	<b>2,637,409</b>	<b>28,303,183</b>	<b>14,255,835</b>
<b>Total assets</b>		<b>74,279,040</b>	<b>23,714,532</b>	<b>50,564,508</b>	<b>40,771,657</b>

(€)	Notes	12.31.2016			12.31.2015
		Gross	Amort., depr. & prov.	Net	Net
Share capital	12.1			1,605,307	1,438,030
Reserves	12.1			28,026,008	22,598,470
Net income/(loss) for the year				(10,805,933)	614,916
<b>Shareholders' equity</b>				<b>18,825,382</b>	<b>24,651,416</b>
Conditional advances	13			317,500	403,750
<b>Other equity</b>				<b>317,500</b>	<b>403,750</b>
Long-term financial debt	8.1.1			19,810,775	5,678,813
Group and associates	8.1.1			-	3,479,573
<b>Non-current liabilities</b>				<b>19,810,775</b>	<b>9,158,386</b>
Provisions for liabilities and charges	7			276,059	15,543
Short-term financial debt	8.1.1			2,715,808	2,243,246
Group and associates	8.1.1			1,021,046	-
Trade payables	9			6,074,036	3,175,983
Other liabilities	9			1,523,902	1,123,333
<b>Current liabilities</b>				<b>11,610,851</b>	<b>6,558,105</b>
<b>Total shareholders' equity and liabilities</b>				<b>50,564,508</b>	<b>40,771,657</b>

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



### 3.3 CASH FLOW STATEMENT

(€)	12.31.2016	12.31.2015
<b>Net income / (loss)</b>	<b>(10,805,933)</b>	<b>614,916</b>
Property, plant and equipment depreciation and intangible asset amortization	2,078,656	1,591,902
Provision charges	8,534,032	528,842
Proceeds from sale of non-current assets	216,095	40,994
<b>Self-financing capacity</b>	<b>22,850</b>	<b>2,776,654</b>
Change in inventories and work in progress	(2,975,005)	(1,048,229)
Change in trade receivables	2,278,857	(522,645)
Change in trade payables and liabilities relating to non-current assets	2,898,052	(508,077)
Change in other receivables and payables	(1,599,772)	(792,445)
<b>Cash flow from working capital requirement</b>	<b>602,132</b>	<b>(2,871,396)</b>
<b>Net cash flow from operating activities</b>	<b>624,982</b>	<b>(94,742)</b>
Acquisition of non-current assets	(6,710,186)	(3,594,042)
Disposal of non-current assets	-	21,700
Conditional advances received (repaid)	(86,250)	(51,250)
Other movements	219,933	21,719
<b>Net cash flow from investment activities</b>	<b>(6,576,503)</b>	<b>(3,601,873)</b>
Share capital increase	5,104,354	3,396,902
Proceeds from new borrowings	16,417,587	6,043,297
Repayment of borrowings	(2,197,198)	(2,547,814)
Increase / (decrease) in subsidiaries' current accounts	(6,816,188)	(2,985,522)
Other movements	(240,320)	11,442
<b>Net cash flow from financing activities</b>	<b>12,268,235</b>	<b>3,918,305</b>
<b>Change in cash and cash equivalents</b>	<b>6,316,714</b>	<b>221,690</b>
Cash and cash equivalents - beginning of year	<b>884,298</b>	<b>662,608</b>
Cash and cash equivalents - end of year	<b>7,201,012</b>	<b>884,298</b>
Positive cash balances - beginning of year	884,298	662,608
Positive cash balances - end of year	7,701,012	884,298
<b>Change in positive cash balances</b>	<b>6,816,714</b>	<b>221,690</b>
Negative cash balances - beginning of year	-	-
Negative cash balances - end of year	500,000	-
<b>Change in negative cash balances</b>	<b>500,000</b>	-
<b>Change in cash and cash equivalents</b>	<b>6,316,714</b>	<b>221,690</b>

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

### **3.4 NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS AT DECEMBER 31, 2016**

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

The parent company financial statements were approved by the Board of Directors on March 28, 2017.

#### **NOTE 1: ACCOUNTING PRINCIPLES**

##### **1.1 Accounting framework**

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

The accounting principles used in the preparation of the parent company financial statements for the year 2016 are identical to those applied the previous year.

The financial statements of MEDICREA INTERNATIONAL are presented in Euros.

##### **1.2 Use of estimates by Management**

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

Rapid changes in economic environments increase the difficulties of valuing and estimating certain assets and liabilities, as well as contingencies on business developments. The estimates made by management were based on information available to it at December 31, 2016, after taking account of events subsequent to that period and until the date the financial statements were approved by the Board of Directors. These assumptions, estimates and judgments made on the basis of information or situations existing at the date of preparation of the financial statements, may prove different from subsequent actual events.

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

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

At December 31, 2016, the Company was not aware of any changes in estimates having a significant impact during the period.

### 1.3 Foreign currency transactions

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

## NOTE 2: OPERATIONAL DATA

### 2.1 Sales

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

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

Sales are analyzed as follows:

(€)	12.31.2016			12.31.2015		
	France	Exports	Total	France	Exports	Total
Merchandise sales	687,067	12,814,172	13,501,239	3,204,611	12,056,347	15,260,958
Provision of services	407,299	162,512	569,811	301,013	131,764	432,777
<b>Total sales</b>	<b>1,094,366</b>	<b>12,976,684</b>	<b>14,071,050</b>	<b>3,505,624</b>	<b>12,188,111</b>	<b>15,693,735</b>

The change in sales between 2016 and 2015 is analyzed 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%
<b>Total intra-Group sales and rebillings</b>	<b>8,947,393</b>	<b>10,587,702</b>	<b>(15)%</b>
Distributors	5,082,746	5,061,414	- %
Other	40,911	44,619	(8)%
<b>Net sales</b>	<b>14,071,050</b>	<b>15,693,735</b>	<b>(10)%</b>

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 with international distributors, which reflect the direct marketing business of MEDICREA INTERNATIONAL, were stable compared with 2015.

## 2.2 Own work capitalized

Own work capitalized, which grew €0.3 million in relation to the 2015 fiscal year, includes the capitalization of R&D costs, patent costs and prototyping costs. This increase reflects the Company's sustained efforts in innovation.

## 2.3 Provision reversals and transfers of charges

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

(€)	12.31.2016	12.31.2015
Provision for bad debts	7,600	3,719
Transfers of charges	57,109	47,062
<b>Provision reversals and transfers of charges</b>	<b>64,709</b>	<b>50,781</b>

## 2.4 Other revenue

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

## 2.5 Distinction between exceptional income and income from recurring operations

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

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

The amount of exceptional income and expenses for the 2016 fiscal year included 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.

The change in exceptional income and expenses at December 31, 2016 broke down as follows:

(€)	12.31.2016	12.31.2015
Write-off of advances on royalties	(913,741)	-
Cost of shutting down the Neyron premises	(160,836)	-
Cost of transferring the staff at the La Rochelle production unit	(87,080)	-
Other	2,331	23,546
<b>Total</b>	<b>(1,159,326)</b>	<b>23,546</b>

## NOTE 3: EMPLOYEE COSTS AND BENEFITS

### 3.1 Workforce

The workforce can be analyzed by category as follows:

	12.31.2016	12.31.2015	12.31.2014
Executives	46	44	35
Supervisors - Employees	27	17	13
<b>Total</b>	<b>73</b>	<b>61</b>	<b>48</b>

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. The 2016 payroll therefore grew significantly in comparison with the previous fiscal year (up 14%).

### 3.2 Pension plans and post-employment benefits

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

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

- retirement age: age at which an employee has acquired sufficient entitlements to obtain a full pension;
- social security rates: adjusted based on the employee and company status. On average, rates are 44% for executives and 42% for non-executives;
- rate of salary increase: 2%;
- departure mode: at the employee's initiative;
- life table: INSEE 2012-2014 by gender;
- annual mobility: based on category (executive and non-executive) and age, with a turnover rate of 0 after 50 years old;
- discount rate: 1.40%, based on the long-term yields of private sector euro-denominated AA-rated bonds (Corporate bonds AA10+) over a period equivalent to that of commitments, in accordance with the ANC's recommendation.

The value of acquired rights was €513,368 at December 31, 2016, compared with €256,964 at December 31, 2015. Movements are analyzed as follows:

(€)	12.31.2016
Actuarial liability at 12.31.2015	256,964
<i>Service cost in operating income</i>	66,328
<i>Net financial expense</i>	5,653
<b>Charge for the year in respect of defined benefit plans</b>	<b>71,981</b>
Actuarial gains and losses	90,041
Change in consolidation scope	94,382
<b>Actuarial liability at 12.31.2016</b>	<b>513,368</b>

The La Rochelle plant was shut down on January 31, 2017, and several MEDICREA TECHNOLOGIES employees agreed to join the new site in site de Rillieux-la-Pape from September 2016. The estimates for the end-of-career allowances at December 31, 2016 were therefore drawn up incorporating the obligations concerning these new employees who will be transferred to MEDICREA INTERNATIONAL in 2017.

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

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

### 3.3 Seniority awards

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

### 3.4 Stock options and free shares

At the Shareholders' Meetings of March 10, 2006, June 25, 2009, June 14, 2012, June 25, 2014, June 3, 2015 and December 18, 2015, the authority to allocate share subscription or purchase options and to allocate free shares was delegated to the Board of Directors. At the Board of Directors' meetings of June 5, 2008, June 25, 2009, December 17, 2009, June 17, 2010, June 16, 2011, December 17, 2013, March 27, 2014, September 3, 2015, July 25, 2016, and September 19, 2016 share subscription options and/or free shares were allocated.

Taking account of employee departures in the fiscal years 2008 to 2016, the numbers of free shares and stock options allocated to MEDICREA INTERNATIONAL employees were 98,156 (of which 36,000 will be vested on September 19, 2017) and 74,739 (of which 15,521 have been exercised) respectively at December 31, 2016.

### 3.5 French Personal Training Account (PTA)

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

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

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

### 3.6 French tax credit for competitiveness and employment

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

A total of €81,325 was recognized in 2016 in relation to this tax credit, compared with €70,589 in 2015.

### **3.7 Senior executives and corporate officers' compensation**

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

Mr. SOURNAC is not an employee of MEDICREA INTERNATIONAL and is not compensated by the Company for his duties. The management holding company ORCHARD INTERNATIONAL receives fees for the services provided to MEDICREA Group by Mr. SOURNAC. These fees are paid via a service agreement between ORCHARD INTERNATIONAL and MEDICREA INTERNATIONAL. The value of services invoiced by ORCHARD to MEDICREA INTERNATIONAL for the 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).



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

### **4.1 Impairment testing of amortizable assets**

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

### **4.2 Intangible assets**

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

### **4.3 Property, plant and equipment**

Property, plant and equipment are valued using the historical cost method. The cost of an item of property, plant and equipment comprises:

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

Property, plant and equipment is broken down if their components have different useful lives or if they provide benefits to the Company at a different pace that requires the use of different amortization rates and methods.

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

The depreciation periods applied by the Company are as follows:

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

- office equipment, computer hardware, and furniture are depreciated over their useful lives, ranging from 3 to 10 years.






#### 4.4 Non-current financial assets and current accounts

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

- value in use determined based on the net asset value of the subsidiary and its profitability prospects;
- value by reference to recent transactions involving companies operating in the same industry;
- value by reference to the discounted future cash flows generated by the subsidiary.

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

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

	<b>Registered office</b>	<b>% control</b>
MEDICREA TECHNOLOGIES	 La Rochelle, FR	100%
MEDICREA TECHNOLOGIES UK	 Swaffam Bulbeck, UK	100%
MEDICREA USA	 New-York, USA	100%
MEDICREA GMBH	 Köln, GER	100%
MEDICREA POLAND	 Warsaw, PL	100%

Equity securities are broken down as follows:

(€)	<b>12.31.2016</b>	<b>12.31.2015</b>
MEDICREA TECHNOLOGIES	11,946,000	11,946,000
MEDICREA TECHNOLOGIES UK	2,465,018	2,465,018
MEDICREA USA	7,395,058	7,395,058
MEDICREA GMBH	100,000	100,000
MEDICREA POLAND	47,118	-
MEDICREA EUROPE FRANCOPHONE	-	150,000
<b>Total gross values</b>	<b>21,953,194</b>	<b>22,056,076</b>
Impairment	(10,400,000)	(1,950,000)
<b>Total net values</b>	<b>11,553,194</b>	<b>20,106,076</b>

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.

The discounting of future cash flows generated by the subsidiaries at December 31, 2016 resulted in an additional provision of €8.6 million being recognized in relation to MEDICREA TECHNOLOGIES shares, following the closure of the La Rochelle site and the transfer of operations to MEDICREA INTERNATIONAL.

#### 4.5 Treasury shares

The MEDICREA shares held by the Company are recognized at acquisition cost irrespective of the reason they are held.

When sold, the cost price of the shares is calculated in accordance with the first in, first out (FIFO) method, except for shares held within the framework of option plans, which are calculated on a plan-by-plan basis in accordance with the weighted average price method. Capital gains and losses on disposals are recorded in net financial income / (expense).

At December 31, 2016, treasury shares were analyzed as follows:

(€)	2016		2015	
	Number	Amount	Number	Amount
Liquidity contract	2,650	14,054	3,046	20,867
<b>Total number of MEDICREA shares</b>	<b>2,650</b>	<b>14,054</b>	<b>3,046</b>	<b>20,867</b>

#### 4.6 Change in non-current assets, and depreciation and amortization in 2016

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

(€)	01.01.2016	Acquisitions	Disposals	Transfer	12.31.2016
<b>Gross values</b>					
Research & development costs	7,809,466	2,021,846	-	-	9,831,312
Patents and similar rights	2,161,953	109,357	-	-	2,271,310
Computer software and licenses	679,300	281,696	-	2,584	963,579
Brands	25,133	-	-	-	25,133
<b>Intangible assets</b>	<b>10,675,852</b>	<b>2,412,899</b>	<b>-</b>	<b>2,584</b>	<b>13,091,335</b>
Plant & equipment	943,880	839,312	4,030	21,916	1,801,078
Demonstration equipment	337,192	84,706	67,496	23,281	377,683
Equipment on consignment	264,097	146,700	88,258	2,177,162	2,499,701
Computer hardware and office equipment	599,952	551,483	48,068	11,438	1,114,805
Other non-current assets	428,430	1,924,330	323,510	5,332	2,034,582
<b>Property, plant and equipment</b>	<b>2,573,551</b>	<b>3,546,531</b>	<b>531,362</b>	<b>2,239,129</b>	<b>7,827,849</b>
Equity securities	22,056,076	47,118	-	(150,000)	21,953,194
Receivables from investments	259,829	-	211,555	-	48,274
Treasury shares (1)	20,852	-	6,798	-	14,054
Guarantees and deposits	127,618	277,704	1,580	-	403,742
<b>Non-current financial assets</b>	<b>22,464,375</b>	<b>324,822</b>	<b>219,933</b>	<b>(150,000)</b>	<b>22,419,264</b>
<b>Total gross values</b>	<b>35,713,778</b>	<b>6,284,252</b>	<b>751,295</b>	<b>2,091,713</b>	<b>43,338,448</b>

(€)	01.01.2016	Charges	Reversals	Transfer	12.31.2016
<b>Amortization, depreciation and provision charges</b>					

Research & development costs	4,722,853	1,167,847	-	-	5,890,700
Patents and similar rights	1,253,257	217,057	-	-	1,470,314
Computer software and licenses	161,912	140,387	-	2,584	304,883
Brands	25,133	-	-	-	25,133
<b>Intangible assets</b>	<b>6,163,155</b>	<b>1,525,291</b>	-	<b>2,584</b>	<b>7,691,030</b>
Plant & equipment	89,937	136,299	1,250	21,916	246,902
Demonstration equipment	171,397	103,643	66,236	15,620	224,424
Equipment on consignment	175,059	181,282	34,259	1,613,570	1,935,652
Computer hardware and office equipment	461,033	78,448	43,163	7,082	503,400
Other non-current assets	187,375	53,693	170,360	5,007	75,715
<b>Property, plant and equipment</b>	<b>1,084,801</b>	<b>553,365</b>	<b>315,268</b>	<b>1,663,195</b>	<b>2,986,093</b>
Equity securities	1,950,000	8,600,000	-	(150,000)	10,400,000
<b>Non-current financial assets</b>	<b>1,950,000</b>	<b>8,600,000</b>	-	<b>(150,000)</b>	<b>10,400,000</b>
<b>Total amortization, depreciation and impairment</b>	<b>9,197,956</b>	<b>10,678,656</b>	<b>315,268</b>	<b>1,515,779</b>	<b>21,077,123</b>

(€)	01.01.2016	Increase	Decrease	Transfer	12.31.2016
<b>Net values</b>					
<b>Intangible assets</b>	4,512,697	887,608	-	-	5,400,305
<b>Property, plant and equipment</b>	1,488,750	2,993,166	216,094	575,934	4,841,756
<b>Non-current financial assets</b>	20,514,375	(8,275,178)	219,933	-	12,019,264
<b>Total net values</b>	<b>26,515,822</b>	<b>(4,394,404)</b>	<b>436,027</b>	<b>575,934</b>	<b>22,261,325</b>

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

The transfer column in the above analysis reflects the integration of MEDICREA EUROPE FRANCOPHONE's assets following its absorption by the Company in late 2016. The main changes in non-current assets resulting from this event are as follows:

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

- Continued development of a complete solution (UNiD™) including several software applications and an operating assistance and planning unit that make it possible to provide patients with patient-specific implants;
- Development of patient-specific corpectomy implants;
- Finalization of the 3D-printing manufacturing process using additive titanium layers;
- Incorporation of new services for the use of data pre-, inter- and post-operatively and for analytical teaching.

R&D costs capitalized for the fiscal year 2016 amounted to €2,021,846 compared with €1,684,628 in 2015. Total R&D costs expensed for the year are analyzed as follows:

(€)	12.31.2016	12.31.2015
Research & development costs	4,016,275	3,486,712
<i>of which amortization charge of capitalized R&amp;D costs</i>	<i>1,167,847</i>	<i>930,964</i>
Capitalization of R&D costs	(2,021,846)	(1,684,628)
<b>Total R&amp;D costs expensed for the year</b>	<b>1,994,429</b>	<b>1,802,084</b>

2 / Patent costs capitalized in 2016 amounted to €109,357, compared with €115,059 in respect of the previous year. They primarily relate to customized osteosynthesis spinal rods (UNiD® rods), the thoraco-lumbar fixation system PASSLP® and its extensions and the LigaPASS® 2.0 system, an anchoring technology using a sub-laminar band for thoraco-lumbar spinal posterior fixation.

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

4/ The Company is continuing to expand its machine base with an investment of €0.2 million in an automatic contouring line intended for the manufacture of customized UNID™ rods and €0.2 million in a compressor to supply the machinery on the new Rillieux-la-Pape site.

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

6 / To carry out the surgical procedures, the Company offers its customers sets comprising instruments and implants. This equipment is stored at healthcare facilities or is available on loan. The instruments are recorded under property, plant and equipment and depreciated over a period of 3 years. The development of the Company's business led it to increase and renew the assets used by its customers, notably in France especially as the cost of the instruments provided to hospitals and clinics are now borne in full by the Company following the absorption of its subsidiary MEDICREA EUROPE FRANCOPHONE. Fully-amortized instruments are taken off the books on a regular basis.

7/ The increase in IT and office equipment is directly related to the commissioning of the new headquarters.

8/ The growth in other property, plant and equipment is due to initial fittings and fixtures at the new headquarters for €2.3 million.

9/ Depreciation of buildings and other property, plant and equipment includes a non-recurring charge of €0.2 million to take the net book value of the fixtures and fittings of the La Rochelle site not transferred to a nil amount as a result of the closure of the factory.

10/ Non-current financial assets include equity securities, treasury shares held as part of a liquidity contract, receivables from investments and guarantees paid. The latter increased significantly over the 2016 fiscal year following the move to the new headquarters, the rental deposits relating to the former building not yet having been cashed as of December 31, 2016. Receivables from investments correspond to two loans at a fixed rate of 2.15% for a term of seven years, taken out by MEDICREA INTERNATIONAL on behalf of MEDICREA TECHNOLOGIES and used to finance various investments in industrial equipment.

## 4.7 Leases

### 4.7.1 Finance leases

Non-current assets acquired through finance leases are recognized in the parent company financial statements under expenses for the year, according to the schedule set out in the contract. They concern software, technical facilities, equipment and tools and computer hardware. Their net value totaled €1,463,620 at December 31, 2016 compared with €1,125,890 at December 31, 2015 and were analyzed as follows:

(€)	12.31.2016	12.31.2015
Software	21,700	-
Technical facilities and equipment	1,678,145	1,124,145
Computer hardware	76,517	76,517
<b>Total gross values</b>	<b>1,776,362</b>	<b>1,200,662</b>
Software amortization	7,655	-
Technical facility and equipment depreciation	252,174	39,140
Computer hardware depreciation	52,913	35,632
<b>Total amortization and depreciation</b>	<b>312,742</b>	<b>74,772</b>
<b>Total net values</b>	<b>1,463,620</b>	<b>1,125,890</b>

Lease-financed commitments are analyzed as follows:

(€)	12.31.2016	12.31.2015
Original value	1,776,362	1,200,662
Amortization and depreciation	(312,742)	(74,772)
<i>Of which depreciation charges for the year</i>	<i>123,801</i>	<i>57,531</i>
<b>Net value</b>	<b>1,463,620</b>	<b>1,125,890</b>
<b>Lease payments (1)</b>		
Total payments from previous years	486,342	36,637
Lease payments for the year	342,421	227,415
<b>Total</b>	<b>828,763</b>	<b>264,052</b>
<b>Future minimum lease payments</b>		
Within 1 year	296,761	221,332
1 to 5 years	785,299	817,576
<b>Total</b>	<b>1,082,060</b>	<b>1,038,908</b>
<b>Residual values</b>	<b>17,665</b>	<b>11,908</b>

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

### 4.7.2 Operating leases

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

The lease for MEDICREA INTERNATIONAL's former premises ended on October 31, 2016. The move to the new buildings, of which the Company is also a tenant, took effect as of the end of September 2016. The French facilities have been brought together on a single site for an annual rental charge of €1 million and having signed a 12-year rental commitment.

Operating lease commitments can therefore be summarized as follows:

(€)	12.31.16	Within 1 year	1 to 5 years	5 to 10 years	More than 10 years
Real estate and equipment rental	<b>12,539,205</b>	1,107,702	3,858,272	4,737,650	2,835,581

## NOTE 5: INVENTORIES AND WORK IN PROGRESS

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

Gross and net inventories are analyzed as follows:

(€)	12.31.2016	12.31.2015
Raw materials	263,928	98,939
Work-in-process	76,113	9,095
Semi-finished goods	261,715	39,061
Finished goods	7,976,999	5,456,656
<b>Gross values</b>	<b>8,578,755</b>	<b>5,603,751</b>
Provision for writedown of finished goods	(2,600,105)	(1,419,477)
<b>Net values</b>	<b>5,978,650</b>	<b>4,184,274</b>

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

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. As such, the breakdown and amount of inventory has changed considerably in relation to the previous fiscal year.

The gross value of inventories grew 53%. To anticipate the shut-down of the La Rochelle plant in two stages, together with the gradual start-up of the new site due to the need to obtain all of the mandatory regulatory classifications, the Company made significant use of sub-contractors during the 2<sup>nd</sup> half of 2016, in order to ensure continuity of service for all of its customers. This temporary situation had an unfavorable impact on margins in the 2<sup>nd</sup> half of the fiscal year, and significantly increased inventory levels, especially for finished and semi-finished goods.

The rise in writedowns is in direct correlation with that of gross inventories.

## NOTE 6: TRADE AND OTHER RECEIVABLES

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

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

Trade and other receivables are analyzed as follows:

(€)	12.31.2016	12.31.2015
Trade receivables - gross value	2,449,647	4,728,505
Provision for doubtful debts	(36,786)	(7,600)
<b>Trade receivables</b>	<b>2,412,861</b>	<b>4,720,905</b>
Social security receivables	2,200	9,100
Tax receivables	1,811,769	1,233,629
Intra-Group current accounts	8,052,511	3,694,849
Other receivables	1,622,101	48,854
Advances and prepayments to suppliers	251,777	830,591
Prepaid expenses	460,548	183,792
Asset translation adjustment	9,754	5,543
<b>Other gross receivables</b>	<b>12,210,660</b>	<b>6,006,358</b>
Impairment of intra-Group current accounts	-	(1,540,000)
<b>Other receivables</b>	<b>12,210,660</b>	<b>4,466,358</b>
<b>Total receivables – gross values</b>	<b>14,660,307</b>	<b>10,734,863</b>
<b>Total receivables – net values</b>	<b>14,623,521</b>	<b>9,187,263</b>

The change in trade receivables between 2016 and 2015 is analyzed as follows:

(€)	12.31.2016	12.31.2015
MEDICREA GMBH	77,481	15,547
MEDICREA TECHNOLOGIES	55,488	17,527
MEDICREA POLAND	24,997	-
MEDICREA USA	203	3,361,654
MEDICREA EUROPE FRANCOPHONE	-	352,025
MEDICREA TECHNOLOGIES UK	-	67,190
<b>Intra-Group receivables</b>	<b>158,169</b>	<b>3,813,943</b>
Non-Group receivables	2,291,478	914,562
<b>Total</b>	<b>2,449,647</b>	<b>4,728,505</b>



The fall in Group receivables was partly due to the absorption at the end of the year of the company MEDICREA EUROPE FRANCOPHONE and to the transfer to the current account of virtually all of MEDICREA USA's receivables.

The average settlement period for non-Group trade receivables was 43 days at December 31, 2016, against 66 days at the previous year-end. Following the absorption of the company MEDICREA EUROPE FRANCOPHONE, since December 30, 2016 non-Group receivables have included invoices for which payment is owed by hospitals and clinics in France.

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

Tax receivables include the research tax credit of €970,054 and the competitiveness and employment tax credit of €81,325. Other tax receivables primarily include VAT to be recovered.

At December 31, 2016, intra-Group current accounts were broken down as follows:

(€)	12.31.2016	12.31.2015
MEDICREA USA current account	6,705,788	-
MEDICREA GMBH current account	1,036,420	123,942
MEDICREA TECHNOLOGIES UK current account	310,303	-
MEDICREA EUROPE FRANCOPHONE current account	-	3,390,570
MEDICREA TECHNOLOGIES tax consolidation current account	-	180,337
<b>Total intra-Group current accounts (gross value)</b>	<b>8,052,511</b>	<b>3,694,849</b>
MEDICREA EUROPE FRANCOPHONE current account impairment	-	(1,540,000)
<b>Total intra-Group current accounts (net value)</b>	<b>8,052,511</b>	<b>2,154,849</b>

Other receivables mainly include advances and prepayments to suppliers. The decrease in the amount compared with December 31, 2015 is explained by the write-off in 2016 of advances paid in connection with a cooperation agreement signed with a US IT company (USD 1,200,000) and with an agreement involving the assignment of rights to a surgeon (USD 76,138).

The maturity dates of receivables are broken down as follows:

(€)	12.31.2016	Within 1 year	1 to 5 years	More than 5 years
Other non-current financial assets	403,742	63,498	62,500	277,744
Receivables from investments	48,274	48,274	-	-
Trade receivables	2,449,647	2,449,647	-	-
Social security receivables	2,200	2,200	-	-
Tax receivables	1,811,769	1,811,769	-	-
Intra-Group current accounts	8,052,511	-	8,052,511	-
Other receivables	1,622,101	1,622,101	-	-
Advances and prepayments to suppliers	251,777	251,777	-	-
Prepaid expenses	460,548	460,548	-	-
<b>Total</b>	<b>15,102,569</b>	<b>6,709,814</b>	<b>8,115,011</b>	<b>277,744</b>

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

(€)	12.31.2016	12.31.2015
Receivables from investments	-	604
Trade receivables	119,622	99,438
Other receivables	59,328	20,672
<b>Total</b>	<b>178,950</b>	<b>120,714</b>

## NOTE 7: PROVISIONS AND CONTINGENT LIABILITIES

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

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

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

(€)	12.31.2016	12.31.2015
Provisions for litigation	10,000	10,000
Provisions for charges	256,305	-
Provisions for currency risk	9,754	5,543
<b>Total</b>	<b>276,059</b>	<b>15,543</b>

The provision for charges primarily refers to writedowns of MEDICREA TECHNOLOGIES' inventory, taken back in January 2017, and to relocation allowances to be paid to employees of the La Rochelle factory transferred to the new site at Rillieux-la-Pape subsequent to the closure of the site.

## NOTE 8: FINANCING AND FINANCIAL INSTRUMENTS

### 8.1 Net financial debt

#### 8.1.1 Financial debt

Financial debt is recognized at its historical value.

Borrowing costs are recorded under deferred charges and amortized in equal amounts over the duration of the loan to which they relate.

Financial debt is analyzed as follows:

(€)	12.31.2016	12.31.2015
Bond issues	17,536,558	1,760,662
Loans from credit institutions	4,476,607	6,031,636
Bank overdrafts	500,000	-
Accrued loan interest	8,642	9,329
Accrued bank interest	4,776	4,567
Other financial debt	-	108,663
<b>Non-Group financial debt</b>	<b>22,526,583</b>	<b>7,914,857</b>
Group and associates	1,021,046	3,486,775
<b>Total financial debt</b>	<b>23,547,629</b>	<b>11,401,632</b>

At December 31, 2016, all financial debt was taken out in Euros and at fixed rates.

The change in the balance of borrowings from credit institutions is related to repayments made in 2016 within the framework of existing amortization schedules, to the four new loans that were taken out for a total of €0.3 million and bearing interest rates ranging between 0.75% and 1.79% over periods of 4 to 5 years, to finance various industrial equipment, as well as a loan of €0.1 million at a fixed rate of 4.25% over a period of 2 years, to finance the costs of research and development in 2016 eligible for the research tax credit.

As part of the consolidation of its financing requirements and to fund its future investments, the Company has issued:

- a bond loan amounting to €1,150,000 in February 2016 at an interest rate of 7% (the interest is payable quarterly), which will be redeemed in full at the end of a two-year period;
- a bond convertible into the Company's shares amounting to €15,000,000 in August 2016, at an interest rate of 6.75% (the interest is payable quarterly), which is redeemable in full at the end of a four-year period, and includes a non-conversion premium amounting to 10% of its face value. The sole investor in these convertible bonds is a leading US healthcare investor, ATHYRIUM CAPITAL MANAGEMENT. These bonds are convertible into new Company shares at a price of €6.25 per share;

Given the uncertain nature of the non-conversion premium, such premium (€1,500,000) was not recognized at December 31, 2016. However, pursuant to the principle of prudence, a provision for risks will be established as soon as the Company considers the conversion to not be acquired.

The two bond loans subscribed in 2016 are in addition to the €2 million bond loan at an interest rate of 6% arranged in April 2015, where the remaining capital amount repayable was €1.4 million at December 31, 2016.

The bond debt broke down as follows at the end of the fiscal year:

(€)	12.31.2016	12.31.2015
-----	------------	------------

Convertible bond loan – August 2016	15,000,000	-
Convertible bond loan – February 2016	1,150,000	-
Convertible bond loan – April 2015	1,386,558	1,760,662
<b>Total</b>	<b>17,536,558</b>	<b>1,760,662</b>

Financial debt with other Group entities are analyzed as follows:

(€)	12.31.2016	12.31.2015
MEDICREA TECHNOLOGIES current account	1,021,046	2,635,178
MEDICREA USA current account	-	515,153
MEDICREA TECHNOLOGIES UK current account	-	329,242
<b>Group and associates</b>	<b>1,021,046</b>	<b>3,479,573</b>
MEDICREA TECHNOLOGIES guarantee	-	3,412
MEDICREA EUROPE FRANCOPHONE guarantee	-	3,790
<b>Other financial debt</b>	<b>-</b>	<b>7,202</b>
<b>Total</b>	<b>1,021,046</b>	<b>3,486,775</b>

Bank overdrafts of €500,000 correspond to the cash facility guaranteed by amounts invoiced to French healthcare facilities by MEDICREA EUROPE FRANCOPHONE prior to being absorbed by the Company.

The average interest rate for 2016 stood at 5.79% compared with 4.16% for 2015. This change was due to the subscription in 2016 of bond debt bearing higher fixed rates than those applying to standard funding.

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

(€)	12.31.2016	Within 1 year	1 to 5 years	More than 5 years
Bond loans	17,536,558	392,875	17,143,683	-
Loans from credit institutions	4,476,607	1,809,514	2,623,356	43,737
Bank overdrafts	500,000	500,000	-	-
Accrued loan interest	8,642	8,642	-	-
Accrued bank interest	4,776	4,776	-	-
Group and associates	1,021,046	1,021,046	-	-
<b>Total</b>	<b>23,547,629</b>	<b>3,736,853</b>	<b>19,767,039</b>	<b>43,737</b>

## 8.1.2 Cash and cash equivalents

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

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

Net cash and cash equivalents changed as follows:

(€)	12.31.2016	12.31.2015
-----	------------	------------

Cash	7,547,462	730,748
Marketable securities	153,550	153,550
<b>Cash and cash equivalents</b>	<b>7,701,012</b>	<b>884,298</b>
Bank overdrafts	(500,000)	-
<b>Net cash and cash equivalents</b>	<b>7,201,012</b>	<b>884,298</b>

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

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

The cash flow statement for the period January 1, 2016 to December 31, 2016 highlights cash usage over the fiscal year.

### 8.1.3 Hedge instruments

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

### 8.2 Net financial income / (expense)

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

(€)	12.31.2016	12.31.2015
Cost of net financial debt	(724,259)	(299,794)
Net exchange gain / (loss)	377,634	182,051
Capital gain / (loss) on disposal of marketable securities	(8,863)	(5,893)
Loss resulting from the transfer of all assets and liabilities of MEDICREA EUROPE FRANCOPHONE	(118,398)	-
Charges to provisions for exchange losses	(9,754)	(5,543)
Reversal of provisions for exchange losses	5,543	582
Charges to provisions for impairment of MEDICREA TECHNOLOGIES securities	(8,600,000)	-
Reversal of provisions for impairment of the MEDICREA EUROPE FRANCOPHONE current account	1,540,000	-
Charges to provisions for impairment of MEDICREA TECHNOLOGIES UK securities	-	(300,000)
Charges to provisions for impairment of the MEDICREA EUROPE FRANCOPHONE current account	-	(40,000)
<b>Net financial income / (expense)</b>	<b>(7,538,097)</b>	<b>(468,597)</b>

The net exchange gain of €0.4 million was primarily due to the exchange rate differences recorded when payments were made by MEDICREA USA.

The absorption of MEDICREA EUROPE FRANCOPHONE into the Company led to a certain number of accounting adjustments related to the removal of reciprocal undertakings and transactions.

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.

#### **NOTE 9: TRADE PAYABLES AND OTHER CURRENT LIABILITIES**

Trade payables and other liabilities are analyzed as follows:

(€)	<b>12.31.2016</b>	<b>12.31.2015</b>
<b>Trade payables</b>	<b>6,074,036</b>	<b>3,175,983</b>
Social security liabilities	1,002,862	824,060
Tax liabilities	120,101	123,457
Other liabilities	169,568	62,277
Customer advances and prepayments	117,669	-
Translation adjustment liability	113,702	113,539
<b>Total other liabilities</b>	<b>1,523,902</b>	<b>1,123,333</b>
<b>Total operating liabilities</b>	<b>7,597,938</b>	<b>4,299,316</b>

The change in trade payables between 2016 and 2015 is analyzed as follows:

(€)	<b>12.31.2016</b>	<b>12.31.2015</b>
MEDICREA TECHNOLOGIES	2,800,502	1,931,408
MEDICREA EUROPE FRANCOPHONE	-	1,649
MEDICREA USA	-	6,591
<b>Intra-Group liabilities</b>	<b>2,800,502</b>	<b>1,939,648</b>
Non-Group liabilities	3,273,534	1,236,335
<b>Total</b>	<b>6,074,036</b>	<b>3,175,983</b>

The increase in non-Group trade payables was primarily the result of investments and improvements made in relation to the new Rillieux-la-Pape site and the gradual transfer of the management of all MEDICREA TECHNOLOGIES' production suppliers and subcontractors to the Company.

The liability translation adjustment at December 31, 2016 mainly comprised the translation of Group receivables denominated in foreign currencies (see section 6).

At December 31, 2016, the maturity of all operating liabilities was less than one year.

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

(€)	12.31.2016	12.31.2015
Financial debt	8,642	13,896
Trade payables	639,687	329,684
Social security liabilities	717,034	558,852
Tax liabilities	90,684	107,818
Other liabilities	58,355	55,692
<b>Total</b>	<b>1,514,402</b>	<b>1,065,942</b>

## NOTE 10: CORPORATE TAX

Since January 1, 2003, MEDICREA INTERNATIONAL and MEDICREA TECHNOLOGIES have been part of the same tax consolidation group, with MEDICREA INTERNATIONAL acting as parent company and being solely liable for corporate tax on the overall net income achieved by the Group. MEDICREA EUROPE FRANCOPHONE, which was wholly owned, and had been consolidated since January 1, 2015, was wound up with no liquidation process, and absorbed by MEDICREA INTERNATIONAL on December 30, 2016, which meant that it was automatically excluded from the tax consolidation scope at January 1, 2016. Savings resulting from the implementation of the tax consolidation agreement are retained by the parent company.

The change in the corporate tax charge is analyzed as follows:

(€)	12.31.2016	12.31.2015
Research tax credit	(970,054)	(912,320)
Tax consolidation	-	(168,098)
<b>Corporate tax charge / (income)</b>	<b>(970,054)</b>	<b>(1,080,418)</b>

The research tax credit for the 2016 fiscal year totaled €1 million against €0.9 million for the previous fiscal year. This increase reflects the significant efforts made by the Company in research and development.

Temporarily non-deductible expenses totaled €2,645 for the year to December 31, 2016, compared with €106,850 for the year to December 31, 2015.

The MEDICREA INTERNATIONAL tax consolidation group had cumulative losses of €22,584,065 at December 31, 2016.

## NOTE 11: IMPACT OF EXCHANGE DIFFERENCES ON SALES AND OPERATING INCOME

Average exchange rates evolved as follows:

Average conversion rate	2016	2015
USD / EUR	1.10605	1.11500
GBP / EUR	0.81251	0.72794
PLN / EUR	4.3622	-

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

(€)	12.31.2016 at the 2016 rate	12.31.2016 at the 2015 rate	Impact of exchange rate
Sales	14,071,050	14,090,796	(19,746)
Operating income	(3,078,564)	(3,051,056)	(27,508)

## NOTE 12: SHAREHOLDERS' EQUITY

### 12.1 Shareholders' equity

#### 12.1.1 Share capital

Following equity transactions carried out during the fiscal year, share capital at December 31, 2016 totaled €1,605,306.72 and comprised of 10,033,167 shares with par value of €0.16 each. The number of authorized shares outstanding is as follows:

(€)	12.31.2016	12.31.2015	12.31.2014
Number of authorized shares	10,033,067	8,987,588	8,481,305
Number of preference shares	100	100	100
Number of shares issued and fully paid up	10,033,167	8,987,688	8,481,305
Par value (€)	0.16	0.16	0.16
Number of shares outstanding at end of period	10,033,067	8,987,588	8,481,405
Number of shares with double voting rights	2,650,743	2,641,990	2,744,677
Number of treasury shares held by the Group	-	-	-
Number of treasury shares held by the parent company	2,650	3,046	2,722

Transactions in the share capital of MEDICREA INTERNATIONAL over the period January 1, 2016 to December 31, 2016 are summarized as follows:

- At January 1, 2016, the share capital was €1,438,030.08, represented by 8,987,588 ordinary shares and 100 P preference shares.
- On April 4, 2016, the Board of Directors recognized a share capital increase related to the exercise of 16,676 Stock Options between May and July 2015.
- On August 9, 2016, the Board of Directors recognized the issue of 1,028,803 new shares as part of a share capital increase reserved for qualified investors.
- At December 31, 2016, the share capital was therefore made up of 10,033,067 ordinary shares and 100 P preference shares.

#### 12.1.2 Preference shares

At the Shareholders' Meeting of December 17, 2014, it was decided to issue 100 preference shares to MMCO, a simplified joint stock company (*Société par Actions Simplifiée*) with share capital of €1,000, with its registered office at 5389 route de Strasbourg, 69140 Rillieux-la-Pape.



These preference shares will ultimately be convertible into ordinary shares of MEDICREA INTERNATIONAL, as determined by reference to the volume-weighted average price of the MEDICREA INTERNATIONAL share between September 17, 2018 and December 17, 2018, subject to the MEDICREA shares having reached significant and predefined performance levels during that period. The maximum number of ordinary shares that may be issued as a result of the conversion of all preference shares is 210,000, i.e. 2.1% of the Company's share capital at December 31, 2016. These preference shares do not grant voting rights or entitlement to dividends. They are not listed on Alternext.

The conversion of the preference shares into ordinary shares would not have been possible during the 2016 fiscal year based solely on the performance of MEDICREA shares.

### 12.1.3 Change in shareholders' equity

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

(€)	01.01.2016	Increase	Decrease	12.31.2016
Share capital	1,438,030	167,277	-	1,605,307
Merger premium	2,738,619	-	-	2,738,619
Issue premium	37,721,179	4,937,077	-	42,658,256
Allocation of share capital increase-related costs	(2,824,144)	-	(124,455)	(2,948,599)
Legal reserve	19,360	-	-	19,360
Reserve for own shares	41,767	-	-	41,767
Statutory reserves	208,270	-	-	208,270
Other reserves	449,244	-	-	449,244
Retained earnings	(15,755,825)	614,916	-	(15,140,909)
Net loss for fiscal year 2016	-	-	(10,805,933)	(10,805,933)
Net loss for fiscal year 2015	614,916	-	(614,916)	-
<b>Shareholders' equity</b>	<b>24,651,416</b>	<b>5,719,270</b>	<b>(11,545,304)</b>	<b>18,825,382</b>

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

(€)	2016	2015
<b>Balance at January 1</b>	<b>34,897,035</b>	<b>31,614,738</b>
Share capital increase in cash	4,937,077	3,590,607
<b>Sub-total</b>	<b>39,834,112</b>	<b>35,205,345</b>
Allocation of share capital increase-related costs	(124,455)	(274,710)
Allocation to the reserve for own shares	-	(33,600)
<b>Balance at December 31</b>	<b>39,709,657</b>	<b>34,897,035</b>

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

### 12.1.4 Dividends paid during the fiscal year

Nil

### **12.1.5 Issue, buyback and redemption of debt and equity securities**

Two unlisted bond loans were issued during the 2016 fiscal year:

- The first loan, which is not convertible into shares, was issued in February 2016 in an amount of €1,150,000 for a term of two years. The loan, which bears interest at 7% is redeemable in full on maturity, and was subscribed by Denys SOURNAC and several other Directors;
- the second loan issued in August 2016, which is convertible into new ordinary shares in MEDICREA INTERNATIONAL, in an amount of €15,000,000, with a four-year maturity and at an interest rate of 6.75%, was subscribed by ATHYRIUM CAPITAL MANAGEMENT, a leading US investor in the healthcare sector, and included a non-conversion premium of 10%.

Furthermore, in 2016, the Company redeemed 37 of the 200 convertible bonds issued to an institutional investor in April 2015, i.e. an amount of €0.4 million on the initial loan of €2 million, which matures in April 2020.

Concurrent to the raising of €15 million in bonds, the Company completed a €5 million share capital increase via private equity placement, at a price of €4.86 per share, which represents a discount of 5% compared to the 3-day volume weighted average stock price prior to the transaction. This transaction was subscribed by various French and US investors, by Denys SOURNAC, MEDICREA's Chairman and Chief Executive Officer, and by Richard KIENZLE, a founding member of GLOBUS MEDICAL, who joined the Group as Director of Strategy and Commercial Development on that occasion.

Following the completion of the bond transaction in August 2016, the potential dilution resulting from the conversion of the bonds was 19.3%, including the €5 million capital increase via private placement described above. The bonds are convertible into new ordinary shares of the Company at a price per share amounting to €6.25, a 22.5% premium to the 5-day volume weighted average Company share price prior to the transaction.

#### **NOTE 13: CONDITIONAL ADVANCES**

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

## NOTE 14: OTHER INFORMATION

### 14.1 Off-balance sheet commitments

#### 14.1.1 Commitments given in relation to medium-term borrowings

(€)	12.31.2016	12.31.2015	12.31.2014
Pledges of business goodwill (1)	6,171,836	6,989,456	6,997,500
Financial instrument collateral	-	153,550	153,550
Joint and several guarantees (2)	500,000	500,000	300,000
Cash collateral (3)	62,500	62,500	37,500

(1) Pledges of business goodwill as security for bank loans (principal + interest)

(2) Securities for cash advances

(3) Holdbacks retained by BPI as cash collateral for loans totaling €1,250,000

A four-year bank loan of €1 million taken out in November 2014 is subject to certain clauses, including:

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

At December 31, 2016, the consolidated net financial debt to consolidated shareholders' equity ratio was 1 and the consolidated net financial debt to consolidated EBITDA ratio was significantly higher than 3. If the €15 million in convertible bonds resulting from the fund raising in August 2016 had been recognized under equity (based on the assumption that the bonds held by investors would be converted into new shares during the term of the bond), both ratios would have been easily complied with. In any event, the Group has secured a waiver from the banking institution concerned, without any change to initial borrowing terms and at no additional cost.

Furthermore, the contract relating to the €15,000,000 convertible bond issued in August 2016 specified that the Group must ensure that it has available cash of at least €3.5 million, and that its gross financial debt, without deducting cash or taking the actual bond loan into account, is less than €10 million. Both these conditions were fulfilled at December 31, 2016.

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

(€)	12.31.2016	12.31.2015	12.31.2014
Assignment of trade receivables – Dailly	500,000	500,000	400,000
Miscellaneous guarantees and sureties	-	307,239	307,239
BPI counter guarantee (1)	1,703,846	2,331,178	1,415,356

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

The total amount of overdrafts authorized but unconfirmed at December 31, 2016 was €782,600.

### 14.1.3 Other commitments

During the 2013 fiscal year, MEDICREA INTERNATIONAL launched, in cooperation with a US IT firm, the joint development and operation of specific software making it possible to design patient-specific spinal implants, subsequently intended to be manufactured and marketed on an exclusive basis by MEDICREA and its subsidiaries for an initial period of four years and until December 31, 2017. Contractual terms provide for the payment by MEDICREA INTERNATIONAL of royalties on products sales ordered via the software. The parties have agreed to the annual payment, by the Company, of \$400,000 in advances on royalties for the entire term of the contract. As such, royalties due by MEDICREA INTERNATIONAL under the contract will be deducted, with no time limitation, from advances on royalties already received by the US partner.

In view of the estimated royalties payable over the next few fiscal years, and of the change in developments with the IT service provider, the Company took the decision to expense all of the advances already paid, which were included in other receivables on the balance sheet in 2016, i.e. a total amount of €913,741, which was recorded under exceptional income and expenses. There was therefore no longer any relevant commitment in the balance sheet at December 31, 2016.

### 14.2 UNiD warranty

As of November 2016 and exclusively for sales in the United States, the Company 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 Company 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.

### 14.3 Related-party disclosures

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

(€)	2016 amount invoiced, excl. VAT	2015 amount invoiced, excl. VAT
Management services	300,000	300,000
Rebilling of employee costs	151,500	151,500
Rebilling of seconded executive's salary	64,000	64,000
Rebilling of seconded executive's expenses	4,391	-
Share of expenses	11,004	11,003
Rent and rental costs	26,764	20,436
<b>Total</b>	<b>557,659</b>	<b>546,939</b>

### 14.4 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
<b>Other Directors</b>						
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
<b>Total</b>	<b>2,948,298</b>	<b>29.39%</b>	<b>39.45%</b>	<b>2,631,657</b>	<b>29.28%</b>	<b>40.92%</b>

(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

## 14.5 Statutory Auditors' fees

	EY				Odiceo			
	Amount (excl. VAT)		%		Amount (excl. VAT)		%	
(€)	2016	2015	2016	2015	2016	2015	2016	2015
<b>AUDIT</b>								
Audit, certification, review of individual and consolidated financial statements	44,900	41,100	88%	87%	29,300	22,200	77%	87%
Other assignments directly related to the audit assignment	6,400	6,300	12%	13%	8,950	3,200	23%	13%
<b>SUB-TOTAL AUDIT FEES</b>	<b>51,300</b>	<b>47,400</b>	<b>100%</b>	<b>100%</b>	<b>38,250</b>	<b>25,400</b>	<b>100%</b>	<b>100%</b>
<b>OTHER SERVICES PROVIDED BY STATUTORY AUDITORS TO CONSOLIDATED SUBSIDIARIES</b>								
Legal, tax and corporate	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
<b>SUB-TOTAL OTHER SERVICES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL</b>	<b>51,300</b>	<b>47,400</b>	<b>100%</b>	<b>100%</b>	<b>38,250</b>	<b>25,400</b>	<b>100%</b>	<b>100%</b>

## 14.6 Post-balance sheet events

Nil.

## 14.7 Five-year financial summary

See the management report.

### 14.8 List of subsidiaries and equity investments

The amounts below are expressed in Euros.

Entities	Total shareholders' equity	Share capital ownership (%)	Book value of shares owned		Loans and advances granted and outstanding	Guarantees and sureties given by the Company	Net sales for last fiscal year	Net income for last fiscal year	Dividends paid to the parent company
			Gross	Net					
<b>French subsidiaries</b>									
MEDICREA TECHNOLOGIES	3,342,349	100%	11,946,000	3,346,000	48,274 (1)	-	7,610,484	(1,249,076)	-
<b>International subsidiaries</b>									
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