ANNUAL REPORT 2018

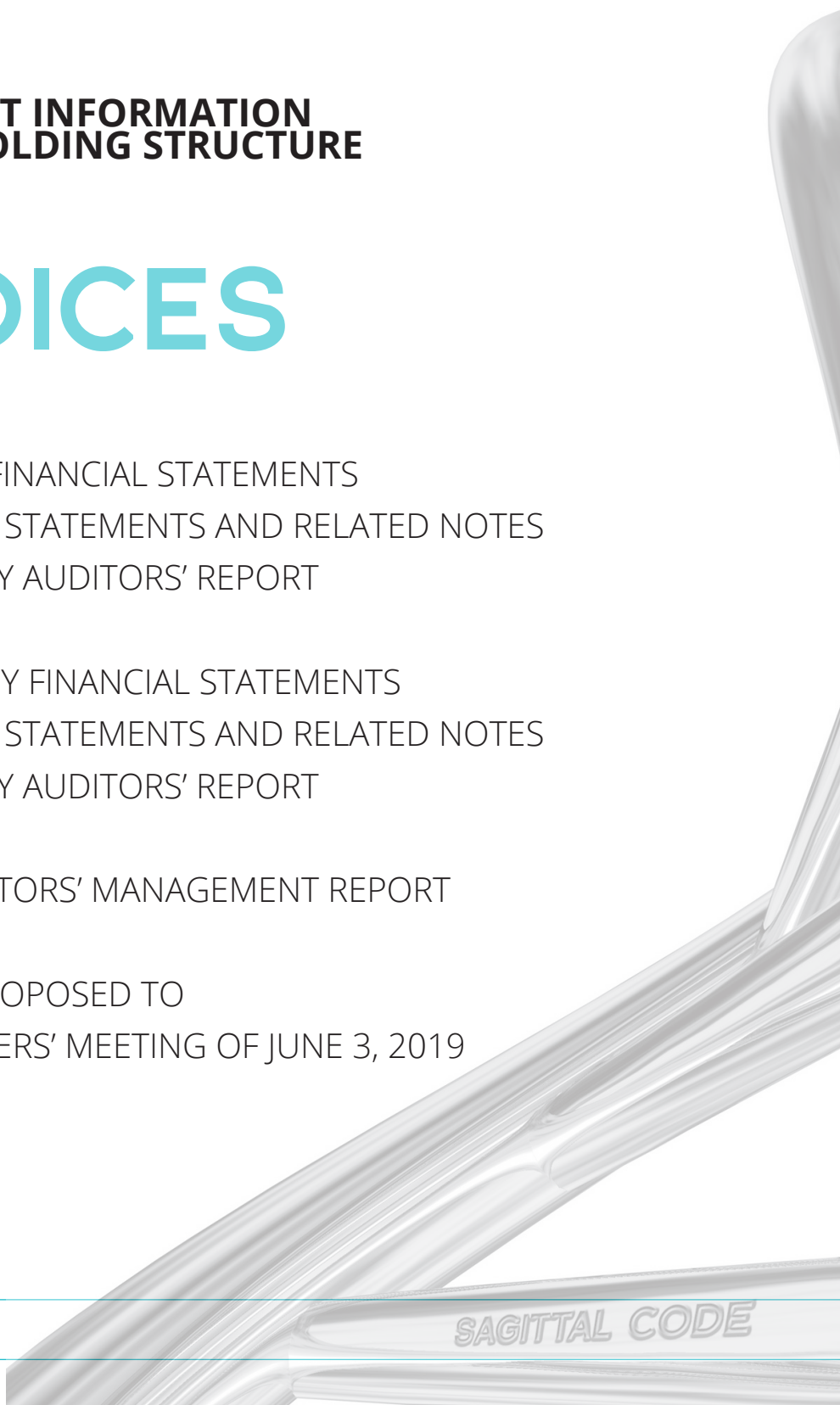
MEDICREA®

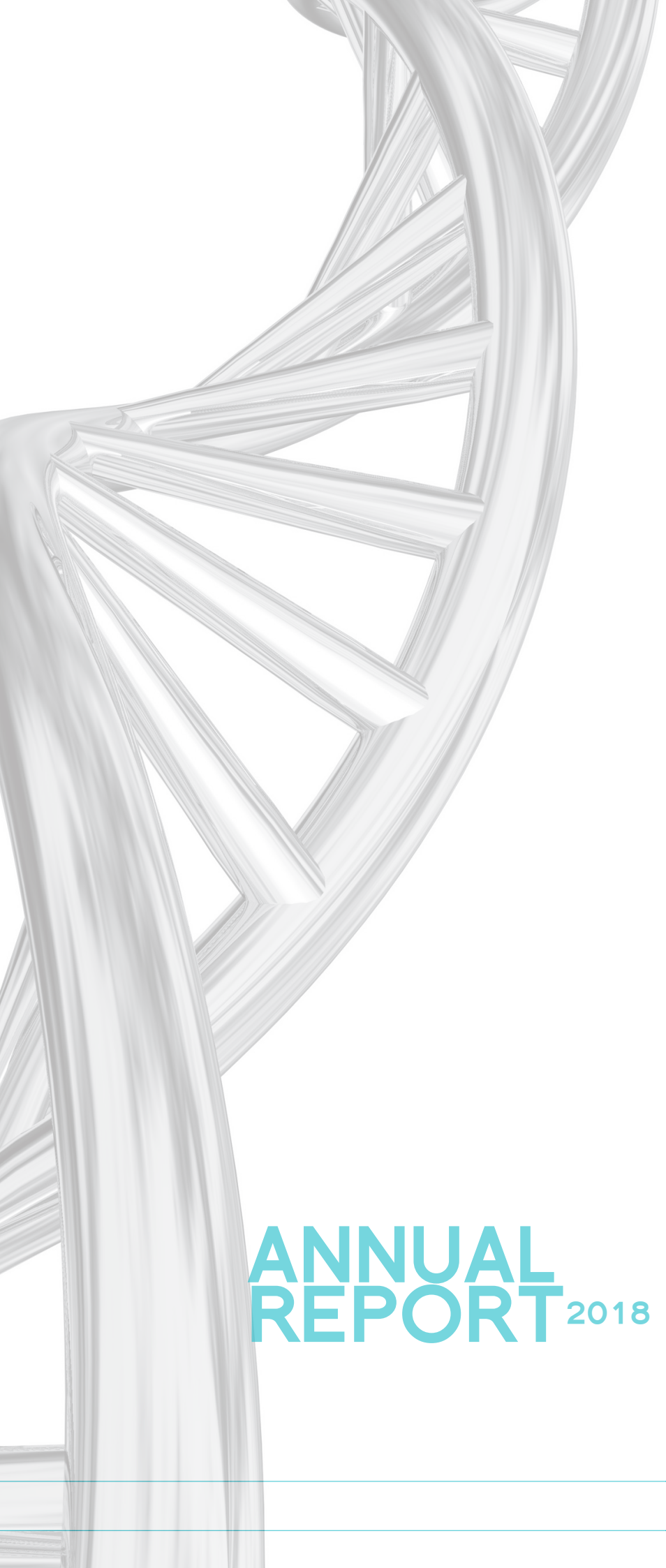
MEDICREA

ANNUAL REPORT 2018

CONTENTS

APPENDICES

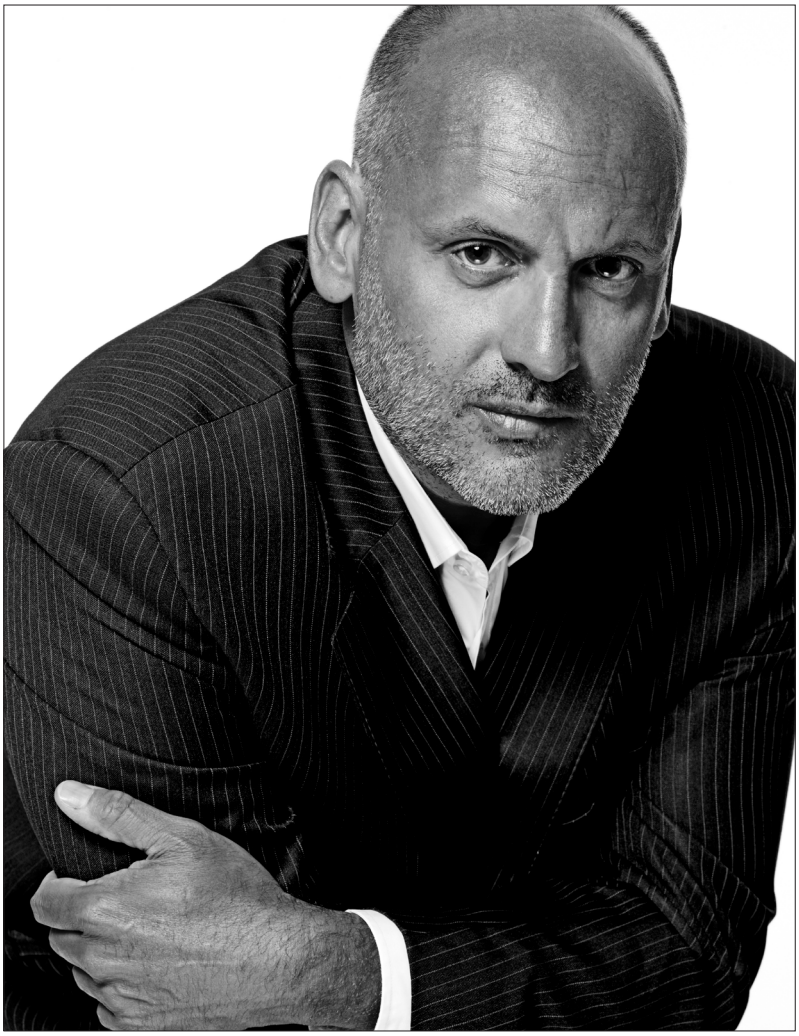




ANNUAL REPORT 2018

LEADING PERSONALIZED SPINE

photo Stéphane de Bourgies



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

CHAIRMAN'S MESSAGE

"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 spinal pathologies, often accompanied by multiple interventions. Spinal implants are therefore becoming a real public health issue and personalized treatment is therefore taking on its full meaning.

We know there is a direct connection between alignment of the patient's spine and the success of the surgery. Every patient has a unique anatomy and sagittal profile which must be taken into account fully in order to identify the most appropriate treatment. There is no standard correct solution or reliable technique to personalize implants in the operating room. Many patients therefore have to undergo new procedures to correct their sagittal alignment, which has consequences on their quality of life as well as a high cost to society. Personalized medicine provides a solution to all these problems.

The development of patient-specific medicine is primarily related to the scientific advances made possible by modern calculation software and technologies. Personalized medicine will 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™ and AdapTEK patient-specific implants, to the point that we are truly taking ownership of this market segment and becoming the leader for personalized spinal surgery.

We are positioning ourselves as a genuine partner to surgeons from operation planning onwards and we offer an unrivalled mix of innovative products and comprehensive pre- and post-operative services. Improving is a never-ending process. We are working tirelessly to make surgery simpler, safer, quicker, and less invasive.

Denys SOURNAC


NO
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PERSONALIZED
SPINE
PATIENT-SPECIFIC
IMPLANTS ARE
A REALITY
medicrea.com | leading personalized spine

Medicrea is the industry's first full-service spine company focused on data-driven surgical planning and personalized implant offerings. Its aims is to improve the efficiencies of spine surgery for patients, and providing unrivalled operating comfort for surgeons.

Medicrea is at the confluence of healthcare IT, next-generation medical device design and manufacturing with proprietary Adaptive Spine Intelligence (UNiD® ASI) technology.

MEDICREA®

1 OVERVIEW

MEDICREA®

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 150k spinal surgeries to date. The Group has an ultra-modern manufacturing facility in Lyon, France housing the development and machining of 3D-printed patient-specific implants, as well as distribution subsidiaries in France, in the United States, Poland, and since 2018 in Belgium and Australia.

MEDICREA operates on a spinal surgery market worth approximately $10 billion. This market has been heavily affected by healthcare policy reforms in Europe as well as in the United States, aimed in particular at reducing the budgets of both state -run and private healthcare facilities. Pressure on prices orchestrated by hospitals, reductions of basic reimbursement rates made by governments, social security bodies, health insurance companies and funds, and the tightening up of certification procedures for medical devices particularly in Europe with the new MDR regulation applicable from May 2020, all impact the development of the market.

Despite these detrimental factors, the spinal surgery market is enjoying renewed growth under the influence of several factors:

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

Responding to a shift in the healthcare system affecting the orthopedic world, with greater emphasis placed on the outcome of surgery than the implants directly, MEDICREA specialized in the development of analytical services and the manufacture of personalized implants for the surgical treatment of complex spinal pathologies based on a technology and software platform named UNiD® ASI (Adaptive Spine Intelligence).

The Company is seen as a genuine pioneer in this market by combining health-related IT technologies with the design and manufacture of medical devices, and by prioritizing clinical results from a unique standpoint: improving the benefits of surgery for patients by reducing complications, while generating cost savings at all levels by curtailing the time spent in the operating theater and lowering the risk of revision surgery.

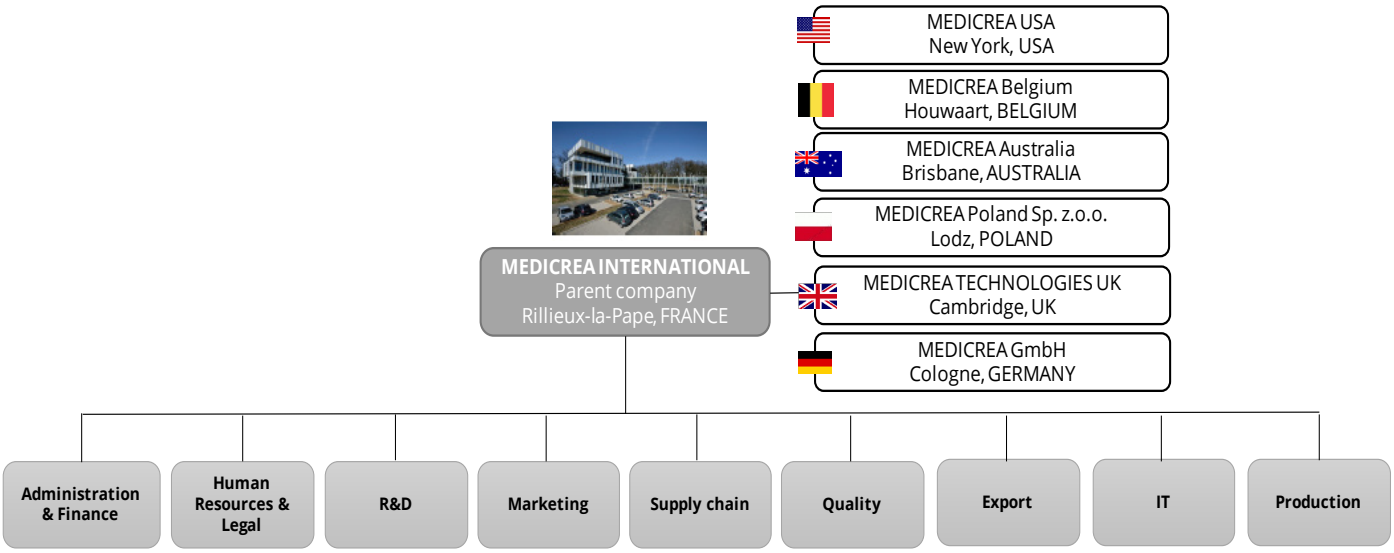
This new approach relies on compiling and analyzing clinical data using deep learning algorithms and predictive interpretation solutions, which for the first time have led to the treatment of spinal pathologies through the combination of scientific precision and the fitting of patient-specific and modular 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 capabilitie.

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

2

THE GROUP AT A GLANCE

A. ORGANIZATION



B. HISTORY

MEDICREA® TODAY

2018 FDA approval for 3D-printed **patient-specific** titanium interbody devices
3200 + surgeries performed using UNiD patient-specific rods

2017 FDA approval for 3D-printed titanium interbody devices
FDA approval for the UNiD Hub, a data-driven digital portal

2016 MEDICREA launches a lifetime warranty for customized UNiD implantable devices in the United States

2015 MEDICREA reaches 30 product ranges with FDA clearances

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

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

2008 PASS LP® posterior thoracolumbar system is FDA cleared

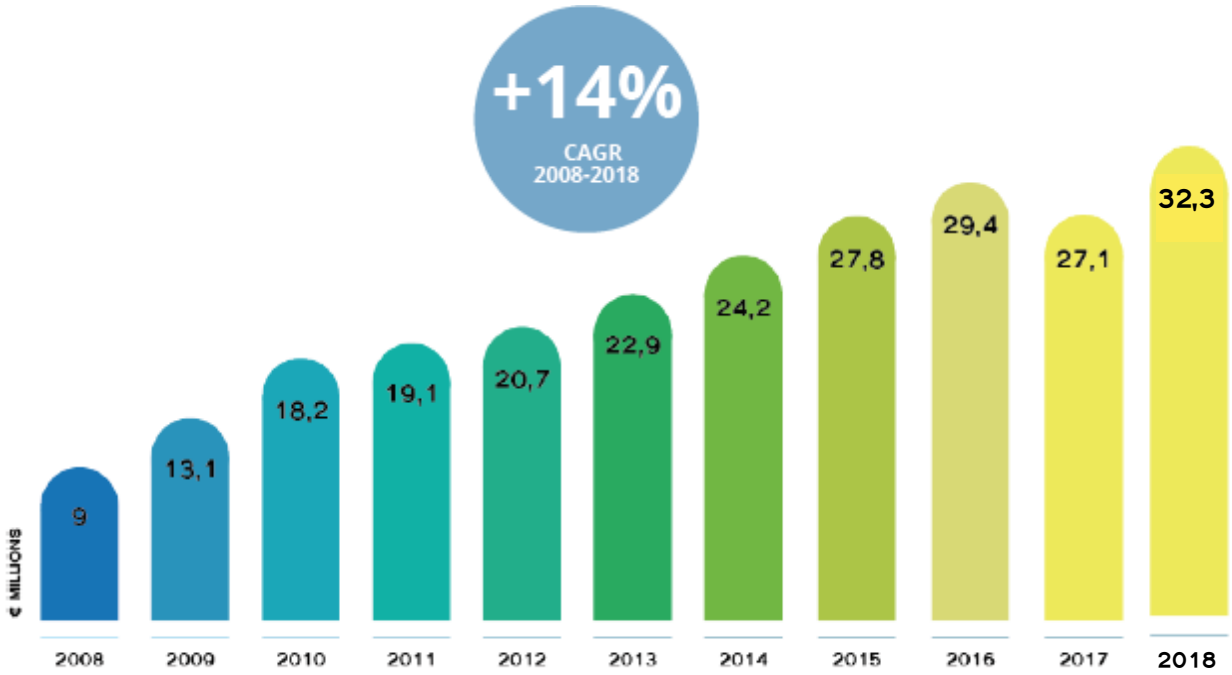
2007 MEDICREA USA direct sales subsidiary is founded

2006 MEDICREA IPO on Euronext Paris

2002 MEDICREA is founded by Denys Sournac

leading personalized spine

C. EVOLUTION OF REVENUE



D. ACHIEVEMENTS

UNiD®:
- Range of implants and services for personalized spinal surgery
- 3,200 surgical procedures carried out to the end of December 2018
- Unid Hub software platform available to surgeons
- Lifetime warranty for UNiD customized implantable devices in the United States
- Pre operative device planning and selection service (screw planning)

Extensive range:
- Range of 3D intersomatic cages printed in titanium
- Range incorporating over 20 products
- New top loaping fixation system
- Treatment of degenerative, traumatic and tumor pathologies and of major deformities
- Sustained development program

International presence:
- > 80% of sales are for export
- 4 sales subsidiaries, including two new entities in Belgium and Australia, opened in 2018
- Distribution in 25 countries

Scientific support:
- 10 ongoing studies
- Dedicated scientific support team
- Close collaboration with opinion leaders

R&D:
- R&D effort represents almost 15% of sales
- 12 development engineers
- Healthy portfolio of patents

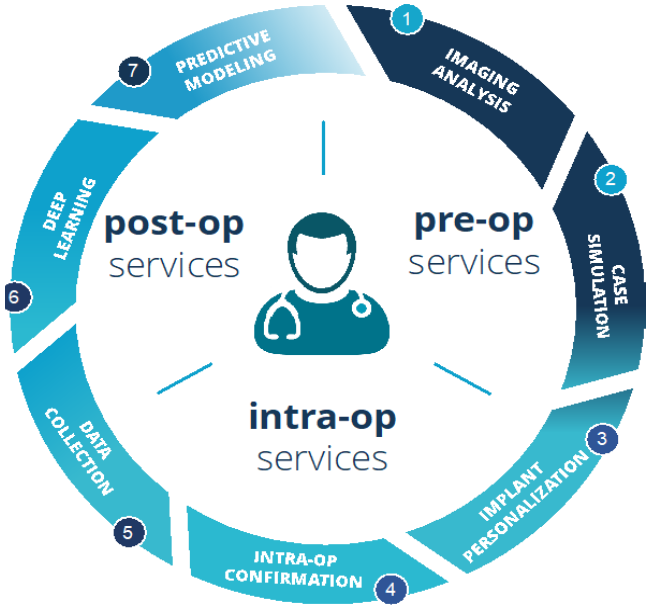
E. INNOVATIONS

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

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

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

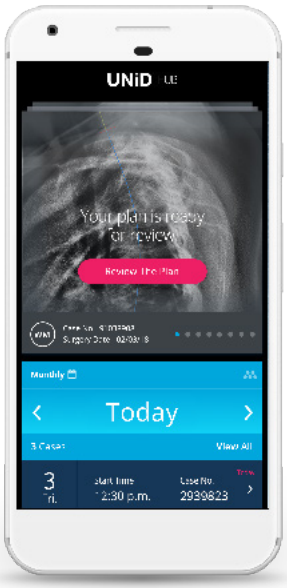
MEDICREA decided to integrate this personalized medicine policy with a patient-specific approach. In capturing a systems-based model for the iterative application of patient-specific spinal technology via UNiD™ ASI, MEDICREA is leveraging proprietary, industry-leading data sets as the means to answer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



The UNiD Lab and its highly-trained Bio-Medical engineers work collaboratively with the Surgeons and Health Care Providers to preoperatively simulate a wide range of surgical strategies and technologies. This science and collaboration materializes in the physical form of personalized implant solutions. The surgeons can pre-select or specifically design implants for each patient supported by scientifically sound preoperative work and preparation.

Because of this disruptive approach, the Company is neither restricted by nor economically dependent upon antiquated product revenue streams built on clinical assumptions or non-scientific historic norms. The anachronistic 20th century medical device commercial strategy of "standard sizes fit all and more is better» does not live in the new approach to Spine.

UNiD™ makes it possible to examine the most difficult clinical questions, deploy sophisticated IT technologies, design methods and proprietary manufacturing all in pursuit of cost reducing better outcomes. MEDICREA believes each surgeon and patient is innately different. Thoughtful deep learning science must account for all of these variances. MEDICREA provides each unique surgeon with personalized 21st Century Scientific Intelligence, enabling them to treat each patient individually with optimized, comprehensive, personalized procedural and implant solutions every day.



F. PRODUCT RANGES

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

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

In addition to its range of services and UNiD® personalized implants, MEDICREA has an extensive range of spinal implants designed to treat spinal pathologies at every level and offers both fusion and non-fusion spinal implants, across several ranges, as follows:

1. CERVICAL

CERVICAL range

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

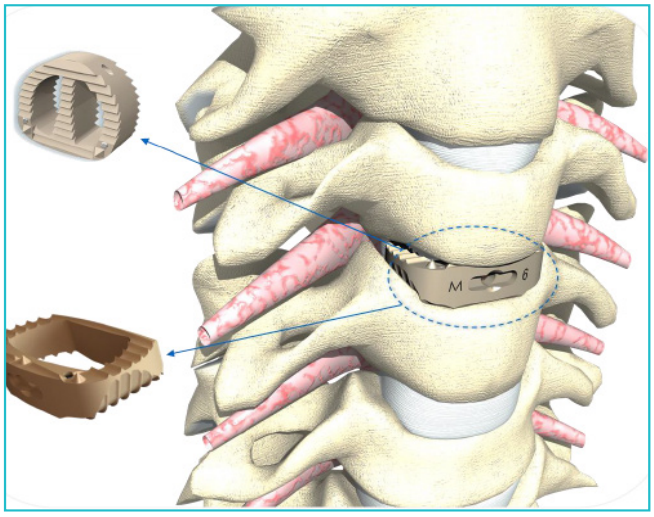
a. IMPIX-C® and IMPIX MANTA® Cervical Cages

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

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

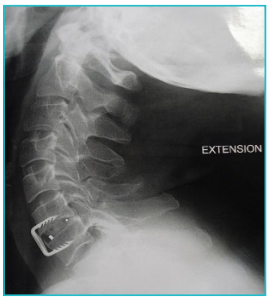
Both these ranges allow disc height and lordosis to be restored and offer very good stability within the intervertebral area. The cages are supplied sterile, with single-use instrumentation, and exist in a version pre-filled with a synthetic bone substitute under the names IMPIX-C+® and IMPIX-MANTA+®.

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



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

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



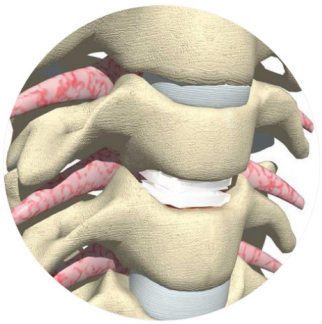
K-JAWS® is made up of a C-JAWS® staple and an IMPIX-C®interbody fusion cage. The K-JAWS® implant is less invasive and quicker to fit than any other cervical plate on the market. Its principle of fixation by the compression of two adjacent vertebrae, around the previously inserted interbody fusion cage,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

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

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

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

GRANVIA® C is CE-marked.



2. LUMBAR AND THORACO-LUMBAR

PASS® range

The PASS® range is characterized by a comprehensive and very versatile polyaxial spinal system, known as Low Profile. Its unique concept enables the rod to be connected at a distance from the spine, minimizing the strain applied and the pressure thanks to a unique surgical technique, irrespective of the indication or the surgical approach. Since 2017, the PASS® range also offers a top-loading fixation system.

a. PASS LP®: MEDICREA's flagship product

The PASS LP® range represented 70% of the Group's sales in 2018.

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

An extra small (XS) range of Pass LP implants has been developed. These implants are specially designed for the specific requirements of pediatric deformity surgery and now allow surgeons to treat small stature pediatric patients effectively, by using implants with 40% less volume during their procedures.

The product offers numerous benefits:

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

PASS LP® and PASS XS® are CE-marked and FDA-approved.

b. PASS® Tulip: new top-loading posterior fixation system

Top-loading fastening systems are the worldwide standard for posterior instrumentation in the treatment of spinal pathologies. By offering this type of system, MEDICREA can now address all surgeons, regardless of their practices and preferences in terms of instrumentation.

PASS® TULIP components are fully compatible with the PASS LP® to provide a unique hybrid approach to complex surgeries.

The PASS TULIP® allows surgeons used to top-loading instrumentation to access UNiD™ ASI technology developed by MEDICREA.

The PASS® Tulip fixation system was launched in 2017 in the group's various markets. It is CE marked and FDA approved.

c. LigaPASS®

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

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

A LigaPASS®XS version has also been developed to correct pediatric spinal deformities in small stature patients stature.

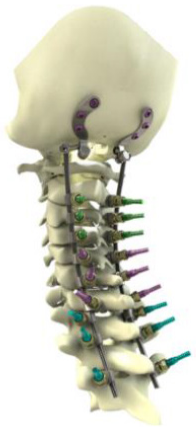
LigaPASS® and LigaPASS® XS are CE-marked and FDA-approved.

d. PASS OCT®

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

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

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



e. PASS MIS®

PASS MIS® is a posterior anchoring system for a minimally invasive, percutaneous or “mini-open” approach.

Thanks to the principle of lateral connection of the rod – which firstly allows for a pedicular approach to the fractured vertebra – to both the realignment connectors and to the monoaxial screws, the PASS MIS system offers a treatment solution that is particularly suitable for trauma cases.

The PASS MIS system is also indicated for the treatment of degenerative and tumor related cases.

f. PASS Antérieur®

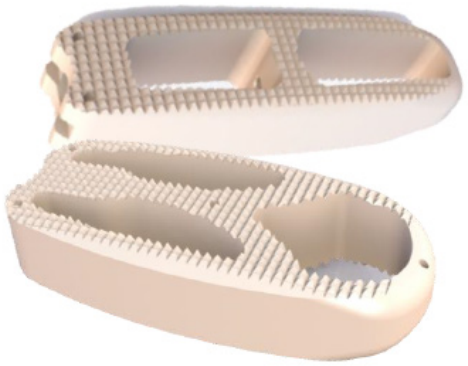
As an extension of the PASS LP® system, MEDICREA has also developed a range of specific implants enabling surgery using an anterior approach. In this way, PASS Antérieur® offers all the advantages of PASS LP®, high quality anchoring and polyaxiality, minimal profile and connection of the rod at distance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

THORACO-LOMBAR range

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

a. IMPIX® Lumbar Cages

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



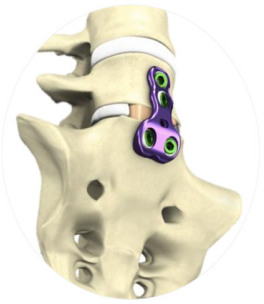
The types of IMPIX® cages include:

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

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

b. STABOLT® anterior lumbosacral plate

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



The implant is CE-marked and FDA-approved.

c. Osmosys®

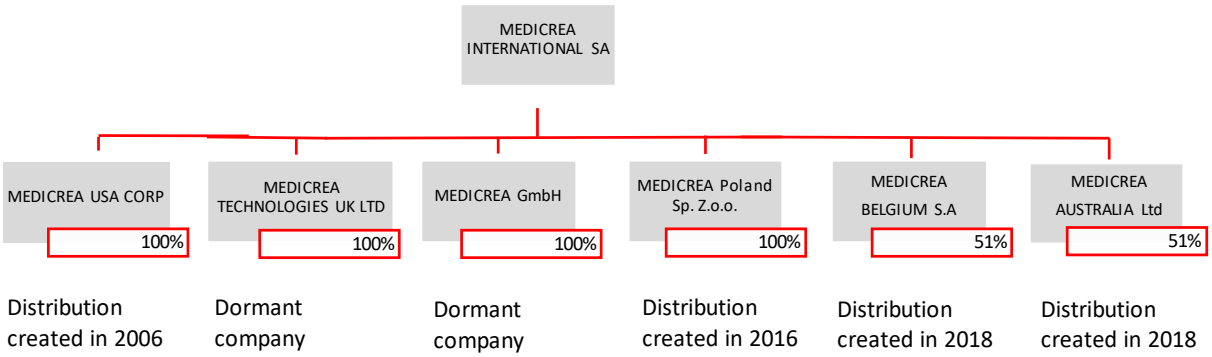
Osmosys® is a highly macroporous bone substitute made up of 60% HAP (hydroxyapatite) for its excellent mechanical properties and 40% βTCP (tricalcium phosphate) for good resorption.

Osmosys® is CE-marked.

3 GOVERNANCE

1. LEGAL STRUCTURE

At December 31, 2018, MEDICREA Group was structured as follows:



- MEDICREA INTERNATIONAL, the parent company, is now based in Rillieux-la-Pape near Lyon. MEDICREA INTERNATIONAL houses production activities, the research and development center and all commercial and administrative functions present in France.
- MEDICREA USA, based in New York, distributes the Group's products in the United States. It is wholly owned by MEDICREA INTERNATIONAL;
- MEDICREA POLAND, based in Lodz, has been marketing the Group's products in Poland since November 2016. It is wholly owned by MEDICREA INTERNATIONAL;
- MEDICREA Belgium based near Brussels, has been marketing the Group's products in Belgium since february 2018 and other products for spine surgery. It is owned by MEDICREA INTERNATIONAL at 51%.
- MEDICREA Australia, based in Brisbane, has been marketing the Group's products in Australia and New-Zealand since May 2018.

2. MANAGEMENT BODIES

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

Board of Directors

It safeguards the interests of the Company and its shareholders and ensures that the decisions taken are implemented by the leadership team. The guiding principles for the Board's operation are set by rules adopted in October 2006. It met 8 times during the 2018 financial year, with an 82% attendance rate among its directors.

At December 31, 2018, the Board was made up of the following members:
Denys SOURNAC, Chairman and Chief Executive Officer
Jean Philippe CAFFIERO, Deputy Chief Executive Officer
Rick KIENZLE, Director
Patrick BERTRAND, Director
Christophe BONNET, Director
Pierre BUREL, Director
Jean Joseph MORENO, Director
Pierre OLIVIER, Director
François Régis ORY, Director
Marc RECTON, Director

The total attendance fees paid to members of the Board of Directors in 2018, in respect of 2017, stood at €72,000 excluding the €14,400 "forfait social" (corporate social contribution) paid directly by the Company.

Ad Hoc Committee

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

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

Strategic Committee

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

Denys SOURNAC, Chairman and Chief Eexecutive Officer
Nadège BOURDOIS, VP Legal and Human Resources
Fabrice KILFIGER, Deputy CEO - Finance
David RYAN, Deputy CEO - Operations

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

Management Committee

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

Denys SOURNAC, Chairman and Chief Executive Officer
Nadège BOURDOIS, VP Human Resources and Legal
Fabrice KILFIGER, Deputy CEO - Finance
Thomas MOSNIER, Chief Scientific Officer
David RYAN, Deputy CEO - Operations
Pierre OLIVIER, VP Strategy and Business Development
Joe WALLAND, Chief Executive Officer of Medicrea USA.

4

STOCK MARKET INFORMATION AND SHAREHOLDING STRUCTURE

MEDICREA®

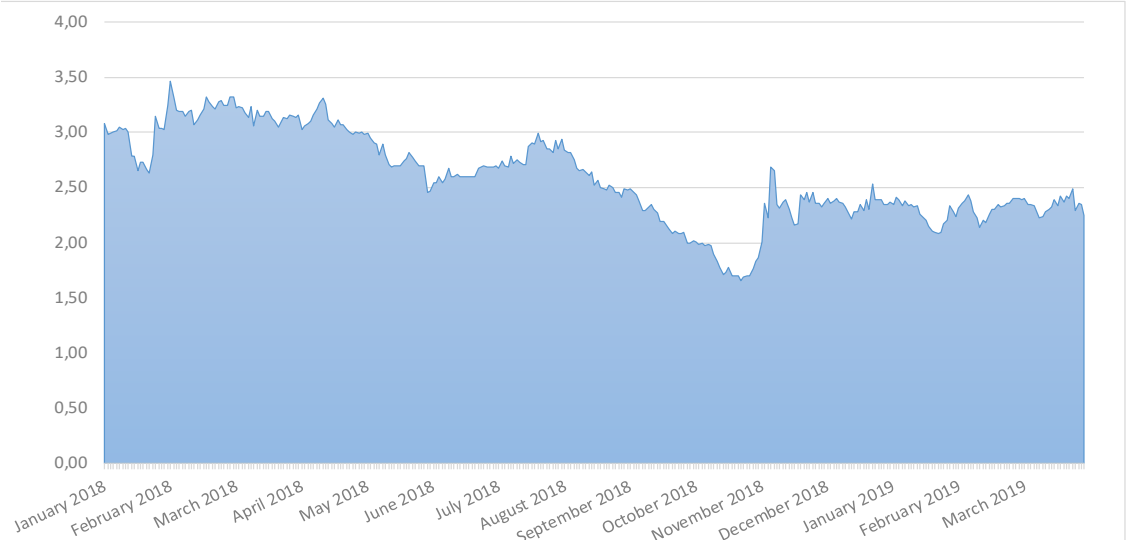
1. STOCK MARKET INFORMATION

MEDICREA has been listed on Euronext Growth d'Euronext Paris since June 26, 2006, ISIN Code FR 0004178572, Ticker ALMED. The share was launched at €7.94 and has been listed continuously since February 2007. Since August 2018, the Company has been listed on the US OTCQX Best Market, ticker MRNTF, which enables American shareholders to purchase shares directly in the US.

The MEDICREA share is eligible for the 2015/16 PEA-PME SME equity savings plan, in accordance with Decree n°2014-283 of March 4, 2014 published within the framework of the application of Article 70 of the 2014 Finance Act n° 2013-1278 of December 29, 2013, which defines the conditions for companies to be eligible for the PEA-PME SME savings plan.

	12.31.2018	12.31.2017	12.31.2016
Number of shares at December 31	16 219 847	15 082 811	10,033,067
High price	3,46	6,37	7.04
Low price	1,65	2,86	4.33
Average price for the period	2,67	4,51	5.46
Price at December 31	2,29	3,00	5.40
Market capitalization at December 31	37 M€	45 M€	€54 m
Trading volume	7,544,505	3,000,160	1,937,451
Capital turnover rate	46,5 %	19,9 %	20.18%

Changes in the share price during 2018 were as follows:



2. SHAREHOLDING STRUCTURE

The shareholding of the Company is characterized by the following factors:
- 2,500 shareholders in total;
- The leading shareholder is made up of the founding executives who together hold 15,8% of the share capital;
- The second largest shareholder, represented by an investment fund, holds 10,9% of the share capital;
- The 10 leading shareholders together hold approximately 50% of the share capital. 80% of the share capital is held by 30 shareholders.

3. LIQUIDITY CONTRACT AND LISTING SPONSOR

In order to stimulate trading, the security has been covered by a market-making contract entered into with the brokerage firm Gilbert Dupont since 2009 and transferred to Louis Capital Markets on November 1, 2017. This contract is renewable annually by tacit agreement and and compliant with the French Financial Markets Association (AMAFI).

Aether Financial Services acts as Listing Sponsor since January 1, 2019, replacing Gilbert Dupont.

4. FINANCIAL ANALYSIS

The brokerage firms Euroland and Kepler Cheuvreux track the share.

5. 2019 FINANCIAL COMMUNICATION CALENDAR

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

2019 First Quarter Sales	April 9, 2019
2019 First Quarter Results	May 16, 2019
Annual Shareholders' Meeting	June 3, 2019
2019 Half-Year Sales	July 8,2019
2019 Half-Year Results	September 18, 2019
2019 Third Quarter Sales	October 10, 2019
2019 Third Quarter Results	November 19, 2019
2019 Annual Sales	Tuesday January 15, 2020

6. INFORMATION AND DOCUMENTATION SOURCES

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

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

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

The Euronext growth www.euronext.com provides all the regulated and mandatory financial information published by the Company

Person responsible for information

Denys SOURNAC, Chairman and Chief Executive Officer
Fabrice KILFIGER, Deputy CEO - Finance

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fkilfiger@medicrea.com

APPENDICES

I. CONSOLIDATED FINANCIAL STATEMENTS
- FINANCIAL STATEMENTS AND RELATED NOTES
- STATUTORY AUDITORS' REPORT

II. PARENT COMPANY FINANCIAL STATEMENTS
- FINANCIAL STATEMENTS AND RELATED NOTES
- STATUTORY AUDITORS' REPORT

III. BOARD OF DIRECTORS' MANAGEMENT REPORT

IV. DRAFT RESOLUTIONS PROPOSED TO THE SHAREHOLDERS' MEETING OF JUNE 3, 2019

Person responsible for the Annual Financial Report

Denys SOURNAC, Chairman and Chief Executive Officer of MEDICREA INTERNATIONAL.

Statement of person responsible
(Article 222-3 - 4° of the AMF's General Regulations)

"I certify that, to my knowledge, the financial statements have been prepared in accordance with professional accounting standards applicable in France and give a fair view of the assets, financial position and performance of the Company and the Group, and that the enclosed Management Report provides a true and fair view of the business situation, business performance and financial position of the Company and the Group, as well as a description of main risks and uncertainties encountered by the Group."

Denys SOURNAC, Chairman and Chief Executive Officer of MEDICREA INTERNATIONAL.

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2018

Leading personalized spine | medicrea.com

CONTENTS

1. ACTIVITY

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

MEDICREA leads the design, integrated manufacture, and distribution of 30+ FDA approved implant technologies, utilized in over 150k spinal surgeries worldwide to date. Operating in a $10 billion marketplace, MEDICREA is an SME with 180 employees worldwide, which includes 40 at its USA Corp. subsidiary in NYC.

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

The Group is based in Rillieux-la-Pape, near Lyon, France, where it has its own ultra-modern implant and surgical instrument manufacturing facility dedicated to the machining and development of 3D-printed, patient-specific implants, and has subsidiaries in the US, Belgium, Poland and Australia. In the countries in which it does not operate directly, the Group markets its products through a network of independent distributors.

2. FISCAL YEAR HIGHLIGHTS

The following are the highlights of the 2018 fiscal year:

2.1. MARKET AND ENVIRONMENT

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

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

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

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

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

2.2. RESULTS AND PERFORMANCE

Sales for 2018 amounted to €32.3 million, a growth of 22% at constant exchange rates compared to 2017. All historical markets (United States, France, export distribution) grew versus the previous year and the new subsidiaries are now contributing significantly to Group revenue.

Nearly 3,200 UNiD™ personalized surgeries have been performed to date, of which 1,250 were performed only over the past year, an increase of 53% versus 2017. The trend is even more marked in the United States, where the number of personalized surgical procedures performed during the 4th quarter of 2018 increased very markedly, up 94% in relation to the 4th quarter of 2017.

The gross profit margin came in at 71%, down 2 percentage points relative to the prior year due to a change in the breakdown of sales by product. However, the gross profit margin improved significantly during the year, rising from 68% in the first half to almost 75% in the second half thanks to a more favorable sales mix and less use of subcontracting.

Operating expenses rose by € 3.4 million compared to 2017. Research and development expenses increased by €1 million compared to the previous fiscal year and reflect the Group's efforts to enhance and complete the UNiD ASI™ software platform offering of patient-specific implants and associated services.

Marketing expenses and sales commissions increased by €2.2 million as a result of opening two new subsidiaries (in Belgium and Australia), with a knock-on increase of €1.6 million in sales and marketing expenses, and the increasing proportion of sales via US distributors resulting in a €0.9 million increase in sales commissions.

Given these factors, the operating loss before non-recurring expenses was €7.8 million, compared with €7.6 million in the prior year.

Other non-recurring expenses totaling €0.6 million mainly consisted of costs incurred in mothballing the MEDICREA TECHNOLOGIES UK subsidiary and winding up the surgical device motor repair business, as well as legal fees in connection with US litigation.

The cost of net financial debt increased by €0.2 million. Loss before tax amounted to €11.3 million, versus a loss of €11.2 million for the year ended December 31, 2017.

Cash on hand amounted to €11 million at December 31, 2018.

2.3. PRODUCT PORTFOLIO AND RESEARCH AND DEVELOPMENT

MEDICREA is the first company in the spinal industry to offer a complete set of surgical planning services implementing artificial intelligence, predictive modelling and patient-specific implants. The 2018 financial year enabled the Group to consolidate this position by strengthening its UNiD® range while simultaneously continuing to develop its portfolio of standard products.

UNiD ASI™ range of patient-specific implants and services

In August, MEDICREA organized the very first conference devoted to artificial intelligence applied to spinal surgery and its role in the treatment of complex spinal deformities. 20 international surgeons, opinion leaders in this field, participated in this event during which MEDICREA presented its exclusive UNiD ASI™ technology.

In October, MEDICREA presented a new study demonstrating that patients operated on using a UNiD® patient-specific rod were 2.6 times more likely to achieve optimal correction of their spinal deformity. This study confirms the benefit of using UNiD® patient-specific rods for the surgical correction of sagittal imbalance in adults.

In parallel, throughout the year, the research and development teams have worked to enhance the UNiD® range, offering in particular from 2019 the option of specifically selecting all the interbody screws and implants that will be used ahead of surgery.

3D-printed titanium interbody cages

In early 2018, following receipt of approval by the FDA, MEDICREA launched the marketing of its IB3D range of 3D-printed titanium interbody cages within its own internal additive manufacturing unit.

In May, the IB3D was extended thanks to FDA approval of the 3D-printed patient-specific titanium interbody cages. With this world-first clearance, MEDICREA is able to digitally plan, manufacture in-house and supply a 3D-printed device in the United States that has been optimized to follow each patient's unique spinal anatomy using the Company's proprietary AI-driven UNiD technology.

Other products in the range

At the end of 2018, Medicrea obtained the necessary authorizations to manufacture in-house the LigaPASS®, its flagship spinal ligament-plasty product, which should contribute to improving the gross margin over the next few years.

MEDICREA also submitted to the FDA the file for the marketing in the United States of a latest generation generic tulip screw which will be able to provide a more complete product offering, particularly for surgeons who have already widely adopted UNiD® patient-specific rods.

2.4. ORGANIZATION

Several changes in scope took place in 2018 and altered the structure of the Group:

In February, the distribution subsidiary MEDICREA BELGIUM was created in partnership with the Group's existing distributor in the Belgian market, the latter having already overseen the distribution of MEDICREA products for the past ten years and controlling approximately 25% of the local market. MEDICREA holds a 51% majority stake in MEDICREA BELGIUM and plans to transition the entity to a fully-owned Medicrea subsidiary over the next years.

In June, the distribution subsidiary MEDICREA AUSTRALIA was created in association with a local distributor specializing in the spinal field, in order to market the Group's products in Australia and New Zealand. Australia is the world's third largest market after the United States and Japan. MEDICREA holds a 51% majority stake in MEDICREA AUSTRALIA and plans to transition the entity to a fully-owned Medicrea subsidiary over the next years.

In August, the subsidiary MEDICREA TECHNOLOGIES UK, which marketed the Group's products in the UK, was mothballed with the distribution of MEDICREA products now managed by an independent distributor.

In December, the Group also ended its ancillary business involving the repair of motors for surgical devices.

2.5. STOCK MARKET INFORMATION

In August 2018, the Company was admitted to the OTCQX Best Market in the United States under the tickers MRNTY and MRNTF. The Company made the decision to be listed on this market to enable American shareholders who do not want to purchase shares through a European market to purchase them directly in the U.S. The MRNTY ticker represents ADRs (American Depositary Receipts) and the MRNTF ticker represents ordinary shares in the Company. Each ADR represents one of the Company's ordinary shares trading on Euronext Growth. From now on, this listing in an American marketplace will allow institutional and private investors in the United States to buy and sell both ADRs and ordinary shares in the Company in dollars.

2.6. FINANCING

In July 2018 the Company issued 1,127,936 new shares with share warrants attached (ABSA) with a par value of €0.16 per unit, at a unit price of €2.734, including issue premium, for a total amount of €3.1 million.

Each new share issued comes with one share warrant (BSA), for a total issuance of 1,127,936 share warrants. Two share warrants grant the right to subscribe to one new MEDICREA share at an exercise price of €3. The BSAs shall be exercisable for a period of 3 years after their issuance.

The number of shares issued may be increased to 1,691,904, i.e. a maximum amount of €4.8 million, in the event that all of the share warrants are exercised; €3.1 million was collected in July 2018.

In November 2018, the Company completed a $30 million note issue fully subscribed by Perceptive Advisors, a leading US investment fund in the healthcare field. In conjunction with the senior secured notes, Medicrea has issued to Perceptive Advisors warrants for the Company's new ordinary shares.

The refinancing facility consists of senior secured and guaranteed notes, governed by New-York law with coupon based on the greater of Three-Month LIBOR or 2.5% plus a margin of 8.5%. The notes, which are due to mature on November 27, 2022, are secured on the securities of MEDICREA USA Corp, a wholly-owned subsidiary of MEDICREA INTERNATIONAL, as well as by pledges on certain assets and receivables of the Group.

Perceptive Advisors subscribed free of charge for 1,000,000 warrants not listed on Euronext Growth.

One warrant entitles its holder to subscribe to one new MEDICREA International ordinary share, at an exercise price of €2.19, corresponding to the volume-weighted average of the share prices of the last 10 trading days prior to the fixing of the subscription price, decreased by a 10% discount. The BSAs shall be exercisable for a period of seven years after their issuance.

Subscription of these notes was accompanied by the early redemption of €15 million in outstanding convertible debt taken out with US fund Athyrium in August 2016 and early repayment of €1.6 million in outstanding bank borrowing previously secured on goodwill.

The table below presents the potential cumulative dilution of the share capital in the event that all outstanding warrants, options, and other securities that have the potential to be converted into ordinary shares are exercised (including all the warrants issued since 2017, the stocks options and the potential free allocations of shares):

	Before the November 2018 placement	Exercise of the December 2017 warrants	Exercise of share warrants July 2018	Exercise of the November 2018 warrants	Exercise of stock options	Allocation of free shares	After the placement following conversion of all of the instruments
Number of ordinary shares	16,219,847						
Number of ordinary shares added if warrants / options are fully exercised		1,168,170	563,968	1,000,000	1,350,000	792,000	4,874,138
Exercise or conversion price	-	€3.15	€3	€2.19	€3.16[1]	-	-
Accumulated potential dilution	-	6.72%	9.65%	14.42%	20.11%	23.11%	23.11%

[1] Average stock option exercise price

3. IFRS CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2018

3.1. CONSOLIDATED INCOME STATEMENT

(€)	Notes	12.31.2018	12.31.2017
Sales	3.1 & 4.5	32,279,021	27,147,831
Cost of sales		(9,282,951)	(7,315,629)
Gross margin		22,996,070	19,832,202
as % of sales		*71.2%*	*73.1%*
Research & development costs	4.6	(3,066,690)	(2,016,880)
Sales & marketing expenses	4 & 5	(16,532,462)	(15,240,309)
Sales commissions		(3,716,778)	(2,776,366)
General and administrative expenses	4 & 5	(7,469,161)	(7,399,468)
Other operating income and expenses	4.9.2	(561,038)	(924,110)
Operating income before share-based payments		(8,350,059)	(8,524,931)
Share-based payments	5.5.3	(728,078)	(287,338)
Operating income after share-based payments	4.9.1	(9,078,137)	(8,812,269)
Cost of net financial debt	8.3.1	(2,428,171)	(2,248,952)
Other financial (expenses) / income	8.3.2	166,002	(170,728)
Tax (charge) / income	9.1	(469,822)	504,657
Consolidated net income/(loss)		(11,810,128)	(10,727,292)
Earnings per share	10.2	(0.76)	(0.93)
Diluted earnings per share	10.2	(0.76)	(0.93)

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

3.2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€)	12.31.2018	12.31.2017
Consolidated net income/(loss)	(11,810,128)	(10,727,292)
Translation adjustment	80,818	(782,854)
Total comprehensive income	(11,729,310)	(11,510,146)

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

3.3. CONSOLIDATED BALANCE SHEET

(€)	Notes	12.31.2018	12.31.2017
Goodwill	6.1	12,131,603	2,626,620
Intangible assets	6.6	8,098,712	7,882,753
Property, plant and equipment	6.6	10,353,786	10,771,748
Non-current financial assets	6.6	650,629	686,518
Deferred tax assets	9.3	2,122,210	2,044,496
Total non-current assets		**33,356,940**	**24,012,135**
Inventories	4.2	9,662,145	9,812,700
Trade receivables	4.3	5,361,252	3,973,135
Other current assets	4.3	2,480,928	2,215,133
Cash and cash equivalents	8.1.5	10,802,725	11,980,693
Total current assets		**28,307,050**	**27,981,661**
Total assets		**61,663,990**	**51,993,796**

(€)	Notes	12.31.2018	12.31.2017
Share capital	10.1	2,595,176	2,413,266
Issue, merger and contribution premiums	10.1	26,450,274	60,567,352
Consolidated reserves	10.1	(2,308,227)	(30,463,815)
Net income/(loss) for the year	10.1	(11,810,128)	(10,727,292)
Total shareholders' equity		**14,927,095**	**21,789,511**
Conditional advances	8.2	100,000	196,250
Non-current provisions	7.1	621,868	574,567
Deferred tax assets	9.3	669,701	859,695
Long-term financial debt	8.1.4	31,730,339	16,738,955
Other non-current liabilities	4.4	174,672	-
Total non-current liabilities		**33,296,580**	**18,369,467**
Current provisions	7.1	122,299	225,675
Short-term financial debt	8.1	4,854,331	4,387,378
Trade payables	4.4	4,803,155	4,672,856
Other current liabilities	4.4	3,660,530	2,548,909
Total current liabilities		**13,440,315**	**11,834,818**
Total shareholders' equity and liabilities		**61,663,990**	**51,993,796**

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

3.4. CONSOLIDATED CASH FLOW STATEMENT

(€)	Notes	12.31.2018	12.31.2017
Consolidated net income/(loss)		**(11,810,128)**	**(10,727,292)**
Property, plant and equipment depreciation and intangible asset amortization		6,033,656	4,996,876
Provision charges / (reversals)		153,896	(98,238)
Proceeds from sale of non-current assets		226,581	56,212
Share-based payments		728,078	287,338
Change in deferred taxes		(267,708)	(138,764)
Corporate tax		(274,309)	(897,375)
Cost of net financial debt		2,428,171	2,248,952
Self-financing capacity		**(2,781,763)**	**(4,272,291)**
Change in inventories and work in progress		14,161	(1,832,886)
Change in trade receivables		(1,461,694)	1,192,322
Change in trade payables		130,300	(1,328,120)
Change in other receivables and payables		1,562,230	2,463,918
Cash flow from working capital requirement		**244,997**	**495,234**
Taxes paid / refunded		(267,424)	(15,447)
Net cash flow from operating activities		**(2,804,190)**	**(3,792,504)**
Acquisition of non-current assets		(5,604,295)	(8,132,598)
Disposal of non-current assets		220,097	662,432
Impact of changes in scope		106,836	-
Government grants received / (repaid)		(96,250)	(121,250)
Other movements		77,009	-
Net cash flow from investment activities		**(5,296,603)**	**(7,591,416)**
Share capital increase		3,083,777	20,216,961
Proceeds from new borrowings	8.1.2	27,400,800	492,020
Repayment of borrowings	8.1.2	(20,185,922)	(2,977,473)
Interest paid		(1,429,672)	(1,301,818)
Other movements	8.1.6	(1,797,153)	(1,276,760)
Net cash flow from financing activities		**7,071,830**	**15,152,930**
Translation effect on cash and cash equivalents		(117,247)	48,581
Other movements		72,647	21,258
Change in cash and cash equivalents		**(1,073,563)**	**3,838,849**
Cash and cash equivalents - beginning of year		**11,092,231**	**7,253,382**
Cash and cash equivalents - end of year		**10,018,668**	**11,092,231**
Positive cash balances - beginning of year		11,980,693	8,063,140
Positive cash balances - end of year		10,802,725	11,980,693
Change in positive cash balances		**(1,177,968)**	**3,917,553**
Negative cash balances - beginning of year		(888,462)	(809,758)
Negative cash balances - end of year		(784,056)	(888,462)
Change in negative cash balances		**104,405**	**(78,704)**
Change in cash and cash equivalents		**(1,073,563)**	**3,838,849**

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

3.5. CHANGE IN CONSOLIDATED SHAREHOLDERS' EQUITY

(€)	Number of shares	Share capital	Reserves	Consolidated shareholders' equity
Shareholders' equity at 12.31.2016	**10,033,167**	**1,605,307**	**12,475,894**	**14,081,201**
Share capital increase	5,049,744	807,959	18,113,797	18,921,756
2017 comprehensive income	-	-	(11,510,146)	(11,510,146)
Stock options and free shares	-	-	287,338	287,338
Other movements	-	-	9,362	9,362
Shareholders' equity at 12.31.2017	**15,082,911**	**2,413,266**	**19,376,245**	**21,789,511**
Share capital increase	1,136,936	181,910	2,509,894	2,691,804
2018 comprehensive income	-	-	(11,729,310)	(11,729,310)
Stock options and free shares	-	-	728,078	728,078
Other movements	-	-	1,447,012	1,447,012
Shareholders' equity at 12.31.2018	**16,219,847**	**2,595,176**	**12,331,919**	**14,927,095**

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

3.6. EXPLANATORY NOTES

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

MEDICREA is listed on the Euronext Growth market, ISIN FR004178572, Ticker ALMED. Since August 2018, the Company's shares have also been traded on the US market via the OTCQX Best Market platform under the tickers MRNTF and MRNTY.

The consolidated financial statements for the 2018 fiscal year were approved by the Board of Directors on March 20, 2019. They will be submitted for approval at the Shareholders' General Meeting of June 3, 2019.

(1) NOTE 1: ACCOUNTING PRINCIPLES

1.1 Accounting framework

The financial statements of MEDICREA Group for the year ended December 31, 2018 have been prepared in accordance with the International Financial Reporting Standards (IFRS published by the International Accounting Standards Board (IASB) and approved by the European Union pursuant to European Regulation n° 1606/2002 of July 19, 2002, and available at ec.europa.eu/info/law/international-accounting-standards-regulation-ec-no-1606-2002/law-details_fr

These standards include:

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

1.1.1 Standards, amendments and interpretations adopted by the European Union, the application of which is mandatory for reporting periods starting on or after January 1, 2018

The IASB has published the following standards, amendments, and interpretations, which have been adopted by the European Union:

Standards, amendments and interpretations	IFRS 9 - Financial Instruments Standard applicable from January 1, 2018
Introduction and general principles	The IASB finalized its plan to replace IAS 39 – Financial Instruments on July 24, 2014, by publishing the full version of IFRS 9. That version introduces significant changes compared with IAS 39: - provisions relating to the classification and measurement of financial assets are now based on the combined assessment of the management model for each asset portfolio and of the contractual terms of the financial assets; - meanwhile, the impairment model has abandoned the approach based on incurred losses in favor of an approach based on expected credit losses; - the hedge component includes a number of significant advances that promote the convergence of the implementation methods of hedge accounting and the Group's risk management policy.
Impact on the Group	The Group has not identified any significant change in the classification and measurement of its financial assets in view of the nature of its transactions. A detailed analysis of the impairment model for financial assets was carried out, with a particular focus on trade receivables. In view of its customer typology and the risk observed in previous years, the Group has not identified any significant changes in its accounting treatment of impairment.
Application by the Group	The Group has applied IFRS 9 since January 1, 2018. This has not resulted in any material impact on its annual consolidated financial statements for the year ended December 31, 2018.

Standards, amendments and interpretations	IFRS 15 – Revenue from Contracts with Customers Standard applicable from January 1, 2018
Introduction and general principles	On May 28, 2014, the IASB published a standard regarding the recognition of revenue from ordinary activities, under which revenue must be recognized when control of the goods or services sold is transferred, in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. IFRS 15 and the related guidance, published by the IASB on April 12, 2016, replace the standards IAS 11 and IAS 18 and the related IFRIC and SIC interpretations.
Impact on the Group	The Group selected the main transactions and contracts that are representative of its activities. These were then analyzed using the five-step model framework required by the standard in order to identify any areas of judgement and potential changes caused by application of the standard. This analysis did not identify any impact on the presentation of Group sales or of the Group's income statement.
Application by the Group	The Group has applied IFRS 15 since January 1, 2018. This has not resulted in any material impact on its annual consolidated financial statements for the year ended December 31, 2018.

The IASB has also published the following standards, amendments, and interpretations, which have been adopted by the European Union and whose application is mandatory from January 1, 2018:

Amendments to IFRS 2	Classification and Measurement of Share-Based Payment Transactions
IFRIC 22 interpretation	Foreign Currency Transactions and Advance Consideration
Annual improvements to IFRS 2014-2016 cycle	Various provisions

These publications do not have a material impact on the Group's consolidated financial statements.

1.1.2 Standards, amendments and interpretations adopted by the European Union, the application of which is mandatory for reporting periods starting on or after January 1, 2018 and not applied early by the Group

The IASB has published the following standards, amendments, and interpretations, which have been adopted by the European Union:

Standards, amendments and interpretations	IFRS 16 – Leases Standard applicable from January 1, 2019
Introduction and general principles	The IASB published IFRS 16 – Leases on January 13, 2016. IFRS 16 will replace IAS 17 as well as the related IFRIC and SIC interpretations, and will eliminate the difference in accounting treatment that previously existed between "operating leases" and "finance leases". Lessees must recognize all leases with a term of over one year in accordance with the procedures currently provided for finance leases by IAS 17, and thus recognize an asset representing the right to use the leased asset in exchange for a liability representing the obligation to pay for that right.
Impact on the Group	The Group identified all of its lease agreements and their key provisions. If the Group had opted for early adoption of IFRS 16 and applied it as of January 1, 2018, this would have resulted in the following impact on the consolidated financial statements at December 31, 2018: - The following items would have been recognized on the balance sheet:

	12.31.2018			
(€ millions)	Gross value	Depr.	Net value	Financial liability
Buildings	19.6	(4.4)	15.2	16.3
Motor vehicles	0.7	(0.4)	0.3	0.3
Total	**20.3**	**(4.8)**	**15.5**	**16.6**

- The following changes to income (expenses) would have been shown in the income statement:

(€ millions)	12.31.2018
Rental charges	2.2
Interest charge	(0.5)
Amortization and depreciation charges	(2.0)
Net income (expense)	**(0.3)**

- As regards performance indicators, EBITDA (earnings before interest, tax, depreciation and amortization) would have increased by €2.2 million.

Application by the Group	The Group will use the full retrospective approach.

The IASB has also published amendments to IFRS 9 in relation to prepayment features, to be applied from January 1, 2019. The Group does not expect any material impact on the consolidated financial statements as a result.

1.1.3 Standards, amendments and interpretations published by the IASB and not yet adopted by the European Union

The IASB has published the following standards, amendments, and interpretations, which have not yet been adopted by the European Union:

Standards, amendments and interpretations		Application date (1)
Amendments to IAS 28	Investments in Associates and Joint Ventures.	January 1, 2019
IFRIC 23 interpretation	Uncertainty over Income Tax Treatments.	January 1, 2019
Annual improvements to IFRS 2015-2017 cycle	Various provisions	January 1, 2019
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement	January 1, 2019
Revised Conceptual Framework for Financial Reporting	Amendment to References to the Conceptual Framework in IFRS Standards	January 1, 2019

(1) Subject to adoption by the European Union

1.2 Preparation bases

The consolidated financial statements have been prepared in Euros in accordance with the going concern principle, as described in Note 8.5.3 "Liquidity risks", assessed based on the Group's capacity to meet, over the next 12 months preceding the date of preparation of the financial statements, cash flow requirements linked to its operations, its investments and the repayment of its short-term financial liabilities, thanks to a positive self-financing capacity and/or allocating sufficient financial resources.

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

Rapid changes in economic environments increase the difficulties of valuing and estimating certain assets and liabilities, as well as contingencies on business developments. The estimates made by management were made based on information available to it at December 31, 2018, after taking account of events subsequent to that period in accordance with IAS 10. These assumptions, estimates and judgments made on the basis of information or situations existing at the date of preparation of the financial statements, may prove different from subsequent actual events.

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

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

At December 31, 2018, the Group was not aware of any changes in estimates having a significant impact during the period.

NOTE 2: SCOPE OF CONSOLIDATION

2.1 Consolidation method

Consolidation is based on the statutory financial statements, prepared at December 31, 2018, of the various legal entities comprising the Group.

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

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

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

The results of purchased subsidiaries are consolidated as from the date when control is exercised.

2.2 Foreign currency translation

2.2.1 Translation of financial statements expressed in foreign currencies

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

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

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

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

Exchange differences arising from the application of these exchange rates are recorded in shareholders' equity under "translation adjustment" and under cash-related exchange differences in the cash flow statement.

2.2.2 Foreign currency transactions

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

Differences arising from the translation of foreign currency transactions are generally recognized in the income statement.

Some loans and borrowings denominated in foreign currencies are considered, in substance, as forming an integral part of the net investment in a subsidiary where the functional currency is not the euro, and if their redemption is neither planned nor likely in the foreseeable future. The exchange rate differences relating to these loans and borrowings are recognized in translation differences in other items of comprehensive income, at their amount net of tax. This specific treatment applies until the date when the net investment is finally disposed of, or until the time when the partial or full redemption of these loans and borrowings becomes highly likely.

As from the date when the net investment is declassified, the translation differences generated are subsequently recognized in other financial income and expense in the consolidated income statement. The translation differences previously recognized in other items of comprehensive income are only recycled through profit and loss on the date of the partial or full disposal of the subsidiary. The Group reviews whether the full or partial redemption of the borrowings and loans amounts to the partial or full deconsolidation of the subsidiary on a case-by-case basis.

2.3 Business combinations

Business combinations are accounted for using the acquisition method:

- the cost of an acquisition is measured at the fair value of the consideration transferred, including any contingent consideration, on the date on which control is obtained. Any subsequent changes in the fair value of contingent consideration are recognized through profit or loss or in other comprehensive income, in accordance with applicable standards;
- the difference between the consideration transferred and the fair value of the identifiable assets acquired and liabilities assumed at the date on which control is obtained represents goodwill, recognized as an asset.

Adjustments to the fair value of identifiable assets acquired and liabilities assumed that have been recorded on a provisional basis (due to ongoing expert assessments or additional analyses) are recognized as retrospective adjustments to goodwill if they take place within a period of one year from the acquisition date or if they result from facts and circumstances that were in existence at the

acquisition date. Following this period, any effects are recognized directly through profit or loss, as with any other change in an estimate.

In a business combination involving the acquisition of an interest of less than 100%, non-controlling interests in the acquiree are measured at either:

- their fair value, leading to the recognition of the goodwill attributable to these non-controlling interests (full goodwill method); or
- their proportionate share in the acquiree's identifiable net assets, leading to the recognition of a goodwill only for the share acquired (partial goodwill method).

The costs directly related to the acquisition are recorded under "Other income and expenses" in the period they are incurred. Any contingent consideration in relation to a business combination is measured at fair value at the acquisition date, even if its realization is not considered probable. After the acquisition date, changes in the estimated fair value of contingent consideration will result in an adjustment to goodwill only if they take place during the measurement period (no more than one year from the acquisition date) or if they result from facts or circumstances that were in existence at the acquisition date. In all other cases, the change is recognized through profit or loss or in other comprehensive income in accordance with the relevant IFRS.

In a business combination achieved in stages, the interest held previously by the Group in the company acquired is remeasured, at the time that control of this company is obtained, at fair value through the income statement. In order to determine goodwill at the date of obtaining control, the fair value of the consideration transferred (for example, the price paid) is increased by the fair value of the Group's previously held interest. The amount previously recognized in other comprehensive income in relation to the interest held before control was obtained is reclassified to profit or loss.

2.4 Changes in consolidation scope

The consolidation scope includes the following entities:

- MEDICREA INTERNATIONAL (Group parent company);
- MEDICREA USA;
- MEDICREA TECHNOLOGIES UK;
- MEDICREA GMBH;
- MEDICREA POLAND;
- MEDICREA BELGIUM;
- MEDICREA AUSTRALIA.

In February 2018 the Group created MEDICREA BELGIUM, a limited company under Belgian law with capital of €200,000 and its registered office in Houwaart, in partnership with the company Motion Medical, which up until that time had distributed MEDICREA's products in Belgium. The Group holds a 51% majority stake in MEDICREA BELGIUM and will gradually transition the entity to a fully-owned Medicrea subsidiary over the next years. A shareholders' agreement was signed to this effect

containing corresponding purchase and sale commitments for the 49% stake held by Motion Medical at December 31, 2018 to take place in stages over the period 2019-2022 as follows:

- In 2019, purchase of 12.25% of shares on the basis of 10 X 2018 EBITDA (*) of MEDICREA BELGIUM;
- In 2020, purchase of 12.25% of shares on the basis of 10 X 2019 EBITDA (*) of MEDICREA BELGIUM;
- In 2021, purchase of 12.25% of shares on the basis of 10 X 2020 EBITDA (*) of MEDICREA BELGIUM;
- In 2022, purchase of 12.25% of shares on the basis of 10 X 2021 EBITDA (*) of MEDICREA BELGIUM;

At December 31, 2018, the fair value of the commitment to buy 49% of the capital of MEDICREA BELGIUM was measured at €8.9 million on the basis of 2018 performance and 2019, 2020 and 2021 EBITDA (*) forecasts available at that date and using a discount rate of 1.6%.

In June 2018, the Group created MEDICREA AUSTRALIA, an Australian company with capital of A$300,000 and its registered office in Brisbane, in a joint venture with the company National Surgical, a distributor of medical devices in Australia. The Group holds a 51% majority stake in MEDICREA AUSTRALIA and will gradually transition the entity to a fully-owned Medicrea subsidiary over the next years. A shareholders' agreement was signed to this effect containing corresponding purchase and sale commitments for the 49% stake held by National Surgical at December 31, 2018 to take place in stages over the period 2021-2024 as follows:

- In 2021, purchase of 12.25% of shares on the basis of 7 X the share of 2020 EBITDA (*) of MEDICREA AUSTRALIA;
- In 2022, purchase of 12.25% of shares on the basis of 7 X the share of 2021 EBITDA (*) of MEDICREA AUSTRALIA;
- In 2023, purchase of 12.25% of shares on the basis of 7 X the share of 2022 EBITDA (*) of MEDICREA AUSTRALIA;
- In 2024, purchase of 12.25% of shares on the basis of 7 X the share of 2023 EBITDA (*) of MEDICREA AUSTRALIA;

At December 31, 2018, the fair value of the commitment to buy 49% of the capital of MEDICREA AUSTRALIA was measured at €0.7 million on the basis of 2020, 2021, 2022 and 2023 EBITDA (*) forecasts available at that date and using a discount rate of 1.6%.

(*) Operating income before interest, depreciation, amortization and impairment

The Group ceased its activities in the UK from September 1, 2018, and mothballed its subsidiary MEDICREA TECHNOLOGIES UK, leading to the redundancy of all staff and the closure of its distribution center in Cambridge.

The Group is now represented in the UK by an independent distributor. All costs relating to the closure of MEDICREA TECHNOLOGIES UK have been recognized in full in the consolidated financial statements at December 31, 2018 (see section 4.9.2).

Control and interest percentages at December 31, 2018 are detailed in the table below:

	Registered office:	% control	% interest
MEDICREA INTERNATIONAL	Rillieux-la-Pape, FR	Parent company	
MEDICREA USA	New-York, USA	100%	100%
MEDICREA TECHNOLOGIES UK	Swaffam Bulbeck, UK	100%	100%
MEDICREA GMBH	Cologne, GER	100%	100%
MEDICREA POLAND	Łódź, PL	100%	100%
MEDICREA BELGIUM	Houwaart, BE	51%	100%
MEDICREA AUSTRALIA	Brisbane, AU	51%	100%

MEDICREA INTERNATIONAL's majority shareholding in the companies MEDICREA BELGIUM and MEDICREA AUSTRALIA, which as detailed above will be accompanied by the staged purchase over time of the entire capital held by the minority shareholders of these two companies, has been treated as a single transaction for accounting purposes, based on the following factors:

- the two transactions (majority shareholding and commitment to buy minority interests) were concluded simultaneously;
- the economic effect of these two transactions should be viewed as the effect of a single transaction;
- the realization of one of the transactions is conditional on the realization of the other;
- each of the transactions can only be justified financially if it is considered in conjunction with the other transaction.

Therefore, in the Group's annual financial statements at December 31, 2018, 100% of the companies MEDICREA BELGIUM and MEDICREA AUSTRALIA has been consolidated even though the control percentage of MEDICREA INTERNATIONAL in these subsidiaries is 51%. Commitments to buy out non-controlling interests in MEDICREA BELGIUM and MEDICREA AUSTRALIA are recognized in other financial liabilities.

NOTE 3: SEGMENT REPORTING

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

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

The different geographic regions are:

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

3.1 Breakdown of sales by geographic region

By geographic region, sales are analyzed as follows:

	12.31.2018		12.31.2017	
	(€)	(%)	(€)	(%)
	6,080,368	19%	5,965,523	22%
	15,566,697	48%	16,000,915	59%
	168,442	1%	467,935	2%
	-	0%	121,164	0%
	292,140	1%	121,114	0%
	5,064,349	16%	-	-
	218,205	1%	-	-
Rest of the world	4,888,820	14%	4,471,180	17%
of which Europe	*2,477,114*		*2,618,606*	
of which South America	*1,034,365*		*449,032*	
of which Asia	*864,468*		*686,252*	
of which Oceania	*172,097*		*159,694*	
of which Middle East and Africa	*340,776*		*557,596*	
Total	32,279,021	100%	27,147,831	100%

Sales for 2018 amounted to 32.3 million euros, representing a growth of 22% at constant exchange rates compared to 2017. All historical markets (United States, France, export distribution) grew versus the previous year and the new subsidiaries (particularly Belgium and Australia) are now contributing significantly to Group revenue. Nearly 3,200 UNiD™ personalized surgeries have been performed to date, of which 1,250 were performed only over the past year, an increase of 53% versus 2017.

3.2 2018 income statement by geographic region

(€)								Rest of the world	Total 12.31.2018
Sales	**6,080,368**	**15,566,697**	**168,442**	**-**	**292,140**	**5,064,349**	**218,205**	**4,888,820**	**32,279,021**
Cost of sales	(2,499,926)	(2,769,024)	(39,940)	-	(122,613)	(1,721,398)	(29,592)	(2,100,458)	(9,282,951)
Gross margin	**3,580,442**	**12,797,673**	**128,502**	**-**	**169,527**	**3,342,951**	**188,613**	**2,788,362**	**22,996,070**
Research & development costs	(2,519,346)	(542,323)	(217)	-	(760)	(1,928)	(945)	(1,171)	(3,066,690)
Sales & marketing expenses	(4,360,961)	(8,706,878)	(117,719)	(4,623)	(546,963)	(1,277,046)	(89,757)	(1,428,515)	(16,532,462)
Sales commissions	(97,485)	(3,532,228)	-	-	-	-	(87,065)	-	(3,716,778)
General and administrative expenses	(4,842,161)	(2,161,462)	(96,224)	(11,196)	(38,828)	(116,517)	(25,557)	(177,216)	(7,469,161)
Other operating income and expenses	(61,123)	(154,845)	(254,695)	(1,430)	-	(653)	-	(88,292)	(561,038)
Operating income before share-based payments	**(8,300,634)**	**(2,300,063)**	**(340,353)**	**(17,249)**	**(417,024)**	**1,946,807**	**(14,711)**	**1,093,168**	**(8,350,059)**
Share-based payments	(368,574)	(359,504)	-	-	-	-	-	-	(728,078)
Operating income after share-based payments	**(8,669,208)**	**(2,659,567)**	**(340,353)**	**(17,249)**	**(417,024)**	**1,946,807**	**(14,711)**	**1,093,168**	**(9,078,137)**
Cost of net financial debt	(2,166,072)	(197,586)	(12,790)	(8,404)	(4,939)	(36,005)	-	(2,375)	(2,428,171)
Other financial (expenses) / income	166,291	-	-	-	(29)	986	-	(1,246)	166,002
Tax (charge) / income	-	174,286	6,153	-	(3,191)	(645,417)	(1,653)	-	(469,822)
Consolidated net income/(loss)	**(10,668,989)**	**(2,682,867)**	**(346,990)**	**(25,653)**	**(425,183)**	**1,266,371**	**(16,364)**	**1,089,547**	**(11,810,128)**

3.3 2017 income statement by geographic region

(€)						Rest of the world	Total 12.31.2017
Sales	**5,965,523**	**16,000,915**	**467,935**	**121,164**	**121,114**	**4,471,180**	**27,147,831**
Cost of sales	(2,300,267)	(2,864,924)	(110,087)	(40,445)	(47,134)	(1,952,772)	(7,315,629)
Gross margin	**3,665,256**	**13,135,991**	**357,848**	**80,719**	**73,980**	**2,518,408**	**19,832,202**
Research & development costs	(1,700,356)	(314,774)	(450)	-	(109)	(1,191)	(2,016,880)
Sales & marketing expenses	(4,853,888)	(7,496,267)	(755,062)	(331,041)	(357,372)	(1,446,679)	(15,240,309)
Sales commissions	(96,109)	(2,678,995)	-	-	-	(1,262)	(2,776,366)
General and administrative expenses	(4,566,604)	(2,431,480)	(184,505)	(43,927)	(36,974)	(135,978)	(7,399,468)
Other operating income and expenses	(356,962)	(416,291)	(89,334)	(61,523)	-	-	(924,110)
Operating income before share-based payments	**(7,908,663)**	**(201,816)**	**(671,503)**	**(355,772)**	**(320,475)**	**933,298**	**(8,524,931)**
Share-based payments	(166,731)	(120,607)	-	-	-	-	(287,338)
Operating income after share-based payments	**(8,075,394)**	**(322,423)**	**(671,503)**	**(355,772)**	**(320,475)**	**933,298**	**(8,812,269)**
Cost of net financial debt	(2,123,316)	(120,964)	(648)	(8,336)	(1,403)	5,715	(2,248,952)
Other financial (expenses) / income	(147,269)	(31,207)	846	-	1,050	5,852	(170,728)
Tax (charge) / income	-	456,152	41,977	7,211	(683)	-	504,657
Consolidated net income/(loss)	**(10,345,979)**	**(18,442)**	**(629,328)**	**(356,897)**	**(321,511)**	**944,865**	**(10,727,292)**

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

3.4 2018 balance sheet by geographic region

(€)								Rest of the world	Total 12.31.2018
Goodwill	12,131,603	-	-	-	-	-	-	-	12,131,603
Intangible assets	6,956,142	1,142,570	-	-	-	-	-	-	8,098,712
Property, plant and equipment	7,832,418	1,651,502	53,211	13,190	219,622	268,781	107,394	207,668	10,353,786
Non-current financial assets	342,921	299,119	-	-	8,589	-	-	-	650,629
Deferred tax assets	669,688	1,491,440	-	-	(5,244)	(32,258)	(1,416)	-	2,122,210
Total non-current assets	**27,932,772**	**4,584,631**	**53,211**	**13,190**	**222,967**	**236,523**	**105,978**	**207,668**	**33,356,940**
Inventories	7,798,134	1,341,624	12,718	-	133,830	295,126	80,713	-	9,662,145
Trade receivables	1,143,358	2,565,781	-	10,879	71,676	550,529	77,822	941,207	5,361,252
Other current assets	2,150,252	298,402	10,281	1,240	8,088	5,618	7,047	-	2,480,928
Cash and cash equivalents	8,157,588	574,234	13,900	18,041	28,803	1,983,138	27,021	-	10,802,725
Total current assets	**19,249,332**	**4,780,041**	**36,899**	**30,160**	**242,397**	**2,834,411**	**192,603**	**941,207**	**28,307,050**
Total assets	**47,182,104**	**9,364,672**	**90,110**	**43,350**	**465,364**	**3,070,934**	**298,581**	**1,148,875**	**61,663,990**

(€)								Rest of the world	Total 12.31.2018
Share capital	2,595,176	-	-	-	-	-	-	-	2,595,176
Issue, merger and contribution premiums	26,450,274	-	-	-	-	-	-	-	26,450,274
Consolidated reserves	(14,278,745)	(9,863,105)	401,107	48,075	828,903	526,110	258,376	44,842	(2,308,227)
Group net income/(loss) for the period	(10,668,989)	(2,682,867)	(346,990)	(25,653)	(425,183)	1,266,371	(16,364)	1,089,547	(11,810,128)
Total shareholders' equity	**4,097,716**	**7,180,238**	**54,117**	**22,422**	**403,720**	**1,792,481**	**242,012**	**1,134,389**	**14,927,095**
Conditional advances	100,000	-	-	-	-	-	-	-	100,000
Non-current provisions	621,868	-	-	-	-	-	-	-	621,868
Deferred tax assets	669,701	-	-	-	-	-	-	-	669,701
Long-term financial debt	31,730,339	-	-	-	-	-	-	-	31,730,339
Other non-current liabilities	-	174,672	-	-	-	-	-	-	174,672
Total non-current liabilities	**33,121,908**	**174,672**	**-**	**-**	**-**	**-**	**-**	**-**	**33,296,580**
Current provisions	122,299	-	-	-	-	-	-	-	122,299
Other current financial liabilities	4,854,155	-	61	115	-	-	-	-	4,854,331
Trade payables	2,693,753	1,729,030	35,932	11,119	5,332	263,985	51,618	12,386	4,803,155
Other current liabilities	2,292,273	280,732	-	9,694	56,312	1,014,468	4,951	2,100	3,660,530
Total current liabilities	**9,962,480**	**2,009,762**	**35,993**	**20,928**	**61,644**	**1,278,453**	**56,569**	**14,486**	**13,440,315**
Total shareholders' equity and liabilities	**47,182,104**	**9,364,672**	**90,110**	**43,350**	**465,364**	**3,070,934**	**298,581**	**1,148,875**	**61,663,990**

3.5 2017 balance sheet by geographic region

(€)						Rest of the world	Total 12.31.2017
Goodwill	2,626,620	-	-	-	-	-	2,626,620
Intangible assets	6,751,890	1,130,863	-	-	-	-	7,882,753
Property, plant and equipment	8,430,426	1,854,338	142,081	-	208,813	136,090	10,771,748
Non-current financial assets	374,990	285,576	-	20,070	5,882	-	686,518
Deferred tax assets	859,685	1,191,166	(5,704)	-	(651)	-	2,044,496
Total non-current assets	**19,043,611**	**4,461,943**	**136,377**	**20,070**	**214,044**	**136,090**	**24,012,135**
Inventories	8,400,742	1,115,799	117,691	-	178,468	-	9,812,700
Trade receivables	1,309,859	1,693,532	103,628	8,634	47,929	809,553	3,973,135
Other current assets	2,053,841	135,450	4,015	11,602	7,137	3,088	2,215,133
Cash and cash equivalents	11,676,845	267,532	-	11,673	24,643	-	11,980,693
Total current assets	**23,441,287**	**3,212,313**	**225,334**	**31,909**	**258,177**	**812,641**	**27,981,661**
Total assets	**42,484,898**	**7,674,256**	**361,711**	**51,979**	**472,221**	**948,731**	**51,993,796**

(€)						Rest of the world	Total 12.31.2017
Share capital	2,413,266	-	-	-	-	-	2,413,266
Issue, merger and contribution premiums	60,567,352	-	-	-	-	-	60,567,352
Consolidated reserves	(38,347,310)	6,007,490	821,956	334,646	750,553	(31,150)	(30,463,815)
Group net income/(loss) for the period	(10,345,979)	(18,442)	(629,328)	(356,897)	(321,511)	944,865	(10,727,292)
Total shareholders' equity	**14,287,329**	**5,989,048**	**192,628**	**(22,251)**	**429,042**	**913,715**	**21,789,511**
Conditional advances	196,250	-	-	-	-	-	196,250
Non-current provisions	574,567	-	-	-	-	-	574,567
Deferred tax assets	859,695	-	-	-	-	-	859,695
Long-term financial debt	16,738,955	-	-	-	-	-	16,738,955
Total non-current liabilities	**18,369,467**	**-**	**-**	**-**	**-**	**-**	**18,369,467**
Current provisions	137,761	-	87,914	-	-	-	225,675
Other current financial liabilities	4,383,979	-	3,284	115	-	-	4,387,378
Trade payables	3,392,734	1,132,761	42,179	69,715	9,826	25,641	4,672,856
Other current liabilities	1,913,628	552,447	35,706	4,400	33,353	9,375	2,548,909
Total current liabilities	**9,828,102**	**1,685,208**	**169,083**	**74,230**	**43,179**	**35,016**	**11,834,818**
Total shareholders' equity and liabilities	**42,484,898**	**7,674,256**	**361,711**	**51,979**	**472,221**	**948,731**	**51,993,796**

NOTE 4: OPERATIONAL DATA

4.1 Key operating performance indicators

The performance indicators used by the Group are as follows:

- sales;
- operating income before depreciation, amortization and impairment;
- operating income after depreciation, amortization and impairment.

4.2 Inventories

Raw material inventories are measured at their weighted average cost, including sourcing costs.

Finished and semi-finished goods and work-in-progress 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:

	12.31.2018			12.31.2017		
(€)	Gross values	Impairment	Net values	Gross values	Impairment	Net values
Raw materials	378,569	(46,798)	331,771	494,979	(26,379)	468,600
Work-in-process	441,059	(51,948)	389,111	1,072,507	(87,336)	985,171
Semi-finished goods	1,651,784	(420,996)	1,230,788	1,891,621	(157,507)	1,734,114
Finished goods	10,762,121	(3,051,646)	7,710,475	9,788,587	(3,163,772)	6,624,815
Total	**13,233,533**	**(3,571,388)**	**9,662,145**	**13,247,694**	**(3,434,994)**	**9,812,700**

The total gross value of inventories was stable in comparison with 2017 and declined by 4% at constant consolidation scope. The €0.9 million increase in finished goods results from new products becoming available, notably all the components of the PASS TULIP range. The €0.6 million reduction in work-in-process reflects the normalization of operations at the Rillieux-la-Pape plant.

Impairment charges accounted for 27% of the average gross amounts at December 31, 2018, compared with 26% at December 31, 2017,

4.3 Trade receivables and other assets

Trade receivables are current financial assets, which are initially recorded at their fair value, and subsequently at amortized cost, less any impairment charges. The fair value of trade receivables is considered to be their face value, in view of the payment terms, which are usually shorter than 3 months.

Trade receivables may be the subject of an impairment charge, where applicable. Following the application of IFRS 9, from now on trade receivables shall be subject to a loss allowance for impairment at the time of initial recognition, based on an assessment of expected credit losses at maturity. The loss allowance is subsequently revised depending on the increase in risk of non-recovery, where applicable. Indications of impairment that may lead the Group to such a revision include the existence of unresolved disputes, the maturity of receivables, or significant financial difficulties on the part of the debtor.

Trade receivables may be discounted, or assigned to banks as part of recurring or one-off transactions. A review is then performed at the time of these transactions, in accordance with the principles established by IAS 39 regarding the derecognition of financial investments, in order to value the transfer of the risks and rewards incident to ownership of these receivables, including the credit risk, late-payment risk, and dilution risk. If this review highlights not only the contractual transfer of the right to receive the cash flows linked to the assigned receivables, but also the transfer of virtually all of the risks and rewards, the trade receivables are then derecognized from the consolidated statement of financial position, and all of the rights created or retained at the time of the transfer are recognized, where applicable.

In the opposite situation, which is usually the case for the Group, trade receivables continue to be recognized in the consolidated statement of financial position, and a financial liability is recognized for the assigned amount.

Trade and other receivables are analyzed as follows:

	12.31.2018			12.31.2017		
(€)	Gross values	Impairment	Net values	Gross values	Impairment	Net values
Trade receivables	**5,464,975**	**(103,723)**	**5,361,252**	**4,003,281**	**(30,146)**	**3,973,135**
Social security receivables	5,571	-	5,571	4,714	-	4,714
Tax receivables	1,537,202	-	1,537,202	1,690,479	-	1,690,479
Other receivables	160,460	-	160,460	295,598	-	295,598
Prepaid expenses	777,695	-	777,695	224,342	-	224,342
Other assets	**2,480,928**	**-**	**2,480,928**	**2,215,133**	**-**	**2,215,133**
Total	**7,945,903**	**(103,723)**	**7,842,180**	**6,218,414**	**(30,146)**	**6,188,268**
of which due in less than one year	*7,945,903*	*(103,723)*	*7,842,180*	*6,218,414*	*(30,146)*	*6,188,268*
Average days sales outstanding	**59 days**			**55 days**		

Of the €1.2 million increase in trade receivables, €0.6 million is the result of changes in scope, with the remainder arising from a one-off deterioration in the average time taken to recover receivables (notably in the US market), which lengthened from 55 days at December 31, 2017 to 59 days at December 31, 2018.

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

The €0.5 million change in prepaid expenses is explained by the recognition of rent invoices relating to the 1st quarter of 2019 in December 2018, while the rent invoices relating to the 1st quarter of 2018 were not received during the 2017 fiscal year.

4.4 Trade payables and other liabilities

Changes in trade payables and other liabilities were as follows:

(€)	12.31.2018	12.31.2017
Trade payables	4,803,155	4,672,856
Social security liabilities	2,024,395	1,871,207
Tax liabilities	712,937	237,931
Other liabilities	1,097,870	439,771
Other liabilities	3,835,202	2,548,909
Total	8,638,357	7,221,765
of which due in less than one year	*8,463,685*	*6,971,619*

The increase in trade payables is a result of changes in scope and seasonal effects.

Tax liabilities in 2018 consisted of €0.5 million in corporate income tax in respect of MEDICREA BELGIUM.

The €0.7 million increase in "Other liabilities" is mainly a result of changes in scope.

4.5 Revenue

IFRS 15 – "Revenue from Contracts with Customers" bases the recognition of revenue on the transfer of control, while IAS 18 – "Revenue" based it on the transfer of risks and rewards. In most cases within the Group, the transfer of control takes place at the same time as the transfer of risks, namely when products are dispatched. But in certain cases, when the Group delivers directly to healthcare institutions, implants and instruments are held on consignment. They are not invoiced on delivery and remain recognized as Group assets. Only implants that have been placed and/or potentially broken or lost instruments are subsequently invoiced.

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

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

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

4.6 Research & development costs

4.6.1 Capitalized development costs

The innovation process may be broken down between a research activity and a development activity. Research is the activity that enables scientific knowledge or new techniques to be acquired. Development is the application of the research results, with a view to creating products prior to beginning to produce them commercially.

The costs linked to research are expensed during the fiscal year in which they are incurred.

Meanwhile, development expenses are capitalized, if the Group is in a position to demonstrate:

- its intention, as well as its financial and technical capacity to bring the development project to term;
- that the intangible asset will generate future economic benefits with a value that it is higher than its net book value;
- and that the cost of this intangible asset can be measured reliably.

Capitalized development expenses are amortized over a maximum period of 5 years.

The development expenses capitalized during the fiscal year are entered in the following balance sheet items:

(€)	12.31.2018	12.31.2017
Research & development costs	1,471,093	1,891,664
Patent costs	219,004	229,847
Software	230,964	816,032
Total	1,921,061	2,937,543

4.6.2 Research and development costs recognized in the income statement

Expensed research and development costs consist of the expenses over the period that have not been capitalized, and of additions to the amortization charges for capitalized R&D expenses. They are reduced by the amount of the French research tax credit.

In France, the research tax credit, which is calculated on the basis of certain research expenses relating to projects considered as “eligible”, is repaid by the State regardless of the entity’s situation in terms of corporation tax: if the company that receives the research tax credit is liable for tax, this credit is deducted from the tax payable; otherwise, it is repaid by the State. Accordingly, the research tax credit, or any other similar tax arrangement that may exist in other foreign jurisdictions, does not fall within the scope of application of IAS 12 – Income Taxes, and is recognized as a deduction to the

research and development costs taken to operating income at the rate at which the financed costs are recognized as expenses. The United States also has a research tax credit system; unlike in France, however, the resulting credit can only be applied to corporate income tax for which the company is liable. Given that the US operation has yet to report a profit, the research tax credit is not recognized in the financial statements of MEDICREA USA Corp.

Total R&D costs expensed for the year are analyzed as follows:

(€)	12.31.2018	12.31.2017
Research & development costs	3,356,490	3,810,600
Capitalized research & development costs	(1,921,061)	(2,937,543)
Amortization charge of capitalized research and development costs	2,518,962	2,041,198
Research tax credit	(887,701)	(897,375)
Total	**3,066,690**	**2,016,880**

4.7 Amortization, depreciation and impairment charges

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

Amortization and depreciation	12.31.2018	12.31.2017
Industrial and commercial property rights	329,559	301,568
Other intangible assets	2,232,970	1,728,574
Buildings	16	6,424
Plant, machinery and tools, instruments	2,742,532	2,219,605
Other property, plant and equipment	728,579	740,705
Total	**6,033,656**	**4,996,876**

The rules and principles relating to the recognition of non-current assets, and of the depreciation and amortization, and impairment charges that concern those assets are reviewed in detail in Note 6.

Impairment	12.31.2018	12.31.2017
Inventories	136,394	746,679
Trade receivables	73,577	(6,640)
Total	**209,971**	**740,039**

Amortization and depreciation charges are analyzed as follows:

(€)	12.31.2018	12.31.2017
Cost of sales	640,651	380,626
Research & development and patent costs	2,518,962	2,041,198
Sales & marketing expenses	2,052,883	1,745,501
General and administrative expenses	779,801	773,992
Other operating income and expenses	41,359	55,559
Total	**6,033,656**	**4,996,876**

4.8 Royalties

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

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

4.9 Operating income and other income and expenses from operations

4.9.1 Operating income

Operating income includes all income and expenses other than:

- interest income and expenses;
- other financial income / expenses;
- corporate tax.

4.9.2 Other income and expenses

To make understanding the income statement and the Group's financial performance easier, unusual items that are significant on the level of the consolidated entity are identified on the operating income line entitled "Other income and expenses".

Other income and expenses are analyzed as follows:

(€)	12.31.2018	12.31.2017
Closure of MEDICREA TECHNOLOGIES UK	(292,772)	-
Lawyers' fees	(112,685)	(416,291)
Closure of the repair center	(102,279)	-
Expenses incurred when searching for funding	(50,000)	-
Disputes with employees	37,081	(372,944)
Balance of 2017 restructuring costs	-	(14,585)
Other	(40,383)	(28,600)
Total	**(561,038)**	**(924,110)**

The Group ceased its activities in the UK from September 1, 2018, and mothballed its subsidiary MEDICREA TECHNOLOGIES UK, leading to the redundancy of all staff and the closure of its Cambridge distribution center. The Group is now represented in the UK by an independent distributor.

The costs of closing this subsidiary include costs for staff redundancies, termination of lease agreements for premises and termination of the main ongoing contracts, as well as the write-off of the net book value of assets that will not be recovered by the Group.

The lawyers' fees relate to the court proceedings initiated against K2M by MEDICREA USA, as well as to the defense costs incurred as part of an investigation launched by the US Department of Justice (DOJ).

The Group also ended its ancillary activity repairing motors for surgical devices as of December 31, 2018, following the decision of its longstanding partner to entrust this to a company located in a different European country.

The costs of closing down this business primarily relate to staff redundancy costs.

The expenses incurred when searching for funding relate to projects that were not completed.

4.10 Impact of exchange differences on sales and operating income

Average exchange rates evolved as follows:

Average conversion rates	12.31.2018	12.31.2017
USD / EUR	1.18384	1.12493
GBP / EUR	0.88535	0.87313
PLN / EUR	4.25803	4.26218
AUD / EUR	1.5817	1.47279

The impact of currency fluctuations on the comparability of the 2017 and 2018 financial statements is as follows:

(€)	12.31.2018 at the 12.31.2018 rate	12.31.2018 at the 12.31.2017 rate	Impact of exchange rates
Sales	32,279,021	33,114,543	(835,522)
Operating income after share-based payments	(9,078,137)	(9,154,208)	76,071

NOTE 5: EMPLOYEE COSTS AND BENEFITS

5.1 Workforce

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

	12.31.2018			12.31.2017		
	Male	Female	Total	Male	Female	Total
Executives	56	37	93	50	34	84
Supervisors - Employees	42	44	86	51	37	88
Total	**98**	**81**	**179**	**101**	**71**	**172**
	69	*56*	*125*	*74*	*52*	*126*
	20	*17*	*37*	*23*	*14*	*37*
	-	-	-	*4*	*2*	*6*
	-	*5*	*5*	-	*3*	*3*
	9	2	11	-	-	-
	-	1	1	-	-	-

5.2 Employee benefits

Employee benefits are measured in accordance with IAS 19 revised, which has applied since January 1, 2014. They break down between short-term benefits and long-term benefits.

The Group's employees receive short-term benefits such as paid leave, bonuses and other benefits (other than termination allowances), which are payable within the 12-month period following the end of the period during which they performed the corresponding services.

These benefits are recognized in current payables, and are expensed during the fiscal year in which the service is provided by the employee.

Long-term benefits cover two categories of employee benefits:

- post-retirement benefits, which specifically include retirement allowances, supplementary pensions, and the covering of certain medical expenses for retirees or early retirees;
- other long-term benefits (during employment), which primarily cover long-service awards.

The various benefits offered to each employee depend on the local legislation, arrangements, or agreements in effect at each Group company. These benefits can be characterized in two ways:

- so-called defined contribution schemes, which do not imply any future commitment, since the employer's obligation is limited to the regular payment of contributions; these benefits are expensed on the basis of the requests for contributions;
- so-called defined benefit schemes, via which the employer guarantees a future level of benefits. An obligation (see Note 6.3) is then recorded under liabilities in the financial statement.

The income statement sets out personnel expenses according to their intended purpose. These expenses specifically include the following items:

(€)	12.31.2018	12.31.2017
Wages and salaries, and temporary staff	12,337,772	11,402,201
Social security costs	3,761,981	3,478,891
French tax credit for competitiveness and employment	(169,751)	(161,667)
Pension expenses for defined contribution schemes	103,343	87,492
Capitalized research and development costs (1)	(1,133,000)	(1,257,475)
Total	14,900,345	13,549,442

(1): for the salaries and expenses component only

In France, the Group receives the Competitiveness and Employment Tax Credit (CICE), which is calculated on the basis of the compensation paid to employees. This tax credit is repaid by the State, regardless of the entity's situation in terms of corporation tax. This means that it does not fall within the scope of application of IAS 12 – Income Taxes. The CICE is recognized as a deduction to personnel expense in operating income. It will not apply to subsequent fiscal years beyond 2018.

Employee costs are broken down as follows:

(€)	12.31.2018	12.31.2017
Cost of sales	3,062,977	2,539,950
Research & development costs (1)	613,644	340,976
of which salaries and employer contributions	*1,746,644*	*1,598,451*
of which share of capitalized costs	*(1,133,000)*	*(1,257,475)*
Sales & marketing expenses	8,509,394	7,909,373
General and administrative expenses	2,714,330	2,759,143
Total	14,900,345	13,549,442

(1): corresponds to non-capitalized employee costs

The overall increase in employee costs of €1.4 million is primarily attributable to the company MEDICREA BELGIUM entering the scope of consolidation, generating €0.8 million in marketing expenses and €0.1 million in additional administrative expenses.

5.3 Pension plans and similar benefits

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

Pursuant to IAS 19 revised, within the context of defined benefit plans, post-employment benefits and other long-term benefits are measured in accordance with the projected unit credit method based on parameters specific to each employee (age, occupational category), and assumptions specific to the company (collective agreement, staff turnover rate, future salary forecasts, life table).

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

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

- the cost of services rendered during the fiscal year, past service costs and the potential effects of any plan curtailment or liquidation recognized in operating income;
- the charge net of interest on obligations and plan assets recognized in net financial income/(expense).

The Group does not finance its commitments through payments to external funds. The servicing of retirement benefits as provided for by the collective agreements applicable to MEDICREA INTERNATIONAL (Import/Export) is the subject of a provision recognized in current liabilities for the portion due within one year, and in non-current liabilities for the balance. The corresponding commitment is measured annually based on the specific features and external factors, which are summarized as follows:

- retirement age: age at which an employee has acquired sufficient entitlements to obtain a full pension;
- social security rates: adjusted based on the employee and company status. On average, rates are 44.5% for executives and 37% 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: 1.60%, 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 IAS 19 Revised and the ANC's recommendation.

The provision for acquired rights was €639,367 at December 31, 2018, compared with €600,328 at December 31, 2017. Movements are analyzed as follows:

(€)	12.31.2018	12.31.2017
Actuarial liability at the start of the period	600,328	525,011
Service cost in operating income	*103,343*	*87,492*
Net financial expense	*7,637*	*7,272*
Charge for the year in respect of defined benefit plans	110,980	94,764
Actuarial gains and losses	(71,941)	(19,447)
Actuarial liability at the balance sheet date	639,367	600,328

Actuarial gains and losses arose from changes in the assumptions used (€47k) and employee transfers (€25k).

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

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

5.4 Long-service awards

No provision is established for commitments related to long-service awards, since the applicable collective agreement does not provide for any specific provision in that regard.

5.5 Share-based payments

Certain employees and/or corporate officers of the MEDICREA Group receive compensation in equity instruments, the payment of which is based on shares. This compensation takes the form of free share allocation plans or of stock option plans. Almost all of the costs relating to these plans are expensed.

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

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

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

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

At the Shareholders' Meetings of March 10, 2006, June 25, 2009, June 14, 2012, June 25, 2014, June 3, 2015, December 18, 2015, June 7, 2016, June 15, 2017, November 8, 2017, and May 17, 2018, 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, September 19, 2016, September 14, 2017, December 22, 2017, February 8, 2018, July 27, 2018 and December 20, 2018 share subscription options and/or free shares were allocated.

5.5.1 Share purchase option plans

The characteristic features of these share purchase plans authorized by the Shareholders' Meeting were as follows at December 31, 2018:

Year the plan was arranged	Number of options authorized	Number of options canceled / lapsed	Number of options exercised	Number of shares not yet vested	Exercise price (€)	Year unexercised options will lapse
2008	20,723	16,556	4,167	-	-	-
2009	53,480	33,000	20,480	-	-	-
2010	112,800	99,926	12,874	-	-	-
2011	95,500	95,500	-	-	-	-
2013	10,000	10,000	-	-	-	-
2014	30,000	-	-	30,000	9.10	2021
2015	12,000	12,000	-	-	-	-
2016	406,500	406,500	-	-	-	-
2017	210,000	50,000	-	160,000	3.95 / 4.11 *	2024
2017	450,000	25,000	-	425,000	2.85 *	2024
2018	570,000	-	-	570,000	2.96 / 3.21 *	2025
2018	100,000	-	-	100,000	2.73	2025
2018	65,000	-	-	65,000	2.38	2025
Total	**2,136,003**	**748,482**	**37,521**	**1,350,000**		

* The exercise price differs for US employees as the allocation dates are final 20 trading days after the date of the Board of Directors' meeting deciding the allocation.

5.5.2 Free share plans

The characteristic features of these free share plans authorized by the Shareholders' Meeting were as follows at December 31, 2018:

Year the plan was arranged	Number of free shares authorized	Number of free shares canceled	Number of free shares vested	Number of shares to be allocated	Year vested (1)
2008	18,099	936	17,163	-	2010 / 2012
2009	45,800	8,100	37,700	-	2011 / 2013
2010	45,885	9,965	35,920	-	2012 / 2014
2011	3,500	-	3,500	-	2013
2016	72,990	31,000	41,990	-	2017 / 2018
2018	5,000	-	-	5,000	2019
2018	787,000	-	-	787,000	2019 / 2020
Total	**978,274**	**50,001**	**136,273**	**792,000**	

(1) The vesting year varies depending on the countries where the beneficiaries of the plan are employed.

5.5.3 Change in stock purchase option and free share plans

Transactions in share-based payment instruments over the last two fiscal years are summarized as follows as at December 31, 2018:

	Subscription options			Free shares		
	Number of options	Average residual contractual life	Average exercise price (€)	Number of shares	Average residual contractual life	
					France	United States
Balance at 12.31.16	**569,718**	**5.33**	**6.09**	**72,990**	**0.72**	**1.72**
- allocated	660,000	6.89	3.00	-	-	-
- canceled	(464,000)	5.64	5.75	(9,000)	-	-
- lapsed	(16,592)	-	6.14	-	-	-
- exercised	-	-	-	(32,990)	-	-
Balance at 12.31.17	**706,592**	**6.58**	**3.67**	**31,000**	**-**	**0.72**
- allocated	735,000	3.40	2.93	792,000	0.97	1.97
- canceled	(75,000)	3.97	3.69	(22,000)	-	-
- lapsed	(16,592)	-	8.06	-	-	-
- exercised	-	-	-	(9,000)	-	0.72
Balance at 12.31.2018	**1,350,000**	**6.01**	**3.16**	**792,000**	**0.97**	**1.97**

5.5.4 Reflection of allocated instruments in the financial statements

The expenses relating to the share-based payment instruments allocated since the outset break down as follows:

Allocation date	Type	Number of outstanding securities	Exercise price (€)	Share price on the allocation date (€)	Dividend yield	Expected volatility	Risk-free rate	Fair value (€)	2018 accounting charge (€ K)	Cost of plans since inception (€K)
06.05.2008	Option	4,167	6.00	5.73	0%	40%	4.44%	2.74	-	69
06.05.2008	Share	17,163	Free	5.73	0%	-	-	5.73	-	97
25.06.2009	Option	7,480	6.16	6.55	0%	40%	2.89%	2.63	-	262
25.06.2009	Share	35,700	Free	6.55	0%	-	-	6.55	-	267
12.17.2009	Option	13,000	6.32	5.96	0%	40%	2.54%	2.31	-	33
12.17.2009	Share	2,000	Free	5.96	0%	-	-	5.96	-	12
06.17.2010	Option	12,874	6.14	6.22	0%	40%	1.83%	2.44	-	247
06.17.2010	Share	35,920	Free	6.22	0%	-	-	6.22	-	263
06.16.2011	Option	-	9.10	9.40	0%	33%	2.37%	3.06	-	244
06.16.2011	Share	3,500	Free	9.40	0%	-	-	9.40	-	33
12.17.2013	Option	-	8.77	8.88	0%	36%	2.69%	3.05	-	30
27.03.2014	Option	30,000	9.10	9.14	0%	35%	2.33%	3.01	-	91
09.03.2015	Option	-	6.67	6.48	0%	33%	0.37%	1.77	-	15
25.07.2016	Option	-	5.43	5.87	0%	35%	- 0.24%	1.85	-	160
08.22.2016	Share	-	Free	5.87	0%	-	-	5.87	-	83
09.19.2016	Option	-	5.74	5.71	0%	36%	- 0.25%	1.66	-	7
09.19.2016	Share	41,990	Free	5.85	0%	-	-	5.85	19	260
09.14.2017	Option	160,000	3.95	3.86	0%	34%	- 0.01%	1.07	86	114
09.14.2017	Option	-	4.11	4.61	0%	34%	- 0.01%	1.50	-	13
12.22.2017	Option	425,000	2.85	2.79	0%	35%	0.11%	0.78	197	205
02.08.2018	Option	410,000	2.96	3.19	0%	35%	0.37%	1.03	270	270
02.08.2018	Option	160,000	3.21	3.18	0%	35%	0.37%	0.93	80	80
27.07.2018	Share	5,000	Free	2.99	0%	-	-	2.99	6	6
27.07.2018	Option	100,000	2.73	2.56	0%	35%	0.19%	0.70	18	18
12.20.2018	Share	697,000	Free	2.26	0%	-	-	2.26	48	48
12.20.2018	Share	90,000	Free	2.26	0%	-	-	2.26	3	3
12.20.2018	Option	65,000	2.38	2.38	0%	37%	0.15%	0.74	1	1
Total		2,315,794							728	2,931

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

5.6 US Employee Stock Purchase Plan (ESPP)

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

- Only employees who have worked for the company for at least three months at the time of the annual subscription (in December) may take part in the plan, by paying a fixed amount into a dedicated account on a monthly basis;

- The sums thus accumulated give them the right at the end of each year to purchase MEDICREA INTERNATIONAL shares at a price equal to 85% of the average share price on January 1 and November 30;
- These shares must be retained for 12 months before they can be sold or transferred.

Since the implementation of this plan, employees have subscribed to 35,628 shares (18,147 shares in 2018 at a price of $2.67, 3,303 shares in 2017 at a price of $3.45, 7,879 shares in 2016 at a price of $4.32 and 6,299 shares in 2015 at a price of $6.41). The difference between the price actually paid by the Company to acquire the options and the price paid by the employees is recorded as an expense in the fiscal year ($9,941 in 2018). The expenses relating to the administration of this plan ($12,850 in 2018) are borne by MEDICREA USA.

5.7 French Personal Training Account (PTA)

Only training expenses effectively incurred, 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.

The Group'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.

5.8 Senior executives and corporate officers' compensation

MEDICREA INTERNATIONAL has four executive corporate officers. They are Denys SOURNAC, Chairman and Chief Executive Officer of MEDICREA INTERNATIONAL, and Fabrice KILFIGER and David RYAN, Deputy Chief Executive Officers of MEDICREA INTERNATIONAL. Mr. CAFFIERO has not carried out any operational duties at the Group since January 1, 2018, but remains a Director 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.

5.8.1 Compensation paid or awarded in 2018

Compensation paid or awarded during 2018 is as follows:

Denys SOURNAC – Chairman and Chief Executive Officer

	2018		2017	
Compensation (€)	Amount due	Amount paid	Amount due	Amount paid
Gross fixed compensation (1)	300,000	300,000	300,000	300,000
Gross variable compensation	-	-	-	-
Directors' fees	8,000	8,000	8,000	7,000
Benefits in kind	-	-	-	-
Total	**308,000**	**308,000**	**308,000**	**307,000**

(1) Services invoiced by ORCHARD INTERNATIONAL

Fabrice KILFIGER – Deputy CEO and Chief Financial Officer

	2018		2017	
Compensation (€)	Amount due	Amount paid	Amount due	Amount paid
Gross fixed compensation	197,164	197,164	187,780	187,780
Gross variable compensation	-	15,000 (1)	15,000	15,000 (1)
Directors' fees	-	-	-	-
Benefits in kind (2)	11,460	11,460	10,443	10,443
Total	**208,624**	**223,624**	**213,223**	**213,223**

(1) Compensation for the previous fiscal year
(2) Benefits in kind: company car

David RYAN – Deputy CEO and Chief Operating Officer

	2018		2017	
Compensation (€)	Amount due	Amount paid	Amount due	Amount paid
Gross fixed compensation	199,500	199,500	175,370	175,370
Gross variable compensation	-	30,000 (1)	30,000	25,000 (1)
Directors' fees	-	-	-	-
Benefits in kind (2)	8,004	8,004	7,257	7,257
Total	**207,504**	**237,504**	**212,627**	**207,627**

(1) Compensation for the previous fiscal year
(2) Benefits in kind: company car

5.8.2 Options allocated and exercised in 2018

Options allocated during 2018 are as follows:

Beneficiaries	Company granting the options	Date options granted by Board of Directors	Number of options	Year unexercised options will lapse	Exercise price (€)
Fabrice KILFIGER	MEDICREA INTERNATIONAL	02.08.2018	160,000	2025	2.96
David RYAN	MEDICREA INTERNATIONAL	02.08.2018	60,000	2025	2.96

No options were exercised during the 2018 fiscal year by the executive corporate officers of the Company.

A history of options awarded as of December 31, 2018 is as follows:

Fabrice KILFIGER Date of Board of Directors' meeting	06.05.08	06.25.09	06.17.10	02.08.2018
Number of options allocated	4,167	20,000	10,000	160,000
Year unexercised options will lapse	2018	2016	2017	2025
Exercise price (€)	6.00	6.16	6.14	2.96
Number of options exercised	4,167	11,354	-	-
Number of options canceled / lapsed	-	8,646	10,000	-
Number of shares not yet vested	-	-	-	160,000

David RYAN Date of Board of Directors' meeting	06/05/2008	06/25/2009	06/17/2010	09/14/2017	02.08.2018
Number of options allocated	3,542	15,000	5,000	100,000	60,000
Year unexercised options will lapse	2018	2016	2017	2024	2025
Exercise price (€)	6.00	6.16	6.14	3.95	2.96
Number of options exercised	-	-	-	-	-
Number of options canceled / lapsed	3,542	15,000	5,000	-	-
Number of shares not yet vested	-	-	-	100,000	60,000

5.8.3 Free shares allocated in 2018

Free shares allocated during 2018 are as follows:

Beneficiaries	Company awarding free shares	Date of Board meeting at which free shares were awarded	Number of free shares	Delivery date	Valuation of free shares (1) (€)
Denys SOURNAC	MEDICREA INTERNATIONAL	12/20/2018	300,000	2019	2.26
Fabrice KILFIGER	MEDICREA INTERNATIONAL	12/20/2018	90,000	2019	2.26
David RYAN	MEDICREA INTERNATIONAL	12/20/2018	90,000	2019	2.26

(1) Based on the method used for the consolidated financial statements

A history of free shares awarded as of December 31, 2018 is as follows:

Denys SOURNAC

Date of Board of Directors' meeting	12/20/2018
Number of shares allocated	300,000
Delivery date of free shares	2019
Valuation of free shares - € (1)	2.26

(1) Based on the method used for the consolidated financial statements

Fabrice KILFIGER

Date of Board of Directors' meeting	06/05/2008	06/25/2009	06/17/2010	09/19/2016	12/20/2018
Number of shares allocated	2,778	7,500	2,500	9,000	90,000
Delivery date of free shares	2010	2011	2012	2018	2019
Valuation of free shares - € (1)	5.73	6.55	6.22	5.85	2.26

(1) Based on the method used for the consolidated financial statements

David RYAN

Date of Board of Directors' meeting	06/05/2008	06/25/2009	06/17/2010	06/16/2011	09/19/2016	12/20/2018
Number of shares allocated	2,361	6,000	2,500	3,000	9,000	90,000
Delivery date of free shares	2010	2011	2012	2013	2018	2019
Valuation of free shares - € (1)	5.73	6.55	6.22	9.40	5.85	2.26

(1) Based on the method used for the consolidated financial statements

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

6.1 Goodwill

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

Goodwill is analyzed as follows:

(€)	12.31.2018	12.31.2017
Acquisition of MEDICREA BELGIUM	8,758,164	-
Acquisition of MEDICREA TECHNOLOGIES (*)	2,364,277	2,364,277
Acquisition of MEDICREA AUSTRALIA	747,226	-
Acquisition of MEDICREA EUROPE FRANCOPHONE (*)	212,573	212,573
Acquisition of MEDICREA TECHNOLOGIES UK	49,363	49,770
Total	12,131,603	2,626,620

(*): merged into MEDICREA INTERNATIONAL

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

Goodwill in relation to the interest held in MEDICREA BELGIUM takes into account a commitment to buy shares from minority shareholders of €8.9 million, calculated on the basis of EBITDA forecasts available as of December 31, 2018, using a discount rate of 1.6%. Goodwill in relation to the interest held in MEDICREA AUSTRALIA takes into account a commitment to buy shares from minority shareholders of €0.7 million, calculated on the basis of EBITDA forecasts available as of December 31, 2018 and commercial operations being launched in Q4 2018, and using a discount rate of 1.6%.

The market capitalization based on the MEDICREA share price was €37.1 million at December 31, 2018, compared with consolidated shareholders' equity of €14.9 million at the same date.

6.2 Non-current assets impairment tests

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

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

6.3 Intangible assets

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

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

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

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

6.4 Property, plant and equipment

Property, plant and equipment items that are purchased separately are initially valued at their historical cost, in accordance with IAS 16. This cost includes the expenses that are directly related to the purchase of the asset, and the estimated cost of the obligation to return part of the asset to working order, where applicable.

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

Subsequent expenditure on non-current assets is expensed when it is incurred, except for the expenditure incurred in order to extend the useful life of the asset.

Ancillary parts included in sets made available to customer health institutions are capitalized until their return or replacement for cause of breakage, loss or obsolescence.

Property, plant and equipment is the subject of an impairment test, in accordance with the method set out in Note 6.2.

The depreciation charges are calculated in accordance with the estimated useful life of the non-current assets:

- technical facilities and equipment: 3 to 10 years;
- demonstration equipment; 3 years;
- Instrument sets; 3 years;
- office equipment, computer hardware, and furniture: 3 to 10 years;
- general facilities and fittings: 10 to 12 years;
- motor vehicles: 4 years.

In the case of the fixtures and fittings in the head office in Rillieux-la-Pape and in the premises in New York, the estimated useful life corresponds to the full term of the lease.

6.5 Non-current financial assets

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

6.6 Non-current assets, and amortization and depreciation charges of the last two years

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

Non-current assets – €	12.31.2018	12.31.2017
Research & development costs	14,086,800	12,438,508
Patents and similar rights	4,687,565	4,468,561
Computer licenses and software	3,274,269	2,404,187
Brands	25,133	25,133
Intangible assets	**22,073,767**	**19,336,389**
Buildings	-	4,525
Technical facilities and equipment	6,123,091	6,148,968
Demonstration equipment	836,436	658,830
Instrument sets	7,821,310	6,401,042
Computer hardware and office equipment	2,312,627	2,492,148
Other non-current assets	4,141,303	3,916,801
Property, plant and equipment	**21,234,767**	**19,622,314**
Guarantees and deposits	650,629	686,518
Non-current financial assets	**650,629**	**686,518**
Total gross values	**43,959,163**	**39,645,221**

Amortization, depreciation and provisions – €	12.31.2018	12.31.2017
Intangible asset amortization	13,975,055	11,453,636
Property, plant and equipment depreciation	10,880,981	8,850,566
Total amortization, depreciation and provisions	**24,856,036**	**20,304,202**
Total net values	**19,103,127**	**19,341,019**

Over a 2-year period, changes in non-current assets (excluding goodwill) were as follows:

Net non-current assets – €	12.31.2018	12.31.2017
At the start of the period	**19,341,019**	**17,108,993**
Investments during the period	6,061,665	8,789,073
Disposals during the period	(523,686)	(940,869)
Amortization, depreciation and provision charges	(6,033,656)	(4,996,876)
Change in consolidation scope	59,314	-
Translation adjustment	198,471	(619,302)
At the end of the period	**19,103,127**	**19,341,019**

6.7 Change in non-current assets, and depreciation and amortization in 2018

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

Gross values (€)	01.01.2018	Translation adjustment	Acquisitions	Disposals	Other	12.31.2018
Research & development costs	12,438,508	22,449	1,625,843	-	-	14,086,800
Patents and similar rights	4,468,561	-	219,004	-	-	4,687,565
Computer licenses and software	2,404,187	44,032	891,017	64,967	-	3,274,269
Brands	25,133	-	-	-	-	25,133
Intangible assets	**19,336,389**	**66,481**	**2,735,864**	**64,967**	**-**	**22,073,767**
Buildings	4,525	-	-	4,525	-	-
Technical facilities and equipment	6,148,968	330	490,524	516,731	-	6,123,091
Demonstration equipment	658,830	13,127	331,759	167,280	-	836,436
Instrument sets	6,401,042	127,428	2,239,729	1,130,253	183,364	7,821,310
Computer hardware and office equipmen	2,492,148	9,935	161,696	247,954	(103,198)	2,312,627
Other non-current assets	3,916,801	51,393	74,346	18,266	117,029	4,141,303
Property, plant and equipment	**19,622,314**	**202,213**	**3,298,054**	**2,085,009**	**197,195**	**21,234,767**
Guarantees and deposits	686,518	13,373	27,747	77,009	-	650,629
Non-current financial assets	**686,518**	**13,373**	**27,747**	**77,009**	**-**	**650,629**
Total gross values	**39,645,221**	**282,067**	**6,061,665**	**2,226,985**	**197,195**	**43,959,163**

Amortization and depreciation (€)	01.01.2018	Translation adjustment	Charges	Reversals	Other	12.31.2018
Research & development costs	7,675,359	14,121	1,690,566	-	-	9,380,046
Patents and similar rights	3,142,962	-	329,559	-	-	3,472,521
Computer licenses and software	610,182	9,737	542,403	64,967	-	1,097,355
Brands	25,133	-	-	-	-	25,133
Intangible assets	**11,453,636**	**23,858**	**2,562,528**	**64,967**	**-**	**13,975,055**
Buildings	4,405	-	16	4,421	-	-
Technical facilities and equipment	2,558,758	330	694,139	306,332	-	2,946,895
Demonstration equipment	379,491	3,319	221,429	105,663	(8,945)	489,631
Instrument sets	4,037,861	30,690	1,826,964	982,923	136,095	5,048,687
Computer hardware and office	1,272,715	7,756	328,232	236,699	10,731	1,382,735
equipment	597,336	17,643	400,348	2,294	-	1,013,033
Other non-current assets	**8,850,566**	**59,738**	**3,471,128**	**1,638,332**	**137,881**	**10,880,981**
Property, plant and equipment						
Total amortization and depreciation	**20,304,202**	**83,596**	**6,033,656**	**1,703,299**	**137,881**	**24,856,036**

Net values (€)	01.01.2018	Translation adjustment	Increases	Decreases	Other	12.31.2018
Intangible assets	7,882,753	42,623	173,336	-	-	8,098,712
Property, plant and equipment	10,771,748	142,475	(173,074)	446,677	59,314	10,353,786
Non-current financial assets	686,518	13,373	27,747	77,009	-	650,629
Total net values	**19,341,019**	**198,471**	**28,009**	**523,686**	**59,314**	**19,103,127**

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

1 / Research and development activity is structurally important and is a key differentiating factor for the Group. The main costs incurred in the 2018 fiscal year include:

- The continued development of the software platform and the range of UNiD ™ services with the integration of new services for the use of pre-, inter- and post-operative data and for analytical learning for personalized spinal surgery;
- The in-house development of a new range of 3D-printed titanium implants, comprised of standard and patient-specific interbody cages as well as patient-specific corpectomy implants;
- The finalization of the PASS TULIP® top-loading screw range and the development of a next generation generic tulip screw.

R&D costs capitalized for the fiscal year 2018 amounted to €1,625,843 compared with €1,891,664 in 2017.

2 / Patent costs capitalized in 2018 amounted to €219,004, compared with €780,417 in respect of the previous year. Of these, 75% relate to patient-specific spinal osteosynthesis rods (UNiD® rods). In 2017, it included the purchase of three patents from Dr Paul McAfee, which protect an innovative technique that helps to ascertain the physiological height of the intervertebral space by using the anatomy of the patient to accurately select the appropriate interbody device.

3/ The increase in the licenses and software item is primarily due to the development of the UNiD ™ HUB, a proprietary surgical planning software package, which relies on data-driven technologies, and was commissioned following approval by the FDA at the time of the NASS Conference in late October 2017.

4/ The Group continued to expand its machine base with an investment of €0.5 million in 2018, mainly related to the purchase of a 5-axle machining center.

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 in line with the entry / exit of new / old products.

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

7/ The main reason for the increase in the computer hardware and office equipment item is the renewal of equipment under operating leases.

8/ The increase in other non-current assets is mainly due to expenditure for head office fixtures and fittings.

6.8 Leases

6.8.1 Finance leases and operating leases

Finance leases and operating leases that transfer substantially all the risks and rewards incidental to ownership of the asset to the Group are recognized as follows:

- the corresponding assets are entered as property, plant and equipment or intangible assets as soon as the lease agreement is signed, in an amount equivalent to the fair value of the leased asset, and are amortized over their likely useful life;
- the resulting financial commitments are shown in financial debt;
- the payments relating to the lease are broken down between financial expense and amortization of the debt.

Non-current assets acquired via finance leases and operating leases are broken down as follows:

	12.31.2018				12.31.2017			
(€)	Gross value	Depr.	Net value	Financial liability	Gross value	Depr.	Net value	Financial liability
Software	21,700	(21,700)	-	-	21,700	(14,888)	6,812	6,919
Technical facilities and equipment	3,374,252	(1,641,825)	1,732,427	930,028	3,108,569	(1,424,482)	1,684,087	848,911
Computer hardware	883,590	(391,006)	492,584	464,804	962,273	(407,287)	554,986	538,183
Total	**4,279,542**	**(2,054,531)**	**2,225,011**	**1,394,832**	**4,092,542**	**(1,846,657)**	**2,245,885**	**1,394,013**

Acquisitions in 2018 financed through finance leases or operating leases consisted of a five-axis machining center (€436k) and IT equipment (€81k).

Finance lease and operating lease commitments are analyzed as follows:

(€)	12.31.2018	12.31.2017
Lease payments		
Total payments from previous years (1)	1,164,129	1,425,166
Lease payments for the year (1)	556,104	525,252
Total	**1,720,233**	**1,950,418**
Future minimum lease payments		
Within 1 year	586,675	494,797
1 to 5 years	822,581	949,841
More than 5 years	-	-
Total	**1,409,256**	**1,444,638**
Residual values	**21,846**	**19,532**

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

6.8.2 Operating leases

Leases under which the lessor retains substantially all the risks and rewards incidental to ownership of the leased asset are treated as operating leases. The payments made in relation to operating lease agreements are recognized as operating expenses on a straight-line basis, until the expiry of the agreement.

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

Entities	Annual rent	Lease term
MEDICREA INTERNATIONAL, Rillieux-la-Pape, FR	EUR 1,131,878	12 years from September 23, 2016
MEDICREA USA, New-York, US	USD 987,767	10 years from April 1, 2016
MEDICREA TECHNOLOGIES UK, Swaffam Bulbeck, UK	GBP 8,800	Lease terminated
MEDICREA GMBH, Cologne, DE	EUR 14,591	Lease terminated
MEDICREA POLAND, Łódź, PL	PLN 49,059	3 years from March 1, 2017
MEDICREA BELGIUM, Houwaart, BE	EUR 14,547	9 years from September 1, 2015

The lease agreement for the offices of MEDICREA TECHNOLOGIES UK was terminated in August 2018; the Group is now represented in the UK by an independent distributor.

The lease agreement for the offices of MEDICREA GMBH was terminated and ended in May 2018. The Group is now represented in Germany by an independent distributor.

Future operating lease commitments can therefore be summarized as follows:

(€)	12.31.2018			12.31.2017		
	Real estate	Other	Total	Real estate	Other	Total
Within 1 year	2,055,781	175,759	2,231,540	1,962,921	168,559	2,131,480
1 to 5 years	7,444,539	103,881	7,548,420	8,071,679	136,347	8,208,026
5 to 10 years	8,959,807	-	8,959,807	8,974,850	-	8,974,850
More than 10 years	-	-	-	834,690	-	834,690
Total	**18,460,127**	**279,640**	**18,739,767**	**19,844,140**	**304,906**	**20,149,046**

The impacts at December 31, 2018 of early application of the new IFRS 16 on leases are detailed in Section 1.1.2.

NOTE 7: PROVISIONS AND CONTINGENT LIABILITIES

7.1 Provision charges

A provision is recorded as soon as:

- the Group has a legal, contractual, or implicit obligation resulting from a past event;
- it is likely that an outflow of resources representing economic benefits will be required in order to settle the obligation;
- the amount of the obligation can be measured reliably.

The provisions are measured pursuant to IAS 37, by taking into account the most likely scenarios at the balance sheet date.

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:

(€)	Provisions for pensions	Provisions for litigation	Other provisions	Total
Provisions at January 1, 2018	**600,328**	**177,914**	**22,000**	**800,242**
Charges	110,980	10,000	4,800	125,780
Used during the year	-	(42,648)	(3,500)	(46,148)
Reversals	-	(44,549)	(18,500)	(63,049)
Actuarial gains and losses	(71,941)	-	-	(71,941)
Translation adjustment	-	(717)	-	(717)
Provisions at December 31, 2018	**639,367**	**100,000**	**4,800**	**744,167**
of which due in less than one year	*17,499*	*100,000*	*4,800*	*122,299*
of which due between one and five years	*21,015*	-	-	*21,015*
of which due in more than five years	*600,853*	-	-	*600,853*

Provisions for litigation relate to pay disputes that have not been settled as of December 31, 2018.

7.2 Contingent liabilities

A contingent liability is:

- a potential obligation resulting from a past event, the existence of which will only be confirmed by the occurrence or non-occurrence of an uncertain event that is not under the Group's control;
- a current obligation resulting from a past event, where either the amount of the obligation cannot be estimated reliably, or it is unlikely that an outflow of resources representing economic benefits will be required in order to settle the obligation.

These contingent liabilities were not recognized in the Group's financial statements as of December 31, 2018.

The contingent liabilities identified at December 31, 2018 were as follows:

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

  Since the launch of this warranty, no activation request has been recorded. On this basis, the Group did not recognize any provision in its financial statements at December 31, 2018 and, depending on all the data collected in 2019, it will assess whether or not it is necessary to review this position at December 31, 2019.

- The agreement governing the purchase of three patents from Doctor Paul McAfee, which protect an innovative technique that helps to ascertain the physiological height of the intervertebral space by using the anatomy of the patient to accurately select the appropriate interbody device, specifies that a compensation payment of US$1 million, less any royalty paid out until the takeover date, will be made to Doctor McAfee in the event that MEDICREA INTERNATIONAL is bought out by another company followed by termination of said agreement.

- Two royalties contracts concluded with two American surgeons provide for the possibility of the surgeons terminating the contracts in the event of a change of control of MEDICREA Group and demanding payment of compensation of $1 million each.

- Since July 2017, MEDICREA USA has been the subject of a civil investigation conducted by the American Department of Justice (DOJ) under the Sunshine Act, which defines the rules under which healthcare professionals should declare benefits in relation to their participation in conferences, trade shows, meetings, etc. With the support of a specialist law office, the Company has provided a number of reports and items in order to demonstrate its complete compliance with the obligations to which it was subject. Having been silent since February 2018, during the last quarter of 2018 the DOJ communicated the results of its initial investigations that are, at the very least, questionable. Over the course of the first quarter of 2019, the Company, through its lawyers, presented and provided information demonstrating that the findings of the American administration were not based on any evidence. Following these exchanges, the DOJ submitted a fresh request to examine the emails exchanged between individuals employed by the Company and by MEDICREA INTERNATIONAL during the period covered by the investigations. The Company has agreed to provide all such information. At the date on which this document has been prepared, it is not possible to estimate, in the unlikely event that the ruling goes against the Company, the potential amount of the liability involved.

NOTE 8: FINANCING AND FINANCIAL INSTRUMENTS

8.1 Net financial debt

Net financial debt includes all of the long-term financial debt, short-term loans, and bank overdrafts, after deducting cash and cash equivalents.

In November 2018, the Group completed a $30 million note issue fully subscribed by Perceptive Advisors, a leading US investment fund in the healthcare field. The refinancing facility consists of senior secured and guaranteed notes, governed by New-York law with coupon based on the greater of Three-Month LIBOR or 2.5% plus a margin of 8.5%. The notes are due to mature in November 2022. The note issue was accompanied by the issuance of 1 million unlisted warrants subscribed free of charge by Perceptive Advisors, entitling the holder to subscribe for 1 million new MEDICREA shares at an exercise price of €2.19. The warrants are exercisable for a period of seven years from issuance.

With this transaction, the Group has retired all of its outstanding €15 million convertible debt with Athyrium Capital Management, and repaid other outstanding debt secured by goodwill pledges for a total amount of €1.6 million.

Commitments to buy out non-controlling interests in MEDICREA BELGIUM (€8.9 million) and MEDICREA AUSTRALIA (€0.7 million) are recognized in other financial liabilities.

The Group's net financial debt at December 31, 2018 is analyzed as follows:

	12.31.2018			12.31.2017		
(€)	Non-current	Current	Total	Non-current	Current	Total
Long-term financial debt	31,730,339	4,063,686	35,794,025	16,738,955	3,494,313	20,233,268
Short-term and bank loans	-	790,645	790,645	-	893,065	893,065
Gross financial debt	**31,730,339**	**4,854,331**	**36,584,670**	**16,738,955**	**4,387,378**	**21,126,333**
Cash and cash equivalents	-	(10,802,725)	(10,802,725)	-	(11,980,693)	(11,980,693)
Net financial debt	**31,730,339**	**(5,948,394)**	**25,781,945**	**16,738,955**	**(7,593,315)**	**9,145,640**

8.1.1 Analysis of long-term financial debt

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

At December 31, 2018, financial liabilities as a whole can be analyzed as follows:

(€)	12.31.2018	12.31.2017
Bond issues	23,458,680	15,601,568
Loans from credit institutions	1,315,997	3,218,398
Operating leases	1,077,989	1,039,433
Finance leases	316,843	354,580
Accrued loan interest	591	7,590
Other financial debt	9,623,925	11,699
Total	**35,794,025**	**20,233,268**
of which fixed-rate financial debt	*12,916,679*	*20,233,268*
of which variable rate financial debt	*22,877,346*	-

The note issues are broken down as follows:

(€)	12.31.2018	12.31.2017
Bond loan – November 2018 (1)	22,877,346	-
Convertible bond loan – August 2016 (2)	-	13,457,885
Bond loan – February 2016 (3)	-	1,150,000
Bond loan – April 2015	581,334	993,683
Total	**23,458,680**	**15,601,568**

(1) As explained in Note 8.1, the Group issued notes totaling $30 million. Converting these using the exchange rate at December 31, 2018 gives a total value of €26,200,800. The note issue was accompanied by the issuance of 1 million unlisted warrants subscribed free of charge by Perceptive Advisors, entitling the holder to subscribe for 1 million new Medicrea shares at an exercise price of €2.19. In accordance with IAS 32, which covers equity instruments, the warrants have been measured at a fair value of €2 million and recognized as a deduction against the underlying financial liability.

In view of these factors, the bond loan was broken down into a debt component of €24,156,817 and an equity component of €2,043,983 pursuant to the so-called split-accounting method (IAS 32).

The same principle was applied to the issue costs for the loan, which amounted to €1,410,486 in total, and resulted in those costs being broken down into a debt component of €1,301,596, amortized over the lifetime of the underlying loan in accordance with the effective interest rate method, and an equity component of €108,890.

The associated IFRS restatements may be summarized as follows:

(€)	12.31.2018
At January 1, 2018	-
Bond loan issue	26,200,800
IFRS restatements to warrants	(2,043,983)
IFRS restatements to note issuance costs	(1,301,596)
Loan issue costs restatement amortization for the period	22,125
At December 31, 2018	22,877,346

At December 31, 2018, the $30 million note issue was not hedged against foreign exchange or interest rate risk given the Group's difficulties in arranging a cross-currency swap with its partner banks.

(2) The Company redeemed the €15 million convertible note issue subscribed in August 2016 by Athyrium Capital Management, leading to the following items being recognized:

(€)	12.31.2018
At January 1, 2018	13,457,885
Loan amortization	664,489
Amortization of issue costs	316,898
Loan redemption	(15,000,000)
IFRS restatements reversed through equity	560,728
At December 31, 2018	-

(3) The bond loan of €1.15 million was repaid in full during the fiscal year.

8.1.2 Change in long-term financial debt

Changes in long-term financial liabilities can be analyzed as follows:

		Cash movements		Non-cash	
(€)	12.31.2017	Issues	Redeemed	movements	12.31.2018
Bond issues	15,601,568	26,200,800	(16,562,349)	(1,781,339)	23,458,680
Loans from credit institutions	3,218,398	1,200,000	(3,107,707)	5,306	1,315,997
Operating leases	1,039,433	-	(410,686)	449,242	1,077,989
Finance leases	354,580	-	(105,180)	67,443	316,843
Accrued loan interest	7,590	-	-	(6,999)	591
Other	11,699	-	-	9,612,226	9,623,925
Long-term borrowings	**20,233,268**	**27,400,800**	**(20,185,922)**	**8,345,879**	**35,794,025**
Short-term borrowings (1)	**893,065**	**-**	**(3,284)**	**(99,136)**	**790,645**
Total	**21,126,333**	**27,400,800**	**(20,189,206)**	**8,246,743**	**36,584,670**

(1) Short-term borrowings correspond to current bank overdrafts, and factoring, as well as to accrued bank interest, as detailed in Section 8.1.4.

This change is due to repayments made during the 2017 fiscal year in accordance with existing repayment schedules, the $30 million note issue and the subscription of two new bank loans totaling $1.2 million. The $30 million note issue also made possible early redemption of the €15 million convertible note issue subscribed by Athyrium Capital Management in August 2016, as well as early repayment of other bank loans totaling €1.6 million.

Non-cash changes totaling €8.2 million are mainly the result of IFRS adjustments linked to the following:

- liabilities on buyouts of non-controlling interests: + €9.6 million;
- note issues: - €1.7 million;
- capitalization of new finance leases and operating leases: + €0.5 million.

8.1.3 Maturity of long-term financial debt

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

(€)	12.31.2018	Within 1 year	1 to 5 years	More than 5 years
Bond issues	23,458,680	432,540	23,026,140	-
Loans from credit institutions	1,315,997	362,767	863,230	90,000
Operating leases	1,077,989	438,962	639,027	-
Finance leases	316,843	116,826	200,017	-
Accrued loan interest	591	591	-	-
Other	9,623,925	2,712,000	6,900,226	11,699
Total	**35,794,025**	**4,063,686**	**31,628,640**	**101,699**

Securities granted in relation to certain Group assets to guarantee borrowings, as well as early repayment clauses and covenants are detailed in Note 8.5.3 "Liquidity risks".

8.1.4 Analysis of short-term financial debt

A factoring agreement relating to export trade receivables was arranged in 2016. In France, the Group finances its trade receivable item via a short-term cash facility treated as a bank overdraft.

At December 31, 2018, all short-term financial debt was taken out in Euros and at fixed rates, and is analyzed as follows:

(€)	12.31.2018	12.31.2017
Bank overdrafts	500,000	503,284
Factoring	284,057	385,178
Accrued bank interest	6,588	4,603
Total	790,645	893,065

8.1.5 Analysis of 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.

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.

Cash and cash equivalents changed as follows:

(€)	12.31.2018	12.31.2017
Cash	10,802,725	11,980,693
Cash and cash equivalents	10,802,725	11,980,693

8.1.6 Cash Flow Statement

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

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

The cash flow statement for the past two years is included in Section 3.4 of the notes to the financial statements at December 31, 2018.

The other changes in net cash flows from financing activities are detailed as follows:

(€)	12.31.2018	12.31.2017
Issue costs for the €30 million bond loan	(1,410,486)	-
Capital increase expenses charged as issue costs	(391,973)	(1,295,204)
Loan issue costs	5,306	6,745
Other financial loans	-	11,699
Total	1,797,153	(1,276,760)

8.1.7 Average debt rate

The average debt rate evolved as follows:

	12.31.2018	12.31.2017
Euro (EUR)	6.86%	5.80%

The high level of the average interest rate on the debt is due to interest on the bond loans, for which the interest rates are significantly higher than those of conventional bank financing. The average interest rate on the debt worked out at 3.67% excluding the bond loans.

8.2 Conditional advances

Conditional advances mainly result from innovation grants awarded by BPI in the form of repayable advances.

Their change compared with the previous year resulted from ongoing repayment plans. No new grants were awarded during the 2018 fiscal year.

8.3 Financial income and expenses

Financial income and expenses consist of the interest income and expense relating to the cost of the net financial debt, as well as of other financial income and expenses.

8.3.1 Cost of net financial debt

The cost of net financial debt corresponds to the interest paid on the financial debt less the interest received on cash investments.

These items are analyzed as follows:

(€)	12.31.2018	12.31.2017
Bond interest	(2,280,850)	(2,123,849)
Loan interest	(51,026)	(65,876)
Finance lease interest	(46,248)	(45,064)
BPI loan guarantee	(26,238)	(8,211)
Overdraft interest	(11,160)	(3,396)
Factoring interest	(2,871)	(2,556)
Other	(9,778)	-
Cost of net financial debt	**(2,428,171)**	**(2,248,952)**

8.3.2 Other financial income and expenses

Other financial income and expenses primarily include the gains and losses on foreign exchange transactions.

These items are analyzed as follows:

(€)	12.31.2018	12.31.2017
Foreign exchange gains / (losses)	166,002	(179,060)
Income from cash investments	-	8,332
Other financial income / (expenses)	**166,002**	**(170,728)**

Foreign exchange gains and losses in fiscal year 2018 are broken down as follows:

(€)	12.31.2018
Revaluation of $30 million note issue using the exchange rate at December 31, 2018	230,956
Revaluation of bank balances using the exchange rate at December 31, 2018	(31,899)
Creation of dollar-denominated term deposits	(33,055)
Other financial income / (expenses)	**166,002**

8.4 Fair value of financial instruments

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

- Investments held to maturity: no instrument of any material value currently meets this definition;
- Assets treated at fair value through profit or loss: this category concerns possible cash investments for which changes in fair value are recognized in income;
- Assets and liabilities recorded at amortized cost: this item includes mainly guarantees and deposits, staff loans, trade receivables, trade payables and financial debt. These assets and liabilities are recognized in the balance sheet originally at fair value, which is in practice close to the contractual nominal value. They are measured at amortized cost and adjusted, where applicable, for impairment;
- Assets available for sale: no instrument held meets this definition;
- Derivatives: the Group may occasionally use hedging instruments to limit its exposure to risk. These mainly include currency and interest rate hedging instruments such as forward currency transactions and currency options with premiums.

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

8.4.1 Balance sheet disclosures

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

Sections	At 12.31.2018			At 12.31.2017		
	Designation of financial instruments	Net book value	Of which measured at fair value (1)	Designation of financial instruments	Net book value	Of which measured at fair value (1)
Assets (€)						
Trade receivables	C	5,361,252	5,361,252	C	3,973,135	3,973,135
Other current assets (2)	C	160,460	160,460	C	295,598	295,598
Cash and cash equivalents	A	10,802,725	10,802,725	A	11,980,693	11,980,693
Liabilities (€)						
Negative cash balances (3)	A	790,645	790,645	A	893,065	893,065
Current and non-current financial liabilities excluding negative cash balances	B	35,794,025	35,794,025	B	20,233,268	20,233,268
Trade payables	C	4,803,155	4,803,155	C	4,672,856	4,672,856
Other current and non-current liabilities (4)	C	1,097,870	1,097,870	C	439,771	439,771

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

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

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

8.4.2 Income statement disclosures

The following table presents the impact of financial assets and liabilities on the income statements for the 2018 and 2017 fiscal years, as well as the breakdown of this impact according to the categories outlined in IAS 39:

	Designation of financial instruments	At 12.31.2018	At 12.31.2017
Investment income		**-**	**8,332**
Proceeds from sale of marketable securities	A	-	8,332
Finance costs		**(2,428,171)**	**(2,248,952)**
Interest charge	B	(2,428,171)	(2,248,952)
Other financial income		**248,181**	**-**
Exchange gains	A	248,181	-
Other financial expenses		**(82,179)**	**(179,060)**
Exchange losses	A	(82,179)	(179,060)

8.5 Risk management policy

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

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

8.5.1 Risks related to changes in raw material prices

Implant production requires purchasing materials such as titanium, cobalt chromium, and polymers tolerated by the human body, particularly PEEK (Polyether Ether Ketone). As suppliers of these raw materials are few in number, the Group is subject to changes in market price which are difficult to predict or control, and which could have a negative impact on financial performance. Purchases of these materials are not the subject of hedging contracts. They account for a small part of the cost price of products manufactured (between 5 and 10%).

8.5.2 Credit risks

The Group monitors its customers' average payment period on a monthly basis. This ratio was 59 days at December 31, 2018. For international customers other than healthcare institutions not paying in advance or likely to present a risk of non-payment, the Group puts in place hedging mechanisms such as the following:

- an application for guarantee from Coface. At the end of December 2018, the maximum amount of trade receivables that may be guaranteed by Coface was €613,000;
- documentary credits (one such arrangement was in place at December 31, 2018 in the amount of €26,670)

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

(€)	12.31.2018	12.31.2017
Gross trade receivables	5,464,975	4,003,281
Outstanding for more than 6 months	107,981	37,412
% of trade receivables	1.98%	0.93%
Total provision for doubtful receivables	103,723	30,146
% of trade receivables	1.90%	0.75%
Bad debt losses	22,751	4,537

8.5.3 Liquidity risks

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

The financial resources secured following fundraising transactions total approximately €76 million and USD 30 million, as detailed in the table below:

Date	Nature	Amount (€)	Amount (USD)
June 2006	Share capital increase by means of a public offering	11,587,604	
December 2007	Share capital increase	7,000,002	
November 2008	Share capital increase	1,155,928	
April 2009	Issue of new shares with share warrants	1,176,000	
May 2009	Issue of new shares with share warrants	767,621	
June 2009	Share capital increase	621,942	
December 2009	Share capital increase	1,395,608	
December 2009	Exercise of share warrants	582,831	
May 2010	Issue of bonds redeemable in new shares	1,928,624	
June 2010	Share capital increase	594,740	
November 2011	Issue of new shares with share warrants	1,534,500	
August 2012	Share capital increase	762,000	
June 2015	Share capital increase through private placement	3,543,697	
August 2016	Issue of bonds convertible into new shares	15,000,000	
August 2016	Share capital increase through private placement	4,999,983	
June 2017	Share capital increase through private placement	13,000,003	
December 2017	Issue of new shares with share warrants	7,216,957	
July 2018	Issue of new shares with share warrants	3,083,777	
November 2018	Issue of bonds and share warrants		30,000,000
Total		**75,951,817**	**30,000,000**

These fund-raising transactions totaling have significantly reduced this liquidity risk and have given the Group the necessary resources to implement its expansion strategy, create new subsidiaries, launch new products and develop innovative technologies, particularly in the field of personalized medicine.

8.5.4 Foreign exchange risks

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

At December 31, 2018, to hedge its dollar-denominated term deposits, the Group entered into currency hedging contracts consisting of forward sales of dollars for euros for a total amount of €3 million.

8.5.5 Interest rate risks

At December 31, 2018, all borrowings were at fixed rates with the exception of a $30 million note issue completed in November 2017, maturing in four years and bearing interest at 8.5% plus the higher of 3-month USD LIBOR and 2.5%. The Group plans to simultaneously hedge foreign exchange and interest rate risk on this borrowing through a cross-currency swap and is currently in talks with its partner banks in this regard. No final hedging agreement had yet been put in place at the balance sheet date.

8.5.6 Risk of changes in exchange rates

The Group generated 48% of its 2018 consolidated sales in dollars through its subsidiary MEDICREA USA (59% in 2017). The reduction in this percentage is explained by the significant contribution to total sales made by MEDICREA BELGIUM sales, a new subsidiary created in 2018.

The US, Polish, Polish and Australian subsidiaries are invoiced in their functional currency when they are able to settle their trade liabilities, and foreign exchange hedges have been put in place on an ad-hoc basis to cover the risk of fluctuation in the corresponding currencies (mainly dollars).

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

In 2018, the US dollar depreciated by more than 12% compared to the average rate of 2017. This generated a negative impact of €0.8 million on 2018 sales. A breakdown of these changes can be found in Note 4.10.

A 15% appreciation of the US dollar against the euro, applied to data from the 2018 fiscal year, would result in an increase to Group sales of €2.4 million and a negative impact of €0.3 million on operating income.

Conversely, a 15% depreciation of the dollar against the euro, applied to 2018 data, would result in a decline in Group sales and an increase in operating income in the same proportions as those indicated above.

8.6 Off-balance sheet commitments related to Group financing

8.6.1 Commitments given in relation to medium-term borrowings

(€)	12.31.2018	12.31.2017
Pledges of business goodwill (1)	26,483,051	5,644,801
Pledge of equipment	1,098,976	1,098,976
Cash collateral (2)	55,000	62,500

(1) Pledges on goodwill to secure the $30 million note issue completed in November 2018
(2) Holdbacks retained by BPI as cash collateral for loans totaling €1,250,000

The agreement associated with the $30 million note issue subscribed by Perceptive Advisors in November 2018 stipulates that the Group must ensure that it always has available cash of at least $2.5 million and that, at the end of each calendar quarter, revenue for the previous 12 months must meet the minimum revenue criteria (€26 million at December 31, 2018). Both these conditions were fulfilled at December 31, 2018.

In addition to these commitments, Perceptive Advisors is the beneficiary of pledges on the goodwill of MEDICREA INTERNATIONAL in the amount of €26,483,051 as well as on certain assets of MEDICREA INTERNATIONAL and its subsidiary MEDICREA USA, broken down as follows:

- debt subordination agreement between the Group's various subsidiaries;
- pledge on all the securities of MEDICREA USA Corp held by MEDICREA INTERNATIONAL;
- guarantee that MEDICREA USA Corp will repay the borrowing should MEDICREA INTERNATIONAL default;
- pledge on patents, brands and other intellectual property held by MEDICREA INTERNATIONAL in favor of Perceptive Advisors;
- first-ranking pledge on all bank balances held by MEDICREA INTERNATIONAL in favor of Perceptive Advisors;
- first-ranking pledge on all trade and intercompany receivables of MEDICREA INTERNATIONAL in favor of Perceptive Advisors;
- first-ranking pledge on inventories of finished products held by MEDICREA INTERNATIONAL in favor of Perceptive Advisors.

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

(€)	12.31.2018	12.31.2017
Assignment of trade receivables	500,000	500,000
BPI counter guarantee (1)	-	1,008,729

(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, 2018 was €245,000.

NOTE 9: CORPORATE TAX

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

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

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

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

The research tax credit is recognized as a €887,701 reduction in research and development costs for 2018 (€897,375 in 2017).

9.1 Analysis of the corporate tax rate

(€)	12.31.2018	12.31.2017
Current tax	(613,392)	-
Deferred tax	143,571	504,658
Corporate income tax (expense)/income	**(469,822)**	**504,658**

9.2 Analysis of the corporate tax rate

The Group's corporate tax charge for the year to December 31, 2018 is analyzed as follows:

(€)	12.31.2018	12.31.2017
Consolidated net income/(loss)	**(11,810,128)**	**(10,727,292)**
Corporate tax	(469,822)	504,656
Income before tax	**(11,340,306)**	**(11,231,948)**
Share-based payments	(728,078)	(287,338)
Taxable income	**(10,612,228)**	**(10,944,610)**
Adjustment to the research and employment and competitiveness tax credit	(1,057,452)	(1,059,042)
Taxable income excluding adjustments	**(11,669,680)**	**(12,003,652)**
Theoretical tax income / (charge) @28%	**3,267,510**	**3,361,023**
Difference in tax rates of other countries	(551,511)	(309,175)
Tax on permanent differences	6,049	574,590
Uncapitalized tax losses carried forward	(2,872,947)	(3,390,094)
Correction of previous tax charges	(24,624)	(445,426)
Capping of deferred tax assets	(244,321)	643,366
Other	(49,978)	70,373
Recognized corporate tax income/ (charge)	**(469,822)**	**504,657**

9.3 Analysis of deferred taxation

Deferred tax assets and liabilities are analyzed as follows:

(€)	12.31.2018	12.31.2017
Tax losses carried forward	1,593,004	1,475,985
Temporary tax differences	74,121	9,935
Consolidation restatements	455,085	558,576
Total deferred tax assets	**2,122,210**	**2,044,496**
Temporary tax differences	163,828	209,017
Consolidation restatements	505,873	650,678
Total deferred tax liabilities	**669,701**	**859,695**

Recoverability testing of tax losses carried forward, performed on a subsidiary-by-subsidiary basis, led to the non-recognition of tax losses generated by the Group over the 2018 fiscal year. Furthermore, for the parent company, deferred tax assets related to consolidation restatements cannot exceed deferred tax liabilities.

Deferred tax assets not recognized in the balance sheet totaled €14.5 million at December 31, 2018, including €13.3 million of unrecognized tax losses carried forward and €1.2 million related to consolidation restatements.

The Group has recognized the following tax losses:

(€)	12.31.2018	of which capitalized	Corresponding deferred tax
MEDICREA INTERNATIONAL	41,083,577	-	-
MEDICREA UK	2,544,082	-	-
MEDICREA USA	11,313,230	7,585,731	1,593,004
MEDICREA GMBH	1,347,287	-	-
MEDICREA POLAND	884,707	-	-
Total available tax losses	**57,172,883**	**7,585,731**	**1,593,004**

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

(€)	12.31.2018
Tax losses carried forward at January 1, 2018	**1,475,985**
Correction of previously capitalized tax loss carryforwards – MEDICREA	45,479
USA	71,540
Translation adjustment	**1,593,004**
Tax losses carried forward at December 31, 2018	

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

NOTE 10: SHAREHOLDERS' EQUITY AND EARNINGS PER SHARE

10.1 Shareholders' equity

10.1.1 Changes in share capital

Following equity transactions carried out during the fiscal year, share capital at December 31, 2018 totaled €2,595,175.52 and was comprised of 16,219,847 shares with par value of €0.16 each. The number of authorized shares outstanding is as follows:

(€)	12.31.2018	12.31.2017
Number of authorized shares	16,219,847	15,082,811
Number of preference shares	-	100
Number of shares issued and fully paid up	16,219,847	15,082,911
Par value (€)	0.16	0.16
Number of shares outstanding at end of period	16,219,847	15,082,811
Number of shares with double voting rights	2,785,108	2,594,120
Number of treasury shares held by the parent company	4,756	4,438

Transactions in the share capital of MEDICREA INTERNATIONAL over the 2018 fiscal year are summarized as follows:

- At January 1, 2018, the share capital was €2,413,265.76, represented by 15,082,811 ordinary shares and 100 P preference shares.

- On July 9, 2018, the Board of Directors recognized the issue of 1,127,936 new shares with share warrant attached (ABSA) as part of a share capital increase reserved for qualified US investors.
- 9,000 new shares were issued on September 19, 2018, and corresponded to the delivery to French and US employees of the free shares allocated by the Board of Directors' meeting of September 19, 2016.
- On December 17, 2018, the deadline for converting preference shares in MMCO, 100 "P" preference shares were converted into 100 ordinary shares.
- At December 31, 2018, the share capital was therefore €2,595,175.52, represented by 16,219,847 ordinary shares and 100 P preference shares.

10.1.2 Share warrants (BSAs)

The characteristics of warrants exercisable at December 31, 2018 are summarized as follows:

Allocation date	12.22.2017	07.09.2018	27.11.2018
Maturity	3 years	3 years	7 years
Number of warrants	2,336,341	1,127,936	1,000,000
Number of ordinary shares obtained if all warrants exercised	1,168,170	563,968	1,000,000
Exercise price	€3.15	€ 3	€ 2.19

These warrants meet the definition of equity instruments in light of IAS 32 (under the "fixed for fixed" rule). They are recognized in equity at their transaction price and not subsequently revalued.

The December 2017 and July 2018 warrants, created to coincide with increases in the share capital, did not give rise to any additional amounts being recognized in the Group's consolidated financial statements at December 31, 2018. The November 2018 warrants, created to coincide with a note issue, were valued at €2 million and recognized as a deduction against the underlying financial liability.

10.1.3 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 were 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 in the Company that may be issued as a result of the conversion of all preference shares was 210,000.

On December 17, 2018, the deadline for converting preference shares in MMCO, 100 "P" preference shares were converted into 100 ordinary shares.

10.1.4 Treasury shares

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

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

Transfer proceeds are recognized directly in equity net of tax.

10.1.5 Change in shareholders' equity

The change in shareholders' equity for the past two years is detailed in Note 3.5 to the financial statements at December 31, 2018. Translation adjustments related to the consolidation of foreign subsidiaries' financial statements in Euros are included in the "Reserves" column, since their values have no material impact on the financial statements at December 31, 2018.

Other movements at December 31, 2018 are analyzed as follows:

(€)	12.31.2018	12.31.2017
Warrant whose underlying security is the $30 million note issue	2,043,983	-
Issue costs for the €30 million bond loan	(108,890)	-
Unwinding of IFRS restatement linked to August 2016 convertible note issue	(560,728)	-
Actuarial gains and losses relating to retirement allowances	71,941	19,446
Treasury shares	669	(10,064)
Other	37	(20)
Total	1,447,012	9,362

10.1.6 Issue, buyback and redemption of debt and equity securities

Share capital increase of July 2018

MEDICREA INTERNATIONAL issued over the period 1,127,936 new shares with share warrants attached (ABSA) with a par value of €0.16 per unit, at a unit price of €2.734, including issue premium, for a total amount of €3.1 million, representing 7.47% of the Company's share capital after the transaction. The number of shares issued may be increased to 1,691,904, i.e. a maximum amount of €4.8 million, in the event that all of the share warrants (BSAs) are exercised.

Each new share issued comes with one BSA, for a total issuance of 1,127,936 BSAs. Two share warrants grant the right to subscribe to one new MEDICREA share at an exercise price of €3. The BSAs shall be exercisable for a period of 3 years after their issuance.

Bond loan – November 2018

In November 2018, the Group completed a $30 million note issue fully subscribed by Perceptive Advisors, a leading US investment fund in the healthcare field. In conjunction with the senior secured notes, Medicrea has issued to Perceptive Advisors warrants for the Company's new ordinary shares.

The refinancing facility consists of senior secured and guaranteed notes, governed by New-York law with coupon based on the greater of Three-Month LIBOR or 2.5% plus a margin of 8.5%. The notes, which are due to mature on November 27, 2022, are secured on the securities of MEDICREA USA Corp, a wholly-owned subsidiary of MEDICREA INTERNATIONAL, as well as pledges on certain assets and receivables of the Group.

Perceptive Advisors subscribed free of charge for 1,000,000 warrants not listed on Euronext Growth.

One warrant entitles its holder to subscribe to one new MEDICREA International ordinary share, at an exercise price of € 2.19, corresponding to the volume-weighted average of the share prices of the last 10 trading days prior to the fixing of the subscription price, decreased by a 10% discount. The BSAs shall be exercisable for a period of seven years after their issuance.

The table below presents the potential cumulative dilution of the share capital in the event that all outstanding warrants, options, and other securities that have the potential to be converted into ordinary shares are exercised (including all the warrants issued since 2017, the stocks options and the potential free allocations of shares):

	Before the November 2018 placement	Exercise of the December 2017 warrants	Exercise of share warrants July 2018	Exercise of the November 2018 warrants	Exercise of stock options	Allocation of free shares	After the placement following conversion of all of the instruments
Number of ordinary shares	16,219,847						
Number of ordinary shares added if warrants / options are fully exercised		1,168,170	563,968	1,000,000	1,350,000	792,000	4,874,138
Exercise or conversion price	-	€3.15	€ 3	€ 2.19	€3.16[1]	-	-
Accumulated potential dilution	-	6.72%	9.65%	14.42%	20.11%	23.11%	23.11%

[1] Average stock option exercise price

Convertible bond loan – April 2015

Over the year to December 31, 2018 the Group redeemed 142 of the 200 convertible bonds subscribed by an institutional investor in April 2015, i.e. an amount of €1.4 million on the initial loan of €2 million maturing in April 2020.

10.1.7 Dividends paid during the fiscal year

Nil.

10.2 Earnings per share

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

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

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

Potential new ordinary shares are treated as dilutive if, and only if, their conversion into ordinary shares would decrease earnings per share or increase the loss per share.

In accordance with IAS 33, and in order to avoid an accretive effect, the potential ordinary shares resulting from the allotted stock option and free share plans (2,142,000 shares) and the share warrants (2,732,138 shares) were not taken into consideration at December 31, 2018 when determining the dilutive effect.

NOTE 11: OTHER INFORMATION

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

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

	12.31.2018			12.31.2017		
	Number of shares	% share capital	% voting rights	Number of shares	% share capital	% voting rights
ORCHARD INTERNATIONAL (1)	1,727,490	10.65	18.17	1,727,490	11.45	19.55
Denys SOURNAC (2)	607,533	3.75	4.18	457,488	3.03	2.59
Jean Philippe CAFFIERO	216,089	1.33	2.19	216,089	1.43	2.36
David RYAN	24,148	0.15	0.21	15,148	0.10	0.09
Fabrice KILFIGER	9,300	0.06	0.05	300	0.00	0.00
Other Directors						
Pierre BUREL (2)	194,587	1.20	1.02	194,587	1.29	1.10
Patrick BERTRAND (2)	113,968	0.70	0.69	113,968	0.76	0.74
François Régis ORY (2)	108,652	0.67	0.57	108,652	0.72	0.61
Rick KIENZLE	102,880	0.63	0.54	102,880	0.68	0.58
Christophe BONNET	52,128	0.32	0.44	52,128	0.35	0.48
Pierre OLIVIER	27,000	0.17	0.14	18,000	0.12	0.10
Jean Joseph MORENO	22,000	0.14	0.23	22,000	0.15	0.21
Marc RECTON	18,752	0.12	0.16	18,752	0.12	0.18
Total	**3,224,527**	**19.89%**	**28.59%**	**3,047,482**	**20.20%**	**28.59%**

(1): Shares held by the holding company, ORCHARD INTERNATIONAL. The following table provides details of ORCHARD INTERNATIONAL's shareholding structure as of December 31, 2018:

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

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

11.2 Related-party disclosures

As mentioned in Section 5.8 above, ORCHARD INTERNATIONAL invoices MEDICREA INTERNATIONAL for various services, the amounts of which changed over the last two periods as follows:

(€)	2018 amount invoiced, excl. VAT	2017 amount invoiced, excl. VAT
Management services	300,000	300,000
Rebilling of employee costs	47,490	151,500
Rebilling of seconded executive's salary	-	64,000
Share of expenses	6,780	11,004
Rent and rental costs	37,407	45,508
Total	**391,677**	**572,012**

Rebilling of employee costs in relation to two employees as well as expenses for office space ceased at the end of the first quarter of 2018, with the corresponding costs being generated directly at MEDICREA INTERNATIONAL level from then onwards.

11.3 Statutory Auditors' fees

The fees paid to the Group's Statutory Auditors for the 2018 fiscal year and shown in the consolidated income statement are as follows:

	EY		ODICÉO	
Amount (excl. VAT)	2018	2017	2018	2017
Audit				
Audit, certification, review of individual and parent company financial statements	77,644	64,630	24,154	32,054
Services other than the certification of the financial statements	11,061	6,072	5,500	6,036
Total fees	88,705	70,702	29,654	38,090

11.4 Post balance sheet events

There are no post balance sheet events to report.

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2018

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ODICEO ERNST & YOUNG et Autres

Medicrea International

Fiscal year ended December 31, 2018

Statutory Auditors' report on the consolidated financial statements

ODICEO
115, boulevard de Stalingrad
C.S. 52038
69616 Villeurbanne Cedex
French corporation *(société anonyme)*
with share capital of €275,000
430 130 393 R.C.S. Lyon

Statutory Auditor
Member of Compagnie
régionale de Lyon

ERNST & YOUNG et Autres
Tour Oxygène
10-12, boulevard Marius Vivier Merle
69393 Lyon Cedex 03
Corporation with variable capital
(S.A.S. à capital variable)
438 476 913 R.C.S. Nanterre

Statutory Auditor
Member of Compagnie
régionale de Versailles

Medicrea International

Fiscal year ended December 31, 2018

Statutory Auditors' report on the consolidated financial statements

To the Shareholders' Meeting of Medicrea International,

Opinion

In compliance with the engagement entrusted to us by your Shareholders' Meeting, we have audited the accompanying consolidated financial statements of Medicrea International for the year ended December 31, 2018.

In our opinion, the consolidated financial statements provide a true and fair view of the assets and liabilities and of the financial position of the Group at 31 December 2017 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

Audit framework

We have performed our audit in accordance with professional standards applicable in France. We believe our audit provides a reasonable basis for our opinion.

Our responsibilities under those standards are further described herein in the section "Statutory Auditors' responsibilities for the audit of the consolidated financial statements" of this report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2018 to the date of our report and specifically we did not provide any services prohibited by the French Code of Ethics for Statutory Auditors.

Justification of assessments

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we inform you of the key audit matters which, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. Accordingly, we do not provide any opinions on specific items of the consolidated financial statements.

Notes 6 and 9 to the consolidated financial statements describe the valuation, recognition and impairment rules applied to goodwill, intangible assets and deferred tax. As part of our assessment of the accounting principles adopted by your Group, we have verified the appropriateness of the above-specified accounting methods and information disclosed in the notes to the consolidated financial statements and we have assured ourselves of their correct application.

Specific verifications

We have also performed the specific verifications required by law and regulations on information provided in the Board of Directors' management report, in accordance with professional standards applicable in France.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the management report includes the consolidated non-financial information statement required under Article L. 225-102-1 of the French Commercial Code. However, in accordance with Article L. 823-10 of the French Commercial Code, we have not verified the fair presentation and consistency with the consolidated financial statements of the information given in that statement, which must be the subject of a report by an independent third party.

Management and individuals responsible for corporate governance in relation to the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or that it will cease to operate.

The consolidated financial statements have been approved by the Board of Directors.

Statutory Auditors' responsibilities for the audit of the consolidated financial statements

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions that users take on the basis of these parent company financial statements.

As specified in Article L. 823101 of the French Commercial Code, our statutory audit does not include assurance on the viability of the Company or the quality of management of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit. Furthermore, the Statutory Auditor:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management in the consolidated financial statements;

- Assesses the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;

- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;

- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The Statutory Auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Villeurbanne and Lyon, April 30, 2019

The Statutory Auditors

ODICEO	ERNST & YOUNG et Autres
Agnès Lamoine	Lionel Denjean

MEDICREA INTERNATIONAL PARENT COMPANY FINANCIAL STATEMENTS

AT DECEMBER 31, 2018

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CONTENTS

1. BUSINESS ACTIVITY

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

MEDICREA INTERNATIONAL leads the design, integrated manufacture, and distribution of 30+ FDA approved implant technologies, utilized in over 150k spinal surgeries worldwide to date. Operating in a $10 billion marketplace, MEDICREA INTERNATIONAL is an SME with 180 employees worldwide, which includes 40 at its USA Corp. subsidiary in NYC.

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

The Group is based in Rillieux-la-Pape, near Lyon, France, where it has its own ultra-modern implant and surgical instrument manufacturing facility dedicated to the machining and development of 3D-printed, patient-specific implants, and has subsidiaries in the US, Belgium, Poland and Australia. In the countries in which it does not operate directly, the Group markets its products through a network of independent distributors.

2. FISCAL YEAR HIGHLIGHTS

The following are the highlights of the 2018 fiscal year:

2.1 MARKET AND ENVIRONMENT

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

MEDICREA INTERNATIONAL decided very early on to integrate this shift and adopt a patient-specific approach, being the first spinal company to market patient-specific rods and 3D-printed interbody cages.
The Group has become a leading player in personalized medicine and is a pioneer in the spinal field, offering surgeons a previously unseen mix of innovative products and comprehensive services for spinal surgery that is perfectly tailored to the patient.

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

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

2.2 RESULTS AND PERFORMANCE

Sales to the Company's trading subsidiaries were up 39%, generating additional revenue of €2.5 million, including €1.7 million from MEDICREA USA following the US market launch of a top-loading thoraco-lumbar fixation system and €1.2 million from MEDICREA BELGIUM and MEDICREA AUSTRALIA, formed in February and June 2018 respectively.

The sales generated with international distributors, healthcare institutions in France, and the customers of the repair center, which reflect MEDICREA INTERNATIONAL's marketing activities with third-party customers, increased by 14%, representing additional sales of €1.4 million:

Own word capitalized amounted to €1.7 million, versus €2.1 million in 2017. It includes the capitalization of R&D expenses and of expenditure on patents, and reflects the Company's sustained innovation efforts. The €4.1 million decrease in finished products and work-in-progress compared with the previous fiscal year was mainly due to the transfer of the production plant from La Rochelle to Rillieux-la-Pape in 2017, which resulted in a large number of organizational changes and to the significant use of sub-contractors on a temporary basis.

The management gross margin (which includes subcontracting, categorized under "Purchases and other external expenses" in the parent company financial statements) came out at 51% of sales in 2018, down 2 percentage points year on year due to a change in the sales mix and pricing pressure.

The 2018 payroll grew significantly in comparison with the previous fiscal year (up 17%). Work in 2017 to bring the Group's French activities together at the same site and within the same company yielded its full benefits in fiscal year 2018.

Amortization and depreciation charges increased €1.2 million due to the Company's significant investments over the past few years, as well as amortization of remaining issuance expenses associated with the convertible loan issued in August 2016, repaid in full in November 2018. Provision charges, down €0.8 million in relation to the previous fiscal year, primarily relate to the writedown of bad debts.

Taking into consideration the points specified above, 2018 operating loss was €6.2 million, compared with an operating loss of €6.9 million in 2017.

The net financial loss amounted to €0.9 million, primarily due to the €1.2 million cost of debt, €1.2 million in impairment charges on current accounts (mothballing of MEDICREA GMBH and MEDICREA TECHNOLOGIES UK), offset by positive currency effects amounting to €0.4 million.

Ultimately, after a research tax credit of €0.9 million was taken into account, a net loss of €6.2 million was recorded, against a net loss of €10.7 million in 2017.

2.3 PRODUCT PORTFOLIO AND RESEARCH AND DEVELOPMENT

MEDICREA INTERNATIONAL is the first company in the spinal industry to offer a complete set of surgical planning services implementing artificial intelligence, predictive modelling and patient-specific implants. The 2018 financial year enabled the Group to consolidate this position by strengthening its UNiD® range while simultaneously continuing to develop its portfolio of standard products.

UNiD ASI™ range of patient-specific implants and services

In August, MEDICREA INTERNATIONAL organized the very first conference devoted to artificial intelligence applied to spinal surgery and its role in the treatment of complex spinal deformities. 20 international surgeons, opinion leaders in this field, participated in this event during which MEDICREA INTERNATIONAL presented its exclusive UNiD ASI™ technology.

In October, MEDICREA INTERNATIONAL presented a new study demonstrating that patients operated on using a UNiD® patient-specific rod were 2.6 times more likely to achieve optimal correction of their spinal deformity. This study confirms the benefit of using UNiD® patient-specific rods for the surgical correction of sagittal imbalance in adults.

In parallel, throughout the year, the research and development teams have worked to enhance the UNiD® range, offering in particular from 2019 the option of specifically selecting all the interbody screws and implants that will be used ahead of surgery.

3D-printed titanium interbody cages

In early 2018, following receipt of approval by the FDA, MEDICREA INTERNATIONAL launched the marketing of its IB3D range of 3D-printed titanium interbody cages within its own internal additive manufacturing unit.

In May, the IB3D was extended thanks to FDA approval of the 3D-printed patient-specific titanium interbody cages. With this world-first clearance, MEDICREA INTERNATIONAL is able to digitally plan, manufacture in-house and supply a 3D-printed device in the United States that has been optimized to follow each patient's unique spinal anatomy using the Company's proprietary AI-driven UNiD technology.
Other products in the range

At the end of 2018, the Group obtained the necessary authorizations to manufacture in-house the LigaPASS®, its flagship spinal ligament-plasty product, which should contribute to improving the gross margin over the next few years.

MEDICREA INTERNATIONAL also submitted to the FDA the file for the marketing in the United States of a latest generation generic tulip screw which will be able to provide a more complete product offering, particularly for surgeons who have already widely adopted UNiD® patient-specific rods.

2.4 ORGANIZATION

A number of events affected the Company's structure in 2018:

In February, distribution subsidiary MEDICREA BELGIUM was formed in association with a legacy distributor, which had already been distributing MEDICREA INTERNATIONAL products for over ten years and controls around 25% of the local market. MEDICREA INTERNATIONAL holds a 51% majority stake in MEDICREA BELGIUM and plans to transition the entity to a fully-owned Medicrea subsidiary over the next years.

In June, the distribution subsidiary MEDICREA AUSTRALIA was created in association with a local distributor specializing in the spinal field, in order to market the products in Australia and New Zealand. Australia is the world's third largest market after the United States and Japan. MEDICREA INTERNATIONAL holds a 51% majority stake in MEDICREA AUSTRALIA and plans to transition the entity to a fully-owned Medicrea subsidiary over the next years.

In August, the subsidiary MEDICREA Technologies UK, which marketed the products in the UK, was mothballed with the distribution of MEDICREA INTERNATIONAL products now managed by an independent distributor.

In December, the Company also wound up its ancillary surgical device motor repair business, which had four employees based in Rillieux-la-Pape and generated 2018 sales of €1 million. The costs of

winding up this business, which mainly consisted of layoff costs for the four employees, totaled €0.1 million.

2.5 FINANCING

In July 2018 the Company issued 1,127,936 new shares with share warrants attached (ABSA) with a par value of €0.16 per unit, at a unit price of €2.734, including issue premium, for a total amount of €3.1 million.

Each new share issued comes with one share warrant (BSA), for a total issuance of 1,127,936 share warrants. Two share warrants grant the right to subscribe to one new MEDICREA INTERNATIONAL share at an exercise price of €3. The BSAs shall be exercisable for a period of 3 years after their issuance.

The number of shares issued may be increased to 1,691,904, i.e. a maximum amount of €4.8 million, in the event that all of the share warrants are exercised; €3.1 million was collected in July 2018.

In November 2018, the Company completed a $30 million note issue fully subscribed by Perceptive Advisors, a leading US investment fund in the healthcare field. In conjunction with the senior secured notes, Medicrea has issued to Perceptive Advisors warrants for the Company's new ordinary shares.

The refinancing facility consists of senior secured and guaranteed notes, governed by New-York law with coupon based on the greater of Three-Month LIBOR or 2.5% plus a margin of 8.5%. The notes are due to mature on November 27, 2022. They are secured on the securities of MEDICREA USA Corp, a wholly-owned subsidiary of MEDICREA INTERNATIONAL, as well as by pledges on certain assets and receivables of MEDICREA INTERNATIONAL and its subsidiaries for the benefit of the investor.

Perceptive Advisors subscribed free of charge for 1,000,000 warrants not listed on Euronext Growth.

One warrant entitles its holder to subscribe to one new MEDICREA INTERNATIONAL ordinary share, at an exercise price of € 2.19, corresponding to the volume-weighted average of the share prices of the last 10 trading days prior to the fixing of the subscription price, decreased by a 10% discount. The warrants will be exercisable for a period of seven years after their issuance.

Subscription of these notes was accompanied by the early redemption of €15 million in outstanding convertible debt taken out with US fund Athyrium in August 2016 and early repayment of €1.6 million in outstanding bank borrowing previously secured on the business.

The table below presents the potential cumulative dilution of the share capital in the event that all outstanding warrants, options, and other securities that have the potential to be converted into ordinary shares are exercised (including all the warrants issued since 2017, the stocks options and the potential free allocations of shares):

	Before the November 2018 placement	Exercise of the December 2017 warrants	Exercise of share warrants July 2018	Exercise of the November 2018 warrants	Exercise of stock options	Allocation of free shares	Post-financing after conversion of all the securities
Number of ordinary shares	16,219,847						
Number of ordinary shares added if warrants / options are fully exercised		1,168,170	563,968	1,000,000	1.350,000	792,000	4,874,138
Exercise or conversion price	-	€ 3.15	€ 3	€ 2.19	€3.16[1]	-	-
Accumulated potential dilution	-	6.72%	9.65%	14.42%	20.11%	23.11%	23.11%

[1] Average stock option exercise price

3 PARENT COMPANY FINANCIAL STATEMENTS AT DECEMBER 31, 2018

3.1 INCOME STATEMENT

(€)	Notes	12.31.2018	12.31.2017
Sales	2.4	19,750,159	15,933,004
Finished products and work-in-progress	2.5	(721,536)	3,420,986
Own work capitalized	2.6	1,680,837	2,066,842
Operating grants		33,048	12,817
Provision reversals and transfers of charges	2.7	211,203	353,307
Other revenue		3,670	16,183
Operating revenues		**20,957,381**	**21,803,139**
Purchases consumed, subcontracting and other supplies		(4,585,532)	(7,309,023)
Purchases and other external expenses		(6,954,402)	(7,779,621)
Taxes and duties		(752,450)	(564,375)
Wages and salaries		(6,695,330)	(5,730,151)
Social security costs		(2,807,518)	(2,403,316)
Amortization and depreciation charges		(4,607,196)	(3,424,244)
Provision charges		(139,620)	(897,628)
Other expenses		(649,910)	(625,518)
Operating expenses		**(27,191,958)**	**(28,733,876)**
Operating income		**(6,234,577)**	**(6,930,737)**
Financial income		1,100,883	281,506
Financial expenses		(2,014,335)	(5,015,234)
Net financial income / (expense)	6.3	**(913,452)**	**(4,733,728)**
Income/(loss) before tax		**(7,148,029)**	**(11,664,465)**
Exceptional income		671,681	682,431
Exceptional expenses		(655,045)	(596,911)
Net exceptional income/(expense)	2.9	**16,636**	**85,520**
Corporate tax	7	887,701	897,375
Net income/(loss)		**(6,243,692)**	**(10,681,570)**

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

3.2 BALANCE SHEET

(€)	Notes	12.31.2018 Gross	Amort. amort. & prov.	Net	12.31.2017 Net
Intangible assets	4.6	19,907,477	13,068,597	6,838,880	6,651,241
Property, plant and equipment	4.6	10,384,310	4,490,256	5,894,054	6,169,862
Non-current financial assets	4.6	10,577,875	2,565,018	8,012,857	7,831,476
Non-current assets		**40,869,662**	**20,123,871**	**20,745,791**	**20,652,579**
Inventories	2.1	11,389,857	3,284,391	8,105,466	8,953,287
Trade receivables	2.2	10,969,974	103,723	10,866,251	3,360,490
Other receivables	2.2	12,714,006	1,986,683	10,727,323	10,003,530
Cash and cash equivalents	6.1.5	8,157,588	-	8,157,588	11,676,846
Current assets		**43,231,425**	**5,374,797**	**37,856,628**	**33,994,153**
Total assets		**84,101,087**	**25,498,668**	**58,602,419**	**54,646,732**

(€)	Notes	12.31.2018 Net	12.31.2017 Net
Share capital		2,595,176	2,413,266
Reserves		27,162,196	35,333,873
Net income for the year		(6,243,692)	(10,681,570)
Shareholders' equity	8.3	**23,513,680**	**27,065,569**
Conditional advances	6.2	100,000	196,250
Other equity		**100,000**	**196,250**
Long-term financial debt	6.1	27,314,523	17,346,185
Non-current liabilities		**27,314,523**	**17,346,185**
Provisions for liabilities and charges	5.1	126,518	139,094
Short-term financial debt	6.1	1,302,311	3,544,980
Group and associates	6.1.1	94,328	-
Trade payables	2.3	3,611,414	3,956,359
Other liabilities	2.3	2,539,645	2,398,295
Current liabilities		**7,674,216**	**10,038,728**
Total shareholders' equity and liabilities		**58,602,419**	**54,646,732**

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

3.3 CASH FLOW STATEMENT

(€)	12.31.2018	12.31.2017
Net income/(loss)	**(6,243,692)**	**(10,681,570)**
Property, plant and equipment depreciation, intangible asset amortization, and loan issue costs	4,607,196	3,424,244
Provision charges	176,486	3,156,480
Proceeds from sale of non-current assets	62,839	4,850
Merger premium	-	(65,746)
Self-financing capacity	**(1,397,171)**	**(4,161,742)**
Change in inventories and work in progress	894,579	(3,634,948)
Change in trade receivables	(7,579,338)	(845,601)
Change in trade payables	(344,945)	(2,274,220)
Change in other receivables and payables	146,519	4,279,085
Cash flow from working capital requirement	**(6,883,185)**	**(2,475,684)**
Net cash flow from operating activities	**(8,280,356)**	**(6,637,426)**
Acquisition of non-current assets	(3,984,118)	(6,132,747)
Disposal of non-current assets	213,559	587,594
Conditional advances received (repaid)	(96,250)	(121,250)
Other movements	56,040	177,131
Net cash flow from investment activities	**(3,810,769)**	**(5,489,272)**
Share capital increase	3,083,777	20,216,960
Proceeds from new borrowings	27,400,800	492,020
Repayment of borrowings	(19,675,131)	(2,301,898)
Increase / (decrease) in subsidiaries' current accounts	(435,120)	(1,021,046)
Other movements	(1,802,459)	(1,283,504)
Net cash flow from financing activities	**8,571,867**	**16,102,532**
Change in cash and cash equivalents	**(3,519,258)**	**3,975,834**
Cash and cash equivalents - beginning of year	**11,176,846**	**7,201,012**
Cash and cash equivalents - end of year	**7,657,588**	**11,176,846**
Positive cash balances - beginning of year	11,676,846	7,701,012
Positive cash balances - end of year	8,157,588	11,676,846
Change in positive cash balances	**(3,519,258)**	**3,975,834**
Negative cash balances - beginning of year	500,000	500,000
Negative cash balances - end of year	500,000	500,000
Change in negative cash balances	**-**	**-**
Change in cash and cash equivalents	**(3,519,258)**	**3,975,834**

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, 2018

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

MEDICREA INTERNATIONAL is listed on the Euronext Growth market, ISIN FR004178572, Ticker ALMED. Since August 2018, the Company's shares have also been traded on the US market via the OTCQX Best Market platform under the tickers MRNTF and MRNTY.

The parent company financial statements were approved by the Board of Directors on March 20, 2019. They will be submitted for approval at the Shareholders' General Meeting of June 3, 2019.

NOTE 1: ACCOUNTING PRINCIPLES

1.1 Preparation bases

MEDICREA INTERNATIONAL's financial statements are prepared in euros, in compliance with ANC Regulation No. 2014-03 of 5 June 2014, and in accordance with the going concern principle, as set out in Note 6.4.2. "Covenants" are assessed in light of the Company's capacity to meet – over the 12 months following the date of preparation of the financial statements – its cash flow requirements linked to its operations, its investments and the repayment of its short-term 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 2018 are identical to those applied the previous year.

The preparation of the financial statements requires the drawing up of estimates and assumptions likely to have an impact on the Company's assets and liabilities, as well as on those of its subsidiaries and equity investments.

The estimates and assumptions used are reviewed on an ongoing basis. Due to the uncertainty inherent to any valuation process, it is possible that the amounts shown in future financial statements may differ from the amounts currently estimated.

At December 31, 2018, the Company was not aware of any changes in estimates having a significant impact during the period.

1.2 Conversion of foreign currency-denominated items

Foreign currency-denominated transactions are converted at the exchange rate in effect at the time of the transaction, or at the rate of the currency hedge arranged, where applicable.

Foreign currency-denominated assets and liabilities are converted at the closing exchange rate, or maintained at the rate of the hedge assigned to them.

The difference resulting from the conversion of foreign currency-denominated liabilities and receivables at the closing exchange rate is taken to the balance sheet under "accruals", where applicable. In the event of an unrealized currency loss at the balance-sheet date, a provision is recorded for the amount of the unhedged risk.

NOTE 2: OPERATIONAL DATA

2.1 Inventories

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:

	12.31.2018			12.31.2017		
(€)	Gross values	Impairment	Net values	Gross values	Impairment	Net values
Raw materials	378,569	(46,798)	331,771	494,979	(26,379)	468,600
Work-in-process	441,059	(51,948)	389,111	1,072,507	(87,336)	985,171
Semi-finished goods	1,651,784	(420,996)	1,230,788	1,891,621	(157,507)	1,734,114
Finished goods	8,918,445	(2,764,649)	6,153,796	8,825,329	(3,059,927)	5,765,402
Total	**11,389,857**	**(3,284,391)**	**8,105,466**	**12,284,436**	**(3,331,149)**	**8,953,287**

The gross value of inventories fell by 7% in comparison with 2017. The main change is related to work-in-process and was due the normalization of operations at the new plant in Rillieux-la-Pape.

Impairment charges accounted for 29% of the average gross amounts at December 31, 2018, compared with 27% at December 31, 2017,

2.2 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:

	12.31.2018			12.31.2017		
(€)	Gross values	Impairment	Net values	Gross values	Impairment	Net values
Trade receivables	**10,969,974**	**(103,723)**	**10,866,251**	**3,390,636**	**(30,146)**	**3,360,490**
Social security receivables	2,200	-	2,200	2,200	-	2,200
Tax receivables	1,469,687	-	1,469,687	1,701,476	-	1,701,476
Intra-Group current accounts	9,153,038	(1,986,683)	7,166,355	8,623,591	(1,824,440)	6,799,151
Other receivables	1,532,110	-	1,532,110	1,234,757	-	1,234,757
Advances and prepayments to	5,381	-	5,381	80,184	-	80,184
suppliers	529,872	-	529,872	158,668	-	158,668
Prepaid expenses	21,718	-	21,718	27,094	-	27,094
Asset translation adjustment	**12,714,006**	**(1,986,683)**	**10,727,323**	**11,827,970**	**(1,824,440)**	**10,003,530**
Other receivables						
Total current assets	**23,683,980**	**(2,090,406)**	**21,593,574**	**15,218,606**	**(1,854,586)**	**13,364,020**
Average days sales outstanding		**61 days**			**67 days**	

The change in trade receivables between 2018 and 2017 is analyzed as follows:

(€)	12.31.2018	12.31.2017
MEDICREA USA	7,620,408	1,520,922
MEDICREA BELGIUM	643,441	-
MEDICREA AUSTRALIA	357,235	-
MEDICREA POLAND	420,463	64,337
MEDICREA TECHNOLOGIES UK	-	10,792
Intra-Group receivables	**9,041,547**	**1,596,051**
Non-Group receivables	1,928,427	1,794,585
Total trade receivables	**10,969,974**	**3,390,636**

Of the €7.5 million increase in trade receivables, €7.4 million was the result of Group receivables, including €1 million relating to changes in scope. With effect from January 1, 2017, overdue Group receivables, and in particular those relating to MEDICREA USA, are no longer reclassified as current account advances.

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 €887,701 and the competitiveness and employment tax credit of €169,751. Other tax receivables primarily include VAT to be recovered.

The €0.4 million change in prepaid expenses is explained by the recognition of rent invoices relating to the 1st quarter of 2019 in December 2018, while the rent invoices relating to the 1st quarter of 2018 were not received during the 2017 fiscal year.

At December 31, 2018, intra-Group current accounts were broken down as follows:

	12.31.2018			12.31.2017		
(€)	Gross values	Impairment	Net values	Gross values	Impairment	Net values
MEDICREA USA current account	6,427,965	-	6,427,965	6,053,968	-	6,053,968
MEDICREA GMBH current account	1,254,720	1,254,720	-	1,229,795	1,229,795	-
MEDICREA POLAND current account	738,390	-	738,390	745,183	-	745,183
MEDICREA TECHNOLOGIES UK current account	731,963	731,963	-	594,645	594,645	-
Total intra-Group current accounts	**9,153,038**	**1,986,683**	**7,166,355**	**8,623,591**	**1,824,440**	**6,799,151**

The maturity dates of receivables are broken down as follows:

(€)	12.31.2018	Within 1 year	1 to 5 years	More than 5 years
Other non-current financial assets	353,690	10,769	40,000	302,921
Trade receivables	10,969,974	10,969,974	-	-
Social security receivables	2,200	2,200	-	-
Tax receivables	1,469,687	1,469,687	-	-
Intra-Group current accounts	9,153,038	-	9,153,038	-
Other receivables	1,532,110	1,532,110	-	-
Advances and prepayments to suppliers	5,381	5,381	-	-
Prepaid expenses	529,872	529,872	-	-
Total	**24,015,952**	**14,519,993**	**9,193,038**	**302,921**

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

(€)	12.31.2018	12.31.2017
Trade receivables	366,418	39,123
Other receivables	19,925	55,243
Total	**386,343**	**94,366**

2.3 Trade payables and other liabilities

Trade payables and other liabilities are analyzed as follows:

(€)	12.31.2018	12.31.2017
Trade payables	**3,611,414**	**3,956,359**
Social security liabilities	1,698,472	1,621,583
Tax liabilities	261,287	300,124
Other liabilities	321,613	435,477
Customer advances and prepayments	22,161	29,436
Translation adjustment liability	236,112	11,675
Total other liabilities	**2,539,645**	**2,398,295**
Total current liabilities	**6,151,059**	**6,354,654**
of which due in less than one year	*5,976,387*	*6,104,508*

The change in trade payables between 2018 and 2017 is analyzed as follows:

(€)	12.31.2018	12.31.2017
MEDICREA USA	85,012	15,560
MEDICREA TECHNOLOGIES UK	-	19,209
Intra-Group liabilities	**85,012**	**34,769**
Non-Group liabilities	3,526,402	3,921,590
Total	**3,611,414**	**3,956,359**

The €0.4 million decrease in trade payables was mainly the result of seasonal effects.

The liability translation adjustment at December 31, 2018 mainly comprised the translation of Group receivables denominated in foreign currencies (see section 2.2).

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

(€)	12.31.2018	12.31.2017
Financial debt	7,004	12,078
Trade payables	471,931	751,191
Social security liabilities	1,272,970	1,203,368
Tax liabilities	352,317	290,055
Other liabilities	284,413	72,000
Total	**2,388,635**	**2,328,692**

2.4 Sales

Sales are recognized on the date the significant risks and rewards of ownership are transferred, which most frequently takes place when the products are shipped. In certain specific cases, when the Company delivers directly to healthcare institutions (e.g. in the French market), implants and instruments are held on consignment. 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:

	12.31.2018			12.31.2017		
(€)	France	Exports	Total	France	Exports	Total
Merchandise sales	6,021,264	12,566,165	18,587,429	5,918,594	9,685,029	15,603,623
Provision of services	72,975	1,089,755	1,162,730	174,358	155,023	329,381
Total sales	**6,094,239**	**13,655,920**	**19,750,159**	**6,092,952**	**9,840,052**	**15,933,004**

The change in sales between 2018 and 2017 is analyzed as follows:

(€)	2018	2017	Change
MEDICREA USA	7,329,919	5,619,069	30%
MEDICREA BELGIUM	896,918	-	N/S
MEDICREA POLAND	363,412	656,182	(45)%
MEDICREA AUSTRALIA	361,522	-	N/S
MEDICREA GMBH	3,000	(168,768)	N/S
MEDICREA TECHNOLOGIES	-	160,585	N/S
MEDICREA TECHNOLOGIES UK	(253,065)	(17,401)	N/S
Total intra-Group sales and rebillings	**8,701,706**	**6,249,667**	**39%**
Private and public hospitals - France	6,080,268	5,962,073	+ 2%
Export distributors	3,907,371	3,590,990	+ 9%
Repair center	982,797	76,444	N/S
Other	78,017	53,830	+ 45%
Total external sales and rebillings	**11,048,453**	**9,683,337**	**+ 14%**
Net sales	**19,750,159**	**15,933,004**	**+ 24%**

Sales to the Company's trading subsidiaries were up 39%, generating additional revenue of €2.5 million, including €1.7 million from MEDICREA USA following the US market launch of a top-loading thoraco-lumbar fixation system and €1.2 million from MEDICREA BELGIUM and MEDICREA AUSTRALIA, formed in February and June 2018 respectively.

The sales generated with international distributors, healthcare institutions in France, and the customers of the repair center, which reflect MEDICREA INTERNATIONAL's marketing activities with third-party customers, increased by 14%, representing additional sales of €1.4 million:

The repair center's revenue in 2017 was generated by MEDICREA TECHNOLOGIES SAS, which was dissolved without liquidation and absorbed by MEDICREA INTERNATIONAL at the end of 2017. This surgical device motor repair business was wound up by the Company at December 31, 2018.

2.5 Finished products and work-in-progress

The €4.1 million decrease in finished products and work-in-progress compared with the previous fiscal year was mainly due to the transfer of the production plant from La Rochelle to Rillieux-la-Pape in 2017, which resulted in a large number of organizational changes and to the significant use of sub-contractors on a temporary basis.

2.6 Own work capitalized

Own word capitalized amounted to €1.7 million, versus €2.1 million in 2017. It includes the capitalization of R&D expenses and of expenditure on patents, and reflects the Company's sustained innovation efforts.

2.7 Provision reversals and transfers of charges

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

(€)	12.31.2018	12.31.2017
Provision for liabilities and charges	22,000	182,706
Inventory impairment	68,455	67,248
Provision for bad debts	29,546	10,911
Transfers of charges	91,202	92,442
Provision reversals and transfers of charges	**211,203**	**353,307**

2.8 Other revenue

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

2.9 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.

Exceptional income in 2018 mainly consisted of sales of industrial equipment.

2.10 Impact of exchange differences on sales and operating income

Average exchange rates evolved as follows:

Average conversion rates	12.31.2018	12.31.2017
USD / EUR	1.18384	1.12493
GBP / EUR	0.88535	0.87313
PLN / EUR	4.25803	4.26218
AUD / EUR	1.58170	-

The impact of currency fluctuations on the comparability of the financial statements for the 2017 and 2018 fiscal years is as follows:

(€)	12.31.2018 at 2018 rates	12.31.2018 at 2017 rates	Impact of exchange rates
Sales	19,750,159	20,102,092	(351,933)
Operating income	(6,234,577)	(5,963,849)	(270,728)

NOTE 3: EMPLOYEE COSTS AND BENEFITS

3.1 Workforce

The workforce can be analyzed by category as follows:

	12.31.2018	12.31.2017
Executives	68	66
Supervisors - Employees	57	60
Total	125	126

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 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 44.5% for executives and 37% 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: 1.60%, 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.

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

The value of acquired rights was €639,367 at December 31, 2018, compared with €600,328 at December 31, 2017. Movements are analyzed as follows:

(€)	12.31.2018	12.31.2017
Actuarial liability at the start of the period	600,328	513,368
Service cost in operating income	*103,343*	*86,922*
Net financial expense	*7,637*	*7,187*
Charge for the year in respect of defined benefit plans	110,980	94,109
Actuarial gains and losses	(71,941)	(19,447)
Change in consolidation scope	-	12,298
Actuarial liability at the end of the period	639,367	600,328

Actuarial gains and losses arose from changes in the assumptions used (€47k) and employee transfers (€25k).

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 commitments related to long-service awards, since the applicable collective agreement does not provide for any specific provision in that regard.

3.4 Share-based payments

Certain employees and/or corporate officers of the Company receive compensation in equity instruments, the payment of which is based on shares. This compensation takes the form of free share allocation plans or of stock option plans.

At the Shareholders' Meetings of March 10, 2006, June 25, 2009, June 14, 2012, June 25, 2014, June 3, 2015, December 18, 2015, June 7, 2016, June 15, 2017, November 8, 2017, and May 17, 2018, 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, September 19, 2016, September 14, 2017, December 22, 2017, February 8, 2018, July 27, 2018 and December 20, 2018 share subscription options and/or free shares were allocated.

3.4.1 Share purchase option plans

No provision has been recorded in relation to these plans in accordance with the provisions of Article 624-6 of the French General Chart of Accounts.

The characteristic features of these share purchase plans authorized by the Shareholders' Meeting were as follows at December 31, 2018:

Year the plan was arranged	Number of options authorized	Number of options canceled / lapsed	Number of options exercised	Number of shares not yet vested	Exercise price (€)	Year unexercised options will lapse
2008	20,723	16,556	4,167	-	-	-
2009	53,480	33,000	20,480	-	-	-
2010	112,800	99,926	12,874	-	-	-
2011	95,500	95,500	-	-	-	-
2013	10,000	10,000	-	-	-	-
2014	30,000	-	-	30,000	9.10	2021
2015	12,000	12,000	-	-	-	-
2016	406,500	406,500	-	-	-	-
2017	210,000	50,000	-	160,000	3.95 / 4.11 *	2024
2017	450,000	25,000	-	425,000	2.85 *	2024
2018	570,000	-	-	570,000	2.96 / 3.21 *	2025
2018	100,000	-	-	100,000	2.73	2025
2018	65,000	-	-	65,000	2.38	2025
Total	**2,136,003**	**748,482**	**37,521**	**1,350,000**		

* The exercise price differs for US employees as the allocation dates are final 20 trading days after the date of the Board of Directors' meeting deciding the allocation.

3.4.2 Free share plans

No provision has been recorded in relation to these plans in accordance with the provisions of Article 624-6 of the French General Chart of Accounts.

The characteristic features of these free share plans authorized by the Shareholders' Meeting were as follows at December 31, 2018:

Year the plan was arranged	Number of free shares authorized	Number of free shares canceled	Number of free shares vested	Number of shares to be allocated	Year vested (1)
2008	18,099	936	17,163	-	2010 / 2012
2009	45,800	8,100	37,700	-	2011 / 2013
2010	45,885	9,965	35,920	-	2012 / 2014
2011	3,500	-	3,500	-	2013
2016	72,990	31,000	41,990	-	2017 / 2018
2018	5,000	-	-	5,000	2019
2018	787,000	-	-	787,000	2019 / 2020
Total	**978,274**	**50,001**	**136,273**	**792,000**	

(1) The vesting year varies depending on the countries where the beneficiaries of the plan are employed.

3.4.3 Change in stock purchase option and free share plans

Transactions in share-based payment instruments over the last two fiscal years are summarized as follows as at December 31, 2018:

	Subscription options			Free shares		
	Number of options	Average residual contractual life	Average exercise price (€)	Number of shares	Average residual contractual life	
					France	United States
Balance at 12.31.16	569,718	5.33	6.09	72,990	0.72	1.72
- allocated	660,000	6.89	3.00	-	-	-
- canceled	(464,000)	5.64	5.75	(9,000)	-	-
- lapsed	(59,126)	-	6.14	-	-	-
- exercised	-	-	-	(32,990)	-	-
Balance at 12.31.17	706,592	6.58	3.67	31,000	-	0.72
- allocated	735,000	3.40	2.93	792,000	0.97	1.97
- canceled	(75,000)	3.97	3.69	(22,000)	-	-
- lapsed	(16,592)	-	8.06	-	-	-
- exercised	-	-	-	(9,000)	-	0.72
Balance at 12.31.2018	1,350,000	6.01	3.16	792,000	0.97	1.97

3.5 French Personal Training Account (PTA)

Only training expenses effectively incurred, 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.

The Company's annual contribution in respect of the PTA (0.2% of 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 €169,751 was recognized in 2018 in relation to this tax credit, compared with €161,667 in 2017.

3.7 Senior executives and corporate officers' compensation

MEDICREA INTERNATIONAL has four executive corporate officers. They are Denys SOURNAC, Chairman and Chief Executive Officer of MEDICREA INTERNATIONAL, and Fabrice KILFIGER and David RYAN, Deputy Chief Executive Officers of MEDICREA INTERNATIONAL. Mr. CAFFIERO has not carried out any operational duties at the Company since January 1, 2018, but retains his office as a Director 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 INTERNATIONAL by Mr. SOURNAC. These fees are paid via a service agreement between ORCHARD INTERNATIONAL and MEDICREA INTERNATIONAL.

3.7.1 Compensation paid or awarded in 2018

Compensation paid or awarded during 2018 is as follows:

Denys SOURNAC – Chairman and Chief Executive Officer

	2018		2017	
Compensation (€)	Amount due	Amount paid	Amount due	Amount paid
Gross fixed compensation (1)	300,000	300,000	300,000	300,000
Gross variable compensation	-	-	-	-
Directors' fees	8,000	8,000	8,000	7,000
Benefits in kind	-	-	-	-
Total	**308,000**	**308,000**	**308,000**	**307,000**

(1) Services invoiced by ORCHARD INTERNATIONAL

Fabrice KILFIGER – Deputy CEO and Chief Financial Officer

	2018		2017	
Compensation (€)	Amount due	Amount paid	Amount due	Amount paid
Gross fixed compensation	197,164	197,164	187,780	187,780
Gross variable compensation	-	15,000 (1)	15,000	15,000 (1)
Directors' fees	-	-	-	-
Benefits in kind (2)	11,460	11,460	10,443	10,443
Total	**208,624**	**223,624**	**213,223**	**213,223**

(1) Compensation for the previous fiscal year
(2) Benefits in kind: company car

David RYAN – Deputy CEO and Chief Operating Officer

	2018		2017	
Compensation (€)	Amount due	Amount paid	Amount due	Amount paid
Gross fixed compensation	199,500	199,500	175,370	175,370
Gross variable compensation	-	30,000 (1)	30,000	25,000 (1)
Directors' fees	-	-	-	-
Benefits in kind (2)	8,004	8,004	7,257	7,257
Total	**207,504**	**237,504**	**212,627**	**207,627**

(1) Compensation for the previous fiscal year
(2) Benefits in kind: company car

3.7.2 Options allocated and exercised in 2018

Options allocated during 2018 are as follows:

Beneficiaries	Company granting the options	Date options granted by Board of Directors	Number of options	Year unexercised options will lapse	Exercise price (€)
Fabrice KILFIGER	MEDICREA INTERNATIONAL	02/08/2018	160,000	2025	2.96
David RYAN	MEDICREA INTERNATIONAL	02/08/2018	60,000	2025	2.96

No options were exercised during the 2018 fiscal year by the executive corporate officers of the Company.

A history of options awarded as of December 31, 2018 is as follows:

Fabrice KILFIGER Date of Board of Directors' meeting	06/05/2008	06/25/2009	06/17/2010	02/08/2018
Number of options allocated	4,167	20,000	10,000	160,000
Year unexercised options will lapse	2018	2016	2017	2025
Exercise price (€)	6.00	6.16	6.14	2.96
Number of options exercised	4,167	11,354	-	-
Number of options canceled / lapsed	-	8,646	10,000	-
Number of shares not yet vested	-	-	-	160,000

David RYAN

Date of Board of Directors' meeting	06/5/2008	06/25/2009	06/17/2010	09/14/2017	02/08/2018
Number of options allocated	3,542	15,000	5,000	100,000	60,000
Year unexercised options will lapse	2018	2016	2017	2024	2025
Exercise price (€)	6.00	6.16	6.14	3.95	2.96
Number of options exercised	-	-	-	-	-
Number of options canceled / lapsed	3,542	15,000	5,000	-	-
Number of shares not yet vested	-	-	-	100,000	60,000

3.7.3 Free shares allocated in 2018

Free shares allocated during 2018 are as follows:

Beneficiaries	Company awarding free shares	Date of Board meeting at which free shares were awarded	Number of free shares	Delivery date	Valuation of free shares (1) (€)
Denys SOURNAC	MEDICREA INTERNATIONAL	12/20/2018	300,000	2019	2.26
Fabrice KILFIGER	MEDICREA INTERNATIONAL	12/20/2018	90,000	2019	2.26
David RYAN	MEDICREA INTERNATIONAL	12/20/2018	90,000	2019	2.26

(1) Based on the method used for the consolidated financial statements

A history of free shares awarded as of December 31, 2018 is as follows:

Denys SOURNAC

Date of Board of Directors' meeting	12/20/2018
Number of shares allocated	300,000
Delivery date of free shares	2019
Valuation of free shares - € (1)	2.26

(1) Based on the method used for the consolidated financial statements

Fabrice KILFIGER

Date of Board of Directors' meeting	06/5/2008	06/25/2009	06/17/2010	09/19/2016	12/20/2018
Number of shares allocated	2,778	7,500	2,500	9,000	90,000
Delivery date of free shares	2010	2011	2012	2018	2019
Valuation of free shares - € (1)	5.73	6.55	6.22	5.85	2.26

(1) Based on the method used for the consolidated financial statements

David RYAN

Date of Board of Directors' meeting	06/5/2008	06/25/2009	06/17/2010	06/16/2011	09/19/2016	12/20/2018
Number of shares allocated	2,361	6,000	2,500	3,000	9,000	90,000
Delivery date of free shares	2010	2011	2012	2013	2018	2019
Valuation of free shares - € (1)	5.73	6.55	6.22	9.40	5.85	2.26

(1) Based on the method used for the consolidated financial statements

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 5 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.

Subsequent expenditure on non-current assets is expensed when it is incurred, except for the expenditure incurred in order to extend the useful life of the asset.

Ancillary parts included in sets made available to customer health institutions are capitalized until their return or replacement for cause of breakage, loss or obsolescence.
Property, plant and equipment is the subject of an impairment test, in accordance with the method set out in Note 4.1.

The depreciation charges are calculated in accordance with the estimated useful life of the non-current assets:

- technical facilities and equipment: 3 to 10 years;
- demonstration equipment; 3 years;
- Instrument sets; 3 years;
- office equipment, computer hardware, and furniture: 3 to 10 years;
- general facilities and fittings: 10 to 12 years;
- motor vehicles: 4 years.

In the case of the fixtures and fittings in the head office in Rillieux-la-Pape, the estimated useful life corresponds to the full term of the lease.

4.4 Non-current financial assets and current accounts

Equity securities are valued at their historical acquisition cost and current accounts with subsidiaries at book value.

Impairment is recognized when the recoverable value assessed in accordance with the following criteria is lower than the value recognized under assets:

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

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

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

		Registered office	% control
MEDICREA USA		New-York, USA	100%
MEDICREA TECHNOLOGIES UK		Preston, UK	100%
MEDICREA GMBH		Cologne, GER	100%
MEDICREA POLAND		Łódź, PL	100%
MEDICREA BELGIUM		Houwaart, BE	51%
MEDICREA AUSTRALIA		Brisbane, AU	51%

Equity securities are broken down as follows:

	12.31.2018			12.31.2017		
(€)	Gross value	Impairment	Net value	Gross value	Impairment	Net value
MEDICREA USA	7,395,058	-	7,395,058	7,395,058	-	7,395,058
MEDICREA TECHNOLOGIES UK	2,465,018	(2,465,018)	-	2,465,018	(2,465,018)	-
MEDICREA GMBH	100,000	(100,000)	-	100,000	(100,000)	-
MEDICREA BELGIUM	120,076	-	120,076	-	-	-
MEDICREA AUSTRALIA	96,915	-	96,915	-	-	-
MEDICREA POLAND	47,118	-	47,118	47,118	-	47,118
Total	10,224,185	(2,565,018)	7,659,167	10,007,194	(2,565,018)	7,442,176

In February 2018 the Company created MEDICREA BELGIUM, a limited company under Belgian law with capital of €200,000 and its registered office in Houwaart, in partnership with the company Motion Medical, which up until that time had distributed MEDICREA INTERNATIONAL 's products in Belgium. The Company holds a 51% majority stake in MEDICREA BELGIUM and will gradually transition the entity to a fully-owned Medicrea subsidiary over the next years. A shareholders' agreement was signed to this effect containing corresponding purchase and sale commitments for the 49% stake held by Motion Medical at December 31, 2018 to take place in stages over the period 2019-2022 as follows:

- In 2019, purchase of 12.25% of shares on the basis of 10 X 2018 EBITDA (*) of MEDICREA BELGIUM;
- In 2020, purchase of 12.25% of shares on the basis of 10 X 2019 EBITDA (*) of MEDICREA BELGIUM;
- In 2021, purchase of 12.25% of shares on the basis of 10 X 2020 EBITDA (*) of MEDICREA BELGIUM;
- In 2022, purchase of 12.25% of shares on the basis of 10 X 2021 EBITDA (*) of MEDICREA BELGIUM;

In June 2018, the Company created MEDICREA AUSTRALIA, an Australian company with capital of A$300,000 and its registered office in Brisbane, in a joint venture with the company National Surgical, a distributor of medical devices in Australia. The Company holds a 51% majority stake in MEDICREA AUSTRALIA and will gradually transition the entity to a fully-owned Medicrea subsidiary over the next years. A shareholders' agreement was signed to this effect containing corresponding purchase and sale commitments for the 49% stake held by National Surgical at December 31, 2018 to take place in stages over the period 2021-2024 as follows:

- In 2021, purchase of 12.25% of shares on the basis of 7 X the share of 2020 EBITDA (*) of MEDICREA AUSTRALIA;
- In 2022, purchase of 12.25% of shares on the basis of 7 X the share of 2021 EBITDA (*) of MEDICREA AUSTRALIA;
- In 2023, purchase of 12.25% of shares on the basis of 7 X the share of 2022 EBITDA (*) of MEDICREA AUSTRALIA;
- In 2024, purchase of 12.25% of shares on the basis of 7 X the share of 2023 EBITDA (*) of MEDICREA AUSTRALIA;

(*): Operating income before interest, depreciation, amortization and impairment

Treasury shares

The MEDICREA INTERNATIONAL 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, 2018, treasury shares were analyzed as follows:

	2018		2017	
(€)	Number	Amount	Number	Amount
Liquidity contract	4,756	10,770	4,438	14,310
Total number of MEDICREA INTERNATIONAL shares	**4,756**	**10,770**	**4,438**	**14,310**

4.5 Change in non-current assets, and depreciation and amortization during fiscal year 2018

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

Gross values (€)	01.01.2018	Acquisitions	Disposals	12.31.2018
Research & development costs	11,668,307	1,503,692	-	13,171,999
Patents and similar rights	4,468,560	219,004	-	4,687,564
Computer licenses and software	1,395,218	652,218	24,656	2,022,780
Brands	25,133	-	-	25,133
Domain name	1	-	-	1
Intangible assets	**17,557,219**	**2,374,914**	**24,656**	**19,907,477**
Buildings	157	-	157	-
Technical facilities and equipment	2,470,391	54,391	346,281	2,178,501
Demonstration equipment	369,896	263,985	102,092	531,789
Instrument sets	3,040,226	959,930	404,467	3,595,689
Computer hardware and office	1,094,021	26,002	1,539	1,118,484
equipment	2,903,768	67,475	11,396	2,959,847
Other non-current assets	**9,878,459**	**1,371,783**	**865,932**	**10,384,310**
Property, plant and equipment				
Equity securities	10,007,194	216,991	-	10,224,185
Treasury shares (1)	14,310	-	3,540	10,770
Guarantees and deposits	374,990	20,430	52,500	342,920
Non-current financial assets	**10,396,494**	**237,421**	**56,040**	**10,577,875**
Total gross values	**37,832,172**	**3,984,118**	**946,628**	**40,869,662**

Amortization and depreciation (€)	01.01.2018	Charges	Reversals	12.31.2018
Research & development costs	7,246,518	1,543,296	-	8,789,814
Patents and similar rights	3,142,962	329,559	-	3,472,521
Computer licenses and software	491,364	314,420	24,656	781,128
Brands	25,133	-	-	25,133
Domain name	1	-	-	1
Intangible assets	**10,905,978**	**2,187,275**	**24,656**	**13,068,597**
Buildings	37	16	53	-
Technical facilities and equipment	541,717	294,839	139,007	697,549
Demonstration equipment	222,282	111,053	43,404	289,931
Instrument sets	2,020,757	583,180	404,465	2,199,472
Computer hardware and office	635,643	134,517	311	769,849
equipment	288,161	247,588	2,294	533,455
Other non-current assets	**3,708,597**	**1,371,193**	**589,534**	**4,490,256**
Property, plant and equipment				
Equity securities	2,565,018	-	-	2,565,018
Non-current financial assets	**2,565,018**	**-**	**-**	**2,565,018**
Total amortization, depreciation and impairment	**17,179,593**	**3,558,468**	**614,190**	**20,123,871**

Net values (€)	01.01.2018	Increases	Decreases	12.31.2018
Intangible assets	6,651,241	187,639	-	6,838,880
Property, plant and equipment	6,169,862	590	276,398	5,894,054
Non-current financial assets	7,831,476	237,421	56,040	8,012,857
Total net values	**20,652,579**	**425,650**	**332,438**	**20,745,791**

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

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

1 / Research and development activity is structurally important and is a key differentiating factor for the Group. The main costs incurred in the 2018 fiscal year include:

- The continued development of the software platform and the range of UNiD ™ services with the integration of new services for the use of pre-, inter- and post-operative data and for analytical learning for personalized spinal surgery;
- The in-house development of a new range of 3D-printed titanium implants, comprised of standard and patient-specific interbody cages as well as patient-specific corpectomy implants;
- The finalization of the PASS TULIP® top-loading screw range and the development of a next generation generic tulip screw.

R&D costs capitalized for the fiscal year 2018 amounted to €1,503,692 compared with €1,836,995 in 2017.

2 / Patent costs capitalized in 2018 amounted to €219,004, compared with €780,417 in respect of the previous year. Of these, 75% relate to patient-specific spinal osteosynthesis rods (UNiD® rods). In 2017, it included the purchase of three patents from Dr Paul McAfee, which protect an innovative technique that helps to ascertain the physiological height of the intervertebral space by using the anatomy of the patient to accurately select the appropriate interbody device.

3/ The increase in the licenses and software item is primarily due to the continued development of the UNiD ™ HUB, a proprietary surgical planning software package, which relies on data-driven technologies, and was commissioned following approval by the FDA at the time of the NASS Conference in late October 2017.

4/ 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 in line with the entry / exit of new / old products.

5/ 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. Business development leads the Company to increase and renew the assets used by its customers, particularly in France. Fully-depreciated instruments are taken off the books on a regular basis.

6/ The main reason for the increase in the computer hardware and office equipment item is the renewal of IT equipment.

7/ The increase in other non-current assets is mainly due to expenditure for head office maintenance.
8/ Non-current financial assets include equity securities, treasury shares held as part of a liquidity contract and guarantees paid. The increase in equity securities arose from the establishment of MEDICREA BELGIUM and MEDICREA AUSTRALIA. The increase in guarantees and deposits relates primarily to a guarantee given to BPI for a bank loan, while the decrease is due to reimbursing the security deposit for the former premises in La Rochelle.

4.6 Leases

4.6.1 Finance leases

Non-current assets acquired through finance leases are recognized in the parent company financial statements under expenses for the year (lease payments), according to the schedules set out in the contract. They relate to the following assets:

(€)	12.31.2018 Gross values	12.31.2017 Gross values
Software	21,700	21,700
Technical facilities and equipment	3,374,252	3,108,569
Computer hardware	883,590	962,273
Total	**4,279,542**	**4,092,542**

Acquisitions in 2018 financed through finance leases or operating leases consisted of a five-axis machining center (€436k) and IT equipment (€81k).

Lease-financed commitments are analyzed as follows:

(€)	12.31.2018	12.31.2017
Lease payments		
Total payments from previous years (1)	1,164,129	1,425,166
Lease payments for the year (1)	556,104	525,252
Total	**1,720,233**	**1,950,418**
Future minimum lease payments		
Within 1 year	586,675	494,797
1 to 5 years	822,581	949,841
More than 5 years	-	-
Total	**1,409,256**	**1,444,638**
Residual values	**21,846**	**19,532**

(3) 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.

4.6.2 Operating leases

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

Operating leases mainly relate to annual lease payments of €1,131,878 for business premises under a 12-year lease entered into on September 23, 2016.
Operating lease commitments can be summarized as follows:

(€)	12.31.2018	12.31.2017
Within 1 year	1,252,608	1,263,912
1 to 5 years	4,641,233	4,563,160
5 to 10 years	5,451,561	5,564,600
More than 10 years	-	834,690
Total	11,345,402	12,226,362

NOTE 5: PROVISIONS AND CONTINGENT LIABILITIES

5.1 Provision charges

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 as follows:

(€)	Provisions for salary disputes	Provisions for charges	Provisions for currency risk	Total
Provisions at January 1, 2018	90,000	22,000	27,094	139,094
Charges	10,000	4,800	21,718	36,518
Used during the year	-	(3,500)	(27,094)	(30,594)
Reversals	-	(18,500)	-	(18,500)
Provisions at December 31, 2018	100,000	4,800	21,718	126,518
of which due in less than one year	*100,000*	*4,800*	*21,718*	*126,518*

5.2 Contingent liabilities

A contingent liability is:

- a potential obligation resulting from a past event, the existence of which will only be confirmed by the occurrence or non-occurrence of an uncertain event that is not under the Company's control;
- a current obligation resulting from a past event, where either the amount of the obligation cannot be estimated reliably, or it is unlikely that an outflow of resources representing economic benefits will be required in order to settle the obligation.

The contingent liabilities identified at December 31, 2018 were as follows:

- 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™ patient-specific rods and any MEDICREA implants necessary for the treatment of patients requiring corrective surgery.

- Since the launch of this warranty, no activation request has been recorded. On this basis, the Company did not recognize any provision in its financial statements at December 31, 2018 and, depending on all the data collected in 2019, it will assess whether or not it is necessary to review this position at December 31, 2019.

- The agreement governing the purchase of three patents from Doctor Paul McAfee, which protect an innovative technique that helps to ascertain the physiological height of the intervertebral space by using the anatomy of the patient to accurately select the appropriate interbody device, specifies that a compensation payment of US$1 million, less any royalty paid out until the takeover date, will be made to Doctor McAfee in the event that MEDICREA INTERNATIONAL is bought out by another company followed by termination of said agreement.

- Two royalties contracts concluded with two American surgeons provide for the possibility of the surgeons terminating the contracts in the event of a change of control of MEDICREA Group and demanding payment of compensation of $1 million each.

NOTE 6: FINANCING AND FINANCIAL INSTRUMENTS

6.1 Net financial debt

Net financial debt includes all of the long-term financial debt, short-term loans, and bank overdrafts, after deducting cash and cash equivalents.

The Company's net financial debt at December 31, 2018 is analyzed as follows:

	12.31.2018			12.31.2017		
(€)	Non-current	Current	Total	Non-current	Current	Total
Long-term financial debt	27,314,523	795,899	28,110,422	17,346,185	3,040,492	20,386,677
Short-term and bank loans	-	506,412	506,412	-	504,488	504,488
Gross financial debt	**27,314,523**	**1,302,311**	**28,616,834**	**17,346,185**	**3,544,980**	**20,891,165**
Cash and cash equivalents	-	(8,157,588)	(8,157,588)	-	(11,676,846)	(11,676,846)
Net financial debt	**27,314,523**	**(6,855,277)**	**20,459,246**	**17,346,185**	**(8,131,866)**	**9,214,319**

6.1.1 Analysis of long-term financial debt

Financial debt is recognized at its face value.

At December 31, 2018, all long-term financial debt was taken out in Euros, and is analyzed as follows:

(€)	12.31.2018	12.31.2017
Bond issues	26,782,134	17,143,683
Loans from credit institutions	1,315,998	3,223,705
Accrued loan interest	591	7,590
Other financial debt	11,699	11,699
Non-Group financial debt	**28,110,422**	**20,386,677**
Group and associates	94,328	-
Total	**28,204,750**	**20,386,677**
of which fixed-rate financial debt	*2,003,950*	*20,386,677*
of which variable rate financial debt	*26,200,800*	-

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

(€)	12.31.2018	12.31.2017
Bond loan – November 2018	26,200,800	-
Convertible bond loan – August 2016	-	15,000,000
Bond loan – February 2016	-	1,150,000
Bond loan – April 2015	581,334	993,683
Total	**26,782,134**	**17,143,683**

In November 2018, the Company completed a $30 million note issue fully subscribed by Perceptive Advisors, a leading US investment fund in the healthcare field. The refinancing facility consists of senior secured and guaranteed notes, governed by New-York law with coupon based on the greater of Three-Month LIBOR or 2.5% plus a margin of 8.5%. The notes are due to mature in November 2022. The note issue was accompanied by the issuance of 1 million unlisted warrants subscribed free of charge by Perceptive Advisors, entitling the holder to subscribe for 1 million new MEDICREA INTERNATIONAL shares at an exercise price of €2.19. The warrants are exercisable for a period of seven years from issuance.

With this transaction, the Company has retired all of its outstanding €15 million convertible debt with Athyrium Capital Management, and repaid other outstanding debt secured by goodwill pledges for a total amount of €1.6 million.

6.1.2 Change in financial debt

Changes in financial liabilities can be analyzed as follows:

		Cash movements		
	12.31.2017			12.31.2018
(€)		Issues	Redeemed	
Bond issues	17,143,683	26,200,800	(16,562,349)	26,782,134
Loans from credit institutions	3,223,705	1,200,000	(3,107,707)	1,315,998
Accrued loan interest	7,590	-	(6,999)	591
Other financial debt	11,699	-	-	11,699
Group and associates	-	94,328	-	94,328
Long-term borrowings	**20,386,677**	**27,495,128**	**(19,677,055)**	**28,204,750**
Short-term borrowings	**504,488**	**-**	**1,924**	**506,412**
Total	**20,891,165**	**27,495,128**	**(19,675,131)**	**28,711,162**

This change is due to repayments made during the 2017 fiscal year in accordance with existing repayment schedules, the $30 million note issue and the subscription of two new bank loans totaling €1.2 million. The $30 million note issue also made possible early redemption of the €15 million convertible note issue subscribed by Athyrium Capital Management in August 2016, as well as early repayment of other bank loans totaling €1.6 million.

6.1.3 Maturity of long-term financial debt

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

(€)	12.31.2018	Within 1 year	1 to 5 years	More than 5 years
Bond issues	26,782,134	432,540	26,349,594	-
Loans from credit institutions	1,315,998	362,768	863,230	90,000
Accrued loan interest	591	591	-	-
Other financial debt	11,699	-	-	11,699
Group and associates	94,328	-	-	94,328
Total	**28,204,750**	**795,899**	**27,212,824**	**196,027**

6.1.4 Analysis of short-term financial debt

In France, the Company finances its trade receivable item via a short-term cash facility treated as a bank overdraft.

At December 31, 2018, all short-term financial debt was taken out in Euros and at fixed rates, and is analyzed as follows:

(€)	12.31.2018	12.31.2017
Bank overdrafts	500,000	500,000
Accrued bank interest	6,412	4,488
Total	**506,412**	**504,488**

Bank overdrafts of €500,000 correspond to a cash facility guaranteed by amounts invoiced to French healthcare facilities.

6.1.5 Analysis of 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.

Cash and cash equivalents changed as follows:

(€)	12.31.2018	12.31.2017
Cash	8,157,588	11,676,846
Cash and cash equivalents	**8,157,588**	**11,676,846**

The cash flow statement for the period January 1, 2018 to December 31, 2018 highlights cash usage over the fiscal year.

The other changes in net cash flows from financing activities in this table are detailed as follows:

(€)	12.31.2018	12.31.2017
Bond loan issue costs	(1,410,486)	-
Capital increase expenses charged as issue costs	(391,973)	(1,295,203)
Security deposits for sub-leases	-	11,699
Total	**(1,802,459)**	**(1,283,504)**

6.1.6 Average debt rate

The average debt rate evolved as follows:

	12.31.2018	12.31.2017
Euro (EUR)	6.86%	5.99%

The high level of the average interest rate on the debt is primarily explained by the payments on the bond loans, for which the rates are higher than those charged in the case of conventional bank financing. The average interest rate on the debt worked out at 4.06% excluding the bond loans.

6.1.7 Hedge instruments

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

At December 31, 2018, to hedge its dollar-denominated term deposits, the Company had forward sales of dollars for euros for a total amount of €3 million.

6.2 Conditional advances

Conditional advances mainly result from innovation grants awarded by BPI in the form of repayable advances.

Their change compared with the previous year resulted from ongoing repayment plans. No new grants were awarded during the 2018 fiscal year.

6.3 Net financial income / (expense)

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

(€)	12.31.2018	12.31.2017
Cost of net financial debt	(1,173,416)	(1,161,831)
Net exchange gain / (loss)	419,702	(1,026,017)
Capital gain / (loss) on disposal of marketable securities	(2,871)	(4,828)
Loss resulting from the transfer of all assets and liabilities of MEDICREA TECHNOLOGIES	-	65,746
Charges to provisions for exchange losses	(21,718)	(27,094)
Reversal of provisions for exchange losses	27,094	9,754
Impairment of MEDICREA TECHNOLOGIES UK securities	-	(665,018)
Impairment of MEDICREA GMBH securities	-	(100,000)
Impairment of MEDICREA TECHNOLOGIES UK current account	(137,319)	(594,645)
Impairment of MEDICREA GMBH current account	(24,924)	(1,229,795)
Net financial income / (expense)	**(913,452)**	**(4,733,728)**

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 discounting of future cash flows generated by the subsidiaries at December 31, 2018 resulted in an additional provision of €0.2 million being recognized in relation to the current accounts of the MEDICREA TECHNOLOGIES UK and MEDICREA GMBH subsidiaries.

6.4 Off-balance sheet commitments related to financing

6.4.1 Commitments given in relation to medium-term borrowings

(€)	12.31.2018	12.31.2017
Pledges of business goodwill (1)	26,483,051	5,644,801
Pledge of equipment	1,098,976	1,098,976
Cash collateral (2)	55,000	62,500

(1) Pledges on goodwill to secure the $30 million note issue completed in November 2018
(2) Holdbacks retained by BPI as cash collateral for loans totaling €1,250,000

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

(€)	12.31.2018	12.31.2017
Assignment of trade receivables – Dailly	500,000	500,000
BPI counter guarantees	-	1,008,729

The total amount of overdrafts authorized but unconfirmed at December 31, 2018 was €245,000.

6.4.3 Other commitments

The following table sums up the Company's other commitments:

(€)	12.31.2018	12.31.2017
Assignment of trade receivables	284,057	385,178

6.4.4 Covenants

The agreement associated with the $30 million note issue subscribed by Perceptive Advisors in November 2018 stipulates that the Group must ensure that it always has available cash of at least $2.5 million and that, at the end of each calendar quarter, revenue for the previous 12 months must meet the minimum revenue criteria (€26 million at December 31, 2018). Both these conditions were fulfilled at December 31, 2018.

In addition to these commitments, Perceptive Advisors is the beneficiary of pledges on the goodwill of MEDICREA INTERNATIONAL in the amount of €26,483,051 as well as on certain assets of MEDICREA INTERNATIONAL and its subsidiary MEDICREA USA, broken down as follows:

- debt subordination agreement between the Group's various subsidiaries;
- pledge on all the securities of MEDICREA USA Corp held by MEDICREA INTERNATIONAL;
- guarantee that MEDICREA USA Corp will repay the note should MEDICREA INTERNATIONAL default;
- pledge on patents, brands and other intellectual property held by MEDICREA INTERNATIONAL in favor of Perceptive Advisors;
- first-ranking pledge on all bank balances held by MEDICREA INTERNATIONAL in favor of Perceptive Advisors;
- first-ranking pledge on all trade and intercompany receivables of MEDICREA INTERNATIONAL in favor of Perceptive Advisors;
- first-ranking pledge on inventories of finished products held by MEDICREA INTERNATIONAL in favor of Perceptive Advisors.

NOTE 7: CORPORATE TAX

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

(€)	12.31.2018	12.31.2017
Research tax credit	(887,701)	(897,375)
Corporate tax charge / (income)	**(887,701)**	**(897,375)**

Temporarily non-deductible income and expenses totaled €(229,236) for the year to December 31, 2018, compared with €93,632 for the year to December 31, 2017.

MEDICREA INTERNATIONAL's tax losses available to be carried forward totaled €41,083,577 at December 31, 2018.

NOTE 8: SHAREHOLDERS' EQUITY

8.1 Share capital

Following equity transactions carried out during the fiscal year, share capital at December 31, 2018 totaled €2,595,175.52 and was comprised of 16,219,847 shares with par value of €0.16 each. The number of authorized shares outstanding is as follows:

(€)	12.31.2018	12.31.2017
Number of authorized shares	16,219,847	15,082,811
Number of preference shares	-	100
Number of shares issued and fully paid up	16,219,847	15,082,911
Par value (€)	0.16	0.16
Number of shares outstanding at end of period	16,219,847	15,082,811
Number of shares with double voting rights	2,785,108	2,594,120
Number of treasury shares held by the parent company	4,756	4,438

Transactions in the share capital of the Company over the 2018 fiscal year are summarized as follows:

- At January 1, 2018, the share capital was €2,413,265.76, represented by 15,082,811 ordinary shares and 100 P preference shares.
- On July 9, 2018, the Board of Directors recognized the issue of 1,127,936 new shares with share warrant attached (ABSA) as part of a share capital increase reserved for qualified US investors.
- 9,000 new shares were issued on September 19, 2018, and corresponded to the delivery to French and US employees of the free shares allocated by the Board of Directors' meeting of September 19, 2016.
- On December 17, 2018, the deadline for converting preference shares in MMCO, 100 "P" preference shares were converted into 100 ordinary shares.
- At December 31, 2018, the share capital was therefore €2,595,175.52, represented by 16,219,847 ordinary shares and 100 P preference shares.

8.2 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 were 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 INTERNATIONAL shares having reached significant and predefined performance levels during that period. The maximum number of ordinary shares in the Company that may be issued as a result of the conversion of all preference shares was 210,000.

On December 17, 2018, the deadline for converting preference shares in MMCO, 100 "P" preference shares were converted into 100 ordinary shares.

8.3 Change in shareholders' equity

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

(€)	01.01.2018	Increase	Decrease	12.31.2018
Share capital	2,413,266	181,910	-	2,595,176
Merger premium	2,738,619	-	-	2,738,619
Issue premium	62,072,536	2,903,306	(36,628,412)	28,347,430
Allocation of share capital increase-related	(4,243,802)	-	(391,973)	(4,635,775)
costs	19,360	-	-	19,360
Legal reserve	38,560	800	(38,560)	800
Reserve for own shares	208,270	-	-	208,270
Statutory reserves	447,172	37,120	(800)	483,492
Other reserves	(25,946,842)	36,628,412	(10,681,570)	-
Retained earnings	-	-	(6,243,692)	(6,243,692)
Net loss for fiscal year 2018	(10,681,570)	10,681,570	-	-
Net loss for fiscal year 2017	**27,065,569**	**50,433,118**	**(53,985,007)**	**23,513,680**
Shareholders' equity				

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

(€)	2018	2017
Balance at January 1	**57,828,734**	**39,709,657**
Share capital increase in cash	2,903,306	19,414,280
Sub-total	**60,732,040**	**59,123,937**
Allocation of share capital increase-related costs	(391,973)	(1,295,203)
Clearance of accumulated deficit	(36,628,412)	-
Balance at December 31	**23,711,655**	**57,828,734**

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

At the shareholders' meeting of November 30, 2018, the shareholders approved a proposal to clear the accumulated deficit of €36.6 million by offsetting it against share premiums.

8.4 Dividends paid during the fiscal year

Nil

8.5 Issue, buyback and redemption of debt and equity securities

Share capital increase of July 2018

MEDICREA INTERNATIONAL issued over the period 1,127,936 new shares with share warrants attached (ABSA) with a par value of €0.16 per unit, at a unit price of €2.734, including issue premium, for a total amount of €3.1 million, representing 7.47% of the Company's share capital after the transaction. The number of shares issued may be increased to 1,691,904, i.e. a maximum amount of €4.8 million, in the event that all of the share warrants (BSAs) are exercised.
Each new share issued comes with one BSA, for a total issuance of 1,127,936 BSAs. Two share warrants grant the right to subscribe to one new MEDICREA INTERNATIONAL share at an exercise price of €3. The BSAs shall be exercisable for a period of 3 years after their issuance.

Bond loan – November 2018

In November 2018, the Company completed a $30 million note issue fully subscribed by Perceptive Advisors, a leading US investment fund in the healthcare field. In conjunction with the senior secured notes, Medicrea has issued to Perceptive Advisors warrants for the Company's new ordinary shares.

The refinancing facility consists of senior secured and guaranteed notes, governed by New-York law with coupon based on the greater of Three-Month LIBOR or 2.5% plus a margin of 8.5%. The notes are due to mature on November 27, 2022. are secured on the securities of MEDICREA USA Corp, a wholly-owned subsidiary of MEDICREA INTERNATIONAL, as well as by pledges on certain assets and receivables of the Group.

Perceptive Advisors subscribed free of charge for 1,000,000 warrants not listed on Euronext Growth.

One warrant entitles its holder to subscribe to one new MEDICREA INTERNATIONAL ordinary share, at an exercise price of € 2.19, corresponding to the volume-weighted average of the share prices of the last 10 trading days prior to the fixing of the subscription price, decreased by a 10% discount. The warrants will be exercisable for a period of seven years after their issuance.

The table below presents the potential cumulative dilution of the share capital in the event that all outstanding warrants, options, and other securities that have the potential to be converted into ordinary shares are exercised (including all the warrants issued since 2017, the stocks options and the potential free allocations of shares):

	Before the November 2018 placement	Exercise of the December 2017 warrants	Exercise of share warrants July 2018	Exercise of the November 2018 warrants	Exercise of stock options	Allocation of free shares	Post-financing after conversion of all the securities
Number of ordinary shares	16,219,847						
Number of ordinary shares added if warrants / options are fully exercised		1,168,170	563,968	1,000,000	1,350,000	792,000	4,874,138
Exercise or conversion price	-	€ 3.15	€ 3	€ 2.19	€3.16[1]	-	-
Accumulated potential dilution	-	6.72%	9.65%	14.42%	20.11%	23.11%	23.11%

[1] Average stock option exercise price

Convertible bond loan – April 2015

Over the year to December 31, 2018 the Company redeemed 142 of the 200 convertible bonds subscribed by an institutional investor in April 2015, i.e. an amount of €1.4 million on the initial loan of €2 million maturing in April 2020.

NOTE 9: OTHER INFORMATION

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

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

	12.31.2018			12.31.2017		
	Number of shares	% share capital	% voting rights	Number of shares	% share capital	% voting rights
ORCHARD INTERNATIONAL (1)	1,727,490	10.65	18.17	1,727,490	11.45	19.55
Denys SOURNAC (2)	607,533	3.75	4.18	457,488	3.03	2.59
Jean Philippe CAFFIERO	216,089	1.33	2.19	216,089	1.43	2.36
David RYAN	24,148	0.15	0.21	24,148	0.16	0.14
Fabrice KILFIGER	6,000	0.04	0.03	9,000	0.06	0.05
Other Directors						
Pierre BUREL (2)	194,587	1.20	1.02	194,587	1.29	1.10
Patrick BERTRAND (2)	113,968	0.70	0.69	113,968	0.76	0.74
François Régis ORY (2)	108,652	0.67	0.57	108,652	0.72	0.61
Rick KIENZLE	102,880	0.63	0.54	102,880	0.68	0.58
Marc RECTON	76,952	0.47	0.47	18,752	0.12	0.18
Christophe BONNET	52,128	0.32	0.44	52,128	0.35	0.48
Pierre OLIVIER	27,000	0.17	0.14	18,000	0.12	0.10
Jean Joseph MORENO	22,000	0.14	0.23	22,000	0.15	0.21
Total	**3,279,427**	**20.22%**	**28.88%**	**3,065,182**	**20.32%**	**28.69%**

(1): Shares held by the holding company, ORCHARD INTERNATIONAL. The following table provides details of ORCHARD INTERNATIONAL's shareholding structure as of December 31, 2018:

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

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

9.2 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:

(€)	2018 amount invoiced, excl. VAT	2017 amount invoiced, excl. VAT
Management services	300,000	300,000
Rebilling of employee costs	47,490	151,500
Rebilling of seconded executive's salary	-	64,000
Share of expenses	6,780	11,004
Rent and rental costs	37,407	45,508
Total	**391,677**	**572,012**

Rebilling of employee costs in relation to two employees as well as expenses for office space ceased at the end of the first quarter of 2018, with the corresponding costs being generated directly at MEDICREA INTERNATIONAL level from then onwards.

9.3 Statutory Auditors' fees

The fees paid to the Company's Statutory Auditors shown in the parent company income statement are as follows:

	EY		ODICÉO	
Amount (excl. VAT)	**2018**	2017	**2018**	2017
Audit				
Audit, certification, review of individual and parent company financial statements	42,018	41,688	24,154	31,042
Services other than the certification of the financial statements	11,061	6,072	5,500	6,036
Total fees	**53,079**	47,760	**29,654**	37,078

9.4 Post balance sheet events

Nil.

9.5 Five-year financial summary

See the management report.

9.6 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					
International subsidiaries									
MEDICREA TECHNOLOGIES UK	(690,625)	100%	2,465,018	-	731,963	-	168,442	(502,336)	-
MEDICREA USA	(4,597,363)	100%	7,395,058	7,395,058	6,427,965	-	15,564,239	(4,899,645)	-
MEDICREA GMBH	(1,248,207)	100%	100,000	-	1,254,719	-	-	(25,653)	-
MEDICREA POLAND	(683,149)	100%	47,119	47,119	738,390	-	292,140	(485,284)	-
MEDICREA BELGIUM	1,487,432	51%	120,076	120,076	-	-	5,064,349	1,278,596	-
MEDICREA AUSTRALIA	94,927	51%	96,915	96,915	-	-	218,205	611	-

STATUTORY AUDITORS' REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS

AT DECEMBER 31, 2018

Leading personalized spine | medicrea.com

ODICEO ERNST & YOUNG et Autres

Medicrea International

Fiscal year ended December 31, 2018

Statutory Auditors' report on the parent company financial statements

ODICEO
115, boulevard de Stalingrad
C.S. 52038
69616 Villeurbanne Cedex
French corporation *(société anonyme)*
with share capital of €275,000
430 130 393 R.C.S. Lyon

Statutory Auditor
Member of Compagnie
régionale de Lyon

ERNST & YOUNG et Autres
Tour Oxygène
10-12, boulevard Marius Vivier Merle
69393 Lyon Cedex 03
Corporation with variable capital
(S.A.S. à capital variable)
438 476 913 R.C.S. Nanterre

Statutory Auditor
Member of Compagnie
régionale de Versailles

Medicrea International

Fiscal year ended December 31, 2018

Statutory Auditors' report on the parent company financial statements

To the Shareholders' Meeting of Medicrea International,

Opinion

In compliance with the engagement entrusted to us by your Shareholders' Meeting, we have audited the accompanying parent company financial statements of Medicrea International for the year ended December 31, 2018.

In our opinion, the parent company financial statements provide a true and fair view of the assets and liabilities and of the financial position of the Company at December 31, 2017 and of the results of its operations for the year then ended in accordance with French accounting principles and methods.

Basis for opinion

- **Audit framework**

We have performed our audit in accordance with professional standards applicable in France. We believe our audit provides a reasonable basis for our opinion.

Our responsibilities under those standards are further described herein in the section "Statutory Auditors' responsibilities for the audit of the parent company financial statements" of this report.

- **Independence**

- We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2018 to the date of our report and specifically we did not provide any services prohibited by the French Code of Ethics for Statutory Auditors.

Justification of assessments

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we inform you of the key audit matters which, in our professional judgment, were of most significance in our audit of the parent company financial statements of the current period.

These matters were addressed in the context of our audit of the parent company financial statements as a whole, and in forming our opinion thereon. Accordingly, we do not provide any opinions on specific items of the parent company financial statements.

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

Specific verifications

We have also performed the specific verifications required by law and regulations, in accordance with professional standards applicable in France.

- **Information provided regarding the financial position and the parent company financial statements in the management report and in the other documents sent to shareholders**

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

We certify that the information relating to payment terms referred to in Article D. 441-4 of the French Commercial Code is accurate and consistent with the parent company financial statements.

- **Information on corporate governance**

We hereby certify that the information required by Article L. 225 37 4 of the French Commercial Code is included in the section of the Board of Director's report dedicated to corporate governance.

- **Other information**

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

Management and individuals responsible for corporate governance in relation to the parent company financial statements

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with French accounting principles and methods, and for such internal control as Management determines is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or that it will cease to operate.

The parent company financial statements have been approved by the Board of Directors.

Statutory Auditors' responsibilities for the audit of the parent company financial statements

Our role is to issue a report on the parent company financial statements. Our objective is to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions that users take on the basis of these parent company financial statements.

As specified in Article L. 823101 of the French Commercial Code, our statutory audit does not include assurance on the viability of the Company or the quality of management of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit. Furthermore, the Statutory Auditor:

- Identifies and assesses the risks of material misstatement of the parent company financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management in the parent company financial statements;

- Assesses the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the parent company financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;

- Evaluates the overall presentation of the parent company financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Villeurbanne and Lyon, April 30, 2019

The Statutory Auditors

ODICEO	ERNST & YOUNG et Autres
Agnès Lamoine	Lionel Denjean

BOARD OF DIRECTORS' MANAGEMENT REPORT

AT DECEMBER 31, 2018

Leading personalized spine | medicrea.com

MEDICREA INTERNATIONAL
A French corporation *(société anonyme)* with share capital of €2,595,175.52
Registered office: 5389, route de Strasbourg – 69140 RILLIEUX-LA-PAPE
393 175 807 RCS LYON

BOARD OF DIRECTORS' REPORT ON THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018 SUBMITTED TO THE COMBINED SHAREHOLDERS' MEETING OF JUNE 3, 2019

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

MEDICREA leads the design, integrated manufacture, and distribution of 30+ FDA approved implant technologies, utilized in over 150k spinal surgeries worldwide to date. Operating in a $10 billion marketplace, MEDICREA is an SME with 180 employees worldwide, which includes 40 at its USA Corp. subsidiary in NYC.

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

The Group is based in Rillieux-la-Pape, near Lyon, France, where it has its own ultra-modern implant and surgical instrument manufacturing facility dedicated to the machining and development of 3D-printed, patient-specific implants, and has subsidiaries in the US, Belgium, Poland and Australia. In the countries in which it does not operate directly, the Group markets its products through a network of independent distributors.

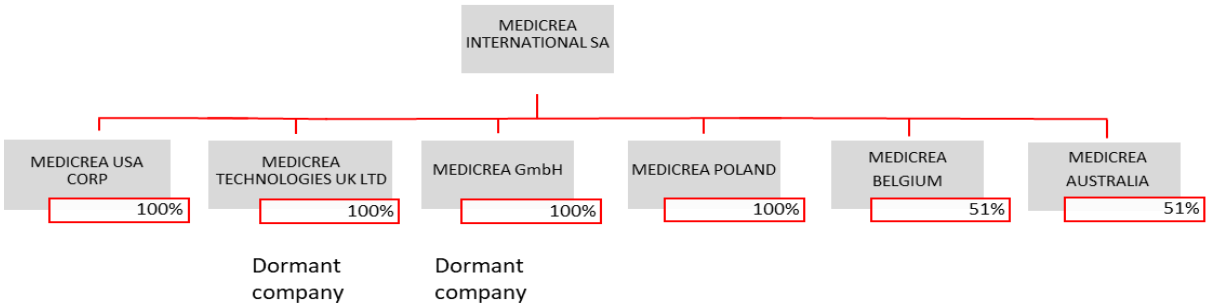
In accordance with the Law and the Bylaws, this Report contains a summary of the position and activity of MEDICREA Group and of the company MEDICREA INTERNATIONAL during the fiscal year ended December 31, 2018. The annual consolidated and parent company financial statements for the fiscal year are subject to the approval of the Shareholders' Meeting.

1. INFORMATION ABOUT THE GROUP

1.1 Group scope

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

At December 31, 2018, MEDICREA Group was structured as follows:



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

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

The following are the highlights of the 2018 fiscal year:

1.2.1 Market and environment

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

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

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

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

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

1.2.2 Results and performance

Sales for 2018 amounted to 32.3 million euros, a growth of + 22% at constant exchange rates compared to 2017. All major markets (USA, France, Export) are returning to growth thanks especially to a record 4th quarter with sales increasing by 30% compared to the 4th quarter of 2017. For its first year of activity, MEDICREA Belgium, launched in 2018 in partnership with an experienced distributor, generated more than 3 million euros in sales of MEDICREA products. The very same organizational model has been deployed in Australia where the spine market is experiencing a high growth rates, and the recent launch of a distribution subsidiary that started to contribute to sales in the second half of the year. In the USA, the use of UNiD® services and personalized implants accelerated sharply in 2018 with patient-specific surgeries up 67% for the year, and up 94% for the 4th quarter.

Gross margin stood at 71%, down 2 points compared to the previous year due to a change in the mix of sales by product and country, negative exchange rate impact and the manufacturing reorganization started during the move of the factory in 2017 coming to an end. However, the gross margin rate improved significantly during the year, from 68% in the 1st half to 77% in the 4th quarter thanks to better manufacturing efficiencies, a decrease in subcontracting and a more favorable sales mix over the second part of the year. 2019 should see a gradual return to a normative rate of 80%.

Operating expenses rose by € 3.4 million compared to 2017. Research and development expenses increased by € 1 million and reflect the Group's efforts to enhance and complete the UNiD ASI™ software platform offering of patient-specific implants and associated services.

Marketing expenses and sales commissions increased by € 2.2 million due to the change in the Group’s organizational structure following the opening of two new subsidiaries (Belgium and Australia) and the growing weight in the USA of sales made through distributors to strengthen the presence of the Company throughout the region.

Operating income before amortization and provisions (EBITDA) shows a loss of - €1.7 million for the year compared with a loss of - €2.1 million in 2017. After taking into account depreciation and provision charges, operating income for 2018 is negative at - €7.8 million.

After taking into account non-recurring expenses, mainly related to the closure of the UK subsidiary and the discontinuation of a non-strategic activity, share-based payments and debt interests, income before tax stands at - €11.3 million compared to - €11.2 million, as of December 31st, 2017.

Cash on hand amounted to €11 million at December 31, 2018.

1.2.3 Product portfolio and research and development

MEDICREA is the first company in the spinal industry to offer a complete set of surgical planning services implementing artificial intelligence, predictive modelling and patient-specific implants. The 2018 financial year enabled the Group to consolidate this position by strengthening its UNiD® range while simultaneously continuing to develop its portfolio of standard products.

UNiD ASI™ range of patient-specific implants and services

In August, MEDICREA organized the very first conference devoted to artificial intelligence applied to spinal surgery and its role in the treatment of complex spinal deformities. 20 international surgeons, opinion leaders in this field, participated in this event during which MEDICREA presented its exclusive UNiD ASI™ technology.

In October, MEDICREA presented a new study demonstrating that patients operated on using a UNiD® patient-specific rod were 2.6 times more likely to achieve optimal correction of their spinal deformity. This study confirms the benefit of using UNiD® patient-specific rods for the surgical correction of sagittal imbalance in adults.

In parallel, throughout the year, the research and development teams have worked to enhance the UNiD® range, offering in particular from 2019 the option of specifically selecting all the interbody screws and implants that will be used ahead of surgery.

3D-printed titanium interbody cages

In early 2018, following receipt of approval by the FDA, MEDICREA launched the marketing of its IB3D range of 3D-printed titanium interbody cages within its own internal additive manufacturing unit.

In May, the IB3D was extended thanks to FDA approval of the 3D-printed patient-specific titanium interbody cages. With this world-first clearance, MEDICREA is able to digitally plan, manufacture in-house and supply a 3D-printed device in the United States that has been optimized to follow each patient's unique spinal anatomy using the Company's proprietary AI-driven UNiD technology.

Other products in the range

At the end of 2018, the Group obtained the necessary authorizations to manufacture in-house the LigaPASS®, its flagship spinal ligament-plasty product, which should contribute to improving the gross margin over the next few years.

MEDICREA also submitted to the FDA the file for the marketing in the United States of a latest generation generic tulip screw which will be able to provide a more complete product offering, particularly for surgeons who have already widely adopted UNiD® patient-specific rods.

1.2.4 Organization

Several changes in scope took place in 2018 and altered the structure of the Group:

In February, the distribution subsidiary MEDICREA BELGIUM was created in partnership with the Group's existing distributor in the Belgian market, the latter having already overseen the distribution of MEDICREA products for the past ten years and controlling approximately 25% of the local market. MEDICREA holds a 51% majority stake in MEDICREA BELGIUM and plans to transition the entity to a fully-owned Medicrea subsidiary over the next years.

In June, the distribution subsidiary MEDICREA AUSTRALIA was created in association with a local distributor specializing in the spinal field, in order to market the Group's products in Australia and New Zealand. Australia is the world's third largest market after the United States and Japan. MEDICREA holds a 51% majority stake in MEDICREA AUSTRALIA and plans to transition the entity to a fully-owned Medicrea subsidiary over the next years.

In August, the subsidiary MEDICREA TECHNOLOGIES UK, which marketed the Group's products in the UK, was mothballed with the distribution of MEDICREA products now managed by an independent distributor.

In December, the Group also ended its ancillary business involving the repair of motors for surgical devices.

1.2.5 Financing

In July 2018 the Company issued 1,127,936 new shares with share warrants attached (ABSA) with a par value of €0.16 per unit, at a unit price of €2.734, including issue premium, for a total amount of €3.1 million.

Each new share issued comes with one share warrant (BSA), for a total issuance of 1,127,936 share warrants. Two share warrants grant the right to subscribe to one new MEDICREA share at an exercise price of €3. The BSAs shall be exercisable for a period of 3 years after their issuance.

The number of shares issued may be increased to 1,691,904, i.e. a maximum amount of €4.8 million, in the event that all of the share warrants are exercised; €3.1 million was collected in July 2018.

In November 2018, the Company completed a $30 million note issue fully subscribed by Perceptive Advisors, a leading US investment fund in the healthcare field. In conjunction with the senior secured notes, Medicrea has issued to Perceptive Advisors warrants for the Company's new ordinary shares.

The refinancing facility consists of senior secured and guaranteed notes, governed by New-York law with coupon based on the greater of Three-Month LIBOR or 2.5% plus a margin of 8.5%. The notes are due to mature on November 27, 2022. are secured on the securities of MEDICREA USA Corp, a wholly-owned subsidiary of MEDICREA INTERNATIONAL, as well as by pledges on certain assets and receivables of the Group.

Perceptive Advisors subscribed free of charge for 1,000,000 warrants not listed on Euronext Growth.

One warrant entitles its holder to subscribe to one new MEDICREA International ordinary share, at an exercise price of € 2.19, corresponding to the volume-weighted average of the share prices of the last 10 trading days prior to the fixing of the subscription price, decreased by a 10% discount. The warrants will be exercisable for a period of seven years after their issuance.

Subscription of these notes was accompanied by the early redemption of €15 million in outstanding convertible debt taken out with US fund Athyrium in August 2016 and early repayment of €1.6 million in outstanding bank borrowing previously secured on the business.

The table below presents the potential cumulative dilution of the share capital in the event that all outstanding warrants, options, and other securities that have the potential to be converted into ordinary shares are exercised (including all the warrants issued since 2017, the stocks options and the potential free allocations of shares):

	Before the November 2018 placement	Exercise of the December 2017 warrants	Exercise of share warrants July 2018	Exercise of the November 2018 warrants	Exercise of stock options	Allocation of free shares	Post-financing after conversion of all the securities
Number of ordinary shares	16,219,847						
Number of ordinary shares added if warrants / options are fully exercised		1,168,170	563,968	1,000,000	1,350,000	792,000	4,874,138
Exercise or conversion price	-	€ 3.15	€ 3	€ 2.19	€3.16[1]	-	-
Accumulated potential dilution	-	6.72%	9.65%	14.42%	20.11%	23.11%	23.11%

[1] Average stock option exercise price

2. REVIEW OF THE FINANCIAL STATEMENTS

The financial statements of MEDICREA Group at December 31, 2018 have been prepared in accordance with IFRS (International Financial Reporting Standards) in force within the European Union, pursuant to European Regulation n° 1606/2002 of July 19, 2002, and available at http://ec.europa.eu/internal_market/accounting/ias/index_en.htm.

The summarized financial statements are as follows:

2.1 Consolidated income statements (IFRS)

(€ K)	12.31.2018	12.31.2017
Sales	**32,279**	**27,148**
Cost of sales	(9,283)	(7,316)
Gross margin	**22,996**	**19,832**
Research & development costs	(3,067)	(2,017)
Sales & marketing expenses	(16,532)	(15,240)
Sales commissions	(3,717)	(2,776)
General and administrative expenses	(7,469)	(7,400)
Other operating income and expenses	(561)	(924)
Operating income before share-based payments	**(8,350)**	**(8,525)**
Share-based payments	(728)	(287)
Operating income after share-based payments	**(9,078)**	**(8,812)**
Cost of net financial debt	(2,428)	(2,249)
Other financial (expenses) / income	166	(171)
Tax (charge) / income	(470)	505
Consolidated net income/(loss)	**(11,810)**	**(10,727)**

2.2 IFRS consolidated balance sheet

(€ K)	12.31.2018	12.31.2017
Goodwill	12,131	2,627
Intangible assets	8,099	7,883
Property, plant and equipment	10,354	10,772
Non-current financial assets	651	686
Deferred tax	2,122	2,044
Total non-current assets	**33,357**	**24,012**
Inventories	9,662	9,813
Trade receivables	5,361	3,973
Other current assets	2,481	2,215
Cash and cash equivalents	10,803	11,981
Total current assets	**28,307**	**27,982**
Total assets	**61,664**	**51,994**

(€ K)	12.31.2018	12.31.2017
Share capital	2,595	2,413
Issue, merger and contribution premiums	26,450	60,567
Consolidated reserves	(2,308)	(30,463)
Group net income/(loss) for the year	(11,810)	(10,727)
Total shareholders' equity	**14,927**	**21,790**
Conditional advances	100	196
Non-current provisions	622	574
Deferred tax	670	860
Long-term financial debt	31,730	16,739
Other non-current liabilities	175	-
Total non-current liabilities	**33,297**	**18,369**
Current provisions	122	226
Short-term financial debt	4,854	4,387
Trade payables	4,803	4,673
Other current liabilities	3,661	2,549
Total current liabilities	**13,440**	**11,835**
Total shareholders' equity and liabilities	**61,664**	**51 94**

2.3 Comments on the consolidated income statement

Sales for 2018 amounted to €32.3 million, a growth of 22% at constant exchange rates compared to 2017. All historical markets (United States, France, export distribution) grew versus the previous year and the new subsidiaries are now contributing significantly to Group revenue.

Nearly 3,200 UNiD™ personalized surgeries have been performed to date, of which 1,250 were performed only over the past year, an increase of 53% versus 2017. The trend is even more marked in the United States, where the number of personalized surgical procedures performed during the 4th quarter of 2018 increased very markedly, up 94% in relation to the 4th quarter of 2017.

The gross profit margin came in at 71%, down 2 percentage year-on-year due to a change in the breakdown of sales by product. However, the gross profit margin improved significantly during the year, rising from 68% in the first half to almost 75% in the second half thanks to a more favorable sales mix and less use of subcontracting.

Operating expenses rose by € 3.4 million compared to 2017. Research and development expenses increased by €1 million compared to the previous fiscal year and reflect the Group's efforts to enhance and complete the UNiD ASI™ software platform offering of patient-specific implants and associated services.

Marketing expenses and sales commissions increased €2.2 million as a result of opening two new subsidiaries (in Belgium and Australia), with an automatic knock-on increase of €1.6 million in marketing and sales expenses, and the growing proportion of sales via US distributors resulting in a €0.9 million increase in sales commissions.

In view of these factors, the operating loss before non-recurrent expenses was €7.8 million compared with a loss of €7.6 million in the previous year.

Other non-recurring expenses totaling €0.6 million mainly consisted of costs incurred in mothballing the MEDICREA TECHNOLOGIES UK subsidiary and winding up the surgical device motor repair business, as well as legal fees in connection with US litigation.

The cost of net financial debt increased by €0.2 million. Loss before tax amounted to €11.3 million, versus a loss of €11.2 million for the year ended December 31, 2017.

2.4 Comments on the consolidated balance sheet

Total assets were €62 million, an increase of €10 million compared with the previous fiscal year.

Non-current assets, which increased by €9.3 million, represented 54% of total assets.

Goodwill on acquisitions increased by €9.5 million due to the establishment of distribution subsidiaries MEDICREA BELGIUM and MEDICREA AUSTRALIA, formed in February and June 2018 respectively. Goodwill in relation to MEDICREA BELGIUM takes into account a commitment to buy all shares from minority shareholders, valued at €8.9 million and calculated on the basis of discounted 2018-2021 EBITDA forecasts available as of December 31, 2018. Goodwill in relation to MEDICREA AUSTRALIA takes into account a commitment to buy all shares from minority shareholders, valued at €0.7 million and calculated on the basis of discounted 2019-2022 EBITDA forecasts available as of December 31, 2018 and commercial operations being launched in Q4 2018.

Intangible assets increased €0.2 million due to continued research and development efforts in general and, more specifically, the development of UNiD™ HUB, proprietary surgical planning software powered by Big Data technology.

The €0.4 million reduction in property, plant and equipment was mainly the result of existing depreciation schedules.

Under current assets, gross inventories were stable in comparison with 2017 and declined by 4% at constant consolidation scope. The €0.9 million increase in finished goods results from new products becoming available, notably all the components of the PASS TULIP range. The €0.6 million reduction in work-in-process reflects the normalization of operations at the Rillieux-la-Pape plant. Impairment charges accounted for 27% of the average gross amounts at December 31, 2018, compared with 26% at December 31, 2017,

Of the €1.2 million increase in trade receivables, €0.6 million is the result of changes in scope, with the remainder arising from a one-off deterioration in the average time taken to recover receivables (notably in the US market), which lengthened from 55 days at December 31, 2017 to 59 days at December 31, 2018.

The €0.3 increase in other current assets was mainly due to the €0.5 million change in prepaid expenses, which is explained by the recognition of rent invoices relating to the 1st quarter of 2019 in December 2018, while the rent invoices relating to the 1st quarter of 2018 were not received during the 2017 fiscal year.

Cash decreased €1.2 million as a result of investment in the year, notably in research and development, ongoing consumption of cash due to the Company's loss-making situation, and the refinancing exercises completed at end 2018.

Shareholders' equity was €14.9 million at the end of 2018, down €6.9 million compared with 2017. This change was due to the share capital increase completed in July 2018 for an overall net amount of €2.7 million following deduction of costs on the issue premium, offset by the loss of €11.8 million over the 2018 fiscal year.
Provisions include lump sum retirement benefits as well as various liabilities relating to wage disputes.

Gross financial debt amounted to €36 million, up €15 million in comparison to 2017 as a result of repayments made during the 2018 fiscal year in accordance with existing repayment schedules, the issue of a USD30 million note and the two new bank loans taken out for a total of €1.2 million. The $30 million note issue also made possible early redemption of the €15 million convertible note issue subscribed by Athyrium Capital Management in August 2016, as well as early repayment of other bank loans totaling €1.6 million.

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

The increase in trade payables is a result of changes in scope and seasonal effects. The €1.3 million increase in “Other liabilities” is mainly a result of changes in scope.

3. DEVELOPMENT AND FUTURE PROSPECTS [REBECCA, THIS IS TAKEN FROM THEIR Q1 PRESS RELEASE, PHRASED DIFFERENTLY, I KEPT MOST OF THEIR ENGLISH]

Pioneer and leader in the treatment of spinal pathologies through personalized solutions, MEDICREA is becoming a key player in a rapidly changing sector where pre- and post-operative patient data analysis combined with in-situ use of robotics and navigation techniques, will quickly and radically transform the traditional approach of spine surgery.

MEDICREA 's UNiD ASI ™ technology perfectly matches this trend and this led to the sharp increase quarter over quarter, especially in the USA in the number of personalized surgeries that have exceeded 3,500 procedures to date. Over 30 more surgeons adopted the technology in the United States in 2018, joined by another ten practitioners in the first quarter of 2019.

The UNiD® service offering will be enriched in 2019 thanks to the increasingly systematic use of artificial intelligence, which through predictive modeling techniques enables to anticipate compensatory anatomical mechanisms of the spine and take them into account when planning surgeries and manufacturing implants.

The number of UNiD® service users should continue to increase significantly in 2019. The new Tulip pedicle screw developed by MEDICREA is being approved by the FDA and should be launched commercially in the USA in the second quarter of 2019. This will help retain a growing number of surgeons who will use this new implant in combination with the UNID® patient-specific rods.

The Group intends to generate a largely positive EBITDA for the full year and to reach operating break-even at the end of 2019.

4. INFORMATION RELATING TO SUBSIDIARIES AND INVESTMENTS

The corporate results of the subsidiaries and significant comments on activity over the 2018 fiscal year are presented below:

4.1 MEDICREA INTERNATIONAL SA

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

4.2 MEDICREA USA CORP

(€ K)	2018	2017	2016
EUR/USD exchange rate	1.184	1.125	1.106
Sales	15,564	16,001	17,656
Operating income	(4,702)	(4,080)	(2,016)
Net financial income / (expense)	(198)	(121)	14
Net income/(loss)	(4,900)	(4,201)	(2,002)
Workforce size (excluding trainees)	37	37	42

Sales were down 2.7% in fiscal year 2018 (up 2.4% at constant exchange rates) but picked up strongly in the second half (up 10.8% at constant exchange rates), reflecting growing adoption by US surgeons of the UNiD® custom services and implants offering. In 2018, another 30 US surgeons became regular users of UNiD ASI® products and services.

In dollars, gross profit came in at $11.3 million, up $1 million year on year, offset by a $2.3 million increase in operating expenses linked to various investments to structure the UNiD platform as well as a change in the distribution approach, with the emphasis more on developing an external network of agents rather than on direct sales by sales representatives employed by the Company.

Against this backdrop of strategic shift, the operating loss was €4.9 million in 2018, compared with a loss of €4.2 million for the previous fiscal year.

4.3 MEDICREA TECHNOLOGIES UK LTD

(€ K)	2018	2017	2016
EUR/GBP exchange rate	0.885	0.873	0.813
Sales	168	468	522
Operating income	(470)	(486)	(784)
Net income/(loss)	(502)	(406)	(703)
Workforce size (excluding trainees)	-	6	7

The Group ceased its activities in the UK from September 1, 2018, and mothballed its subsidiary MEDICREA TECHNOLOGIES UK, leading to the redundancy of all staff and the closure of its distribution center in Cambridge. The Group is now represented in the UK by an independent distributor.

4.4 MEDICREA GMBH

(€ K)	2018	2017	2016
Sales	-	121	66
Operating income	(14)	(323)	(782)
Net income/(loss)	(14)	(331)	(786)
Workforce size (excluding trainees)	-	-	5

The Group wound up its German operations in 2017 and mothballed its subsidiary MEDICREA GMBH. The Group is now represented in Germany by an independent distributor.

4.5 MEDICREA POLAND

(€ K)	2018	2017	2016
EUR/PLN exchange rate	4.266	4.262	4.362
Sales	292	121	0
Operating income	(480)	(222)	(27)
Net income/(loss)	(485)	(224)	(27)
Workforce size (excluding trainees)	4	3	2

Sales in 2018 totaled €0.3 million, up €0.1 million year on year. This trebling of the Company's sales was a result of the development of the sales team, which was expanded during the year.

Operating expenses increased €0.3 million due to the recruitment of new sales representatives and an increase in additions to depreciation on instrument kits supplied to hospitals in connection with tenders won.

In this environment of increased sales penetration on the ground, the company posted a €0.5 million operating loss in 2018, compared with a €0.2 million loss a year earlier.

4.6 MEDICREA BELGIUM

(€ K)	2018
Sales	5,064
Operating income	1,927
Net financial income / (expense)	(35)
Corporate tax	(613)
Net income/(loss)	1,279
Workforce size (excluding trainees)	11

MEDICREA BELGIUM was established in February 2018 in association with the Group's legacy distributor in the Belgian market, which has been marketing MEDICREA products for over ten years and has a market share of around 20%. MEDICREA holds a 51% majority stake in MEDICREA BELGIUM and plans to transition the entity to a fully-owned Medicrea subsidiary over the next years.

The company generated sales of €5.1 million in its first fiscal year, including €1.9 million in the first half from a trading business mainly consisting of bone graft substitutes, which was wound up with effect from June 30, 2018 and transferred to minority shareholders, who will continue to operate it under a different commercial operation. Gross profit for the year totaled €3.4 million, equating to 66% of sales, with sales by the trading business generating a much lower margin (50%) than those of medical devices sold by MEDICREA.

Operating expenses totaled €1.4 million, giving net operating income of €1.9 million.

Taking into account a corporate income tax expense of €0.6 million, net income for fiscal year 2018 came in at €1.3 million. Once the financial statements have been approved at the Shareholders' Meeting, part of this amount will be distributed to partners.

4.7 MEDICREA AUSTRALIA

(€ K)	2018
EUR/AUD exchange rate	1.576
Sales	218
Operating income	1
Net income/(loss)	1
Workforce size (excluding trainees)	-

MEDICREA AUSTRALIA was established in June 2018 in association with a distributor to market the Group's products in Australia and New Zealand, which make up the world's third-largest spine market after the United States and Japan. MEDICREA holds a 51% majority stake in MEDICREA AUSTRALIA and plans to transition the entity to a fully-owned Medicrea subsidiary over the next years.

The company was formed in June 2018 and began commercial operations in the third quarter. As a result, sales in the period were low and net income reflects fixed start-up costs.

5. RESEARCH AND DEVELOPMENT ACTIVITIES

R&D is at the heart of the value creation strategy. The Group has made extending its range of products and developing innovative solutions a key priority and for several years has dedicated a significant amount of its financial resources to research and development activities. Spending, excluding patents and similar rights, has progressed as follows over the last 5 years:

(€ K)	2018	2017	2016	2015	2014
Capitalized R&D costs	1,626	1,892	2,281	1,886	1,069
Expensed R&D costs (1)	1,957	2,914	2,055	1,960	1,893
- of which amortization charge of R&D costs	(1,691)	(1,492)	(1,284)	(993)	(904)

(1): before allocation of the Research Tax Credit

The major strategic research and development focus for the Group is personalized medicine which has become the basis for the medical model of the 21st century. The Group's aim is to make the products and services allowing treatment that is perfectly tailored, and therefore specific and customized for each patient, available to surgeons, by committing to a complex process combining research and development with the industrial dimension and by using innovative technologies and processes such as additive manufacturing via 3D printing.

Utilizing scientific knowledge of the sagittal balance, the understanding of spinal deformities, progress in imaging, increased analysis capabilities in relation to each patient and the advent of new manufacturing technologies based on digital files, the Group has become a pioneer in the field of patient-specific implants for the treatment of spinal column pathologies. The teams are working every day to assist surgeons in their strategy of personalized treatment for each patient by sharing their expertise and their support in technical, clinical and logistical fields and by giving them access to new technologies.

During the 2018 fiscal year, MEDICREA continued to invest in the development of its comprehensive UNID ASI™ platform, which offers patient-specific implants for spinal surgery as well as related applications and services, in particular the development of UNiD HUB™ (digital portal made available to surgeons).

6. SOCIAL AND ENVIRONMENTAL INFORMATION

6.1 Corporate information

At December 31, 2018 the Group's workforce consisted of 179 full-time staff, including two apprentices, together with a few interns working under internship agreements entered into at various points in the year.

125 people are employed in France, 37 work for the US subsidiary, 5 for the Polish subsidiary, 11 for the Belgian subsidiary and 1 for the Australian subsidiary.

The average gross salary for the 2018 fiscal year stood at €5,055 (€5,616 in 2017). Excluding the remuneration of employees of the US subsidiary, the average gross salary was €4,258 (€4,664 in 2017).

The gender breakdown by staff category is as follows:

	12.31.2018			12.31.2016		
	Male	Female	Total	Male	Female	Total
Executives	56	37	93	50	34	84
Supervisors - Employees	42	44	86	51	37	88
Total	**98**	**81**	**179**	**101**	**71**	**172**

6.1.1 Training

Net of tax payments made to collecting bodies for continuous in-service training amounted to €128,358 in 2018 (€128,689 in 2017), amounts that were used in full to train Group employees and were higher than the legal training obligation.

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

6.1.2 Safety

The very recent, spacious and modern Rillieux-la-Pape site houses the production and support functions, providing infrastructure with optimal operating conditions. Production and logistics activities occupy dedicated spaces, ensuring high levels of safety and providing satisfactory safeguards against the risk of workplace accidents.

A comprehensive risk management assessment has been prepared and is updated annually.

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

6.1.3 Staff retention

Employees of MEDICREA INTERNATIONAL have access to a Group Savings Plan, entitling them to subscribe for Company shares. potentially supplemented by an employer contribution of 50% on the occasion of any share capital increase. There were no transactions reserved for employees during the 2018 fiscal year.

In addition, in 2018 the Board of Directors made use of the delegation granted to it by the Shareholders' Meeting of June 15, 2017 and May 17, 2018 by allocating 410,000 and 325,000 share subscription options to French and American employees, respectively, as well as 702,000 and 90,000 free shares to French and American employees, respectively.

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

6.1.4 Subcontracting

The Group uses a network of screened subcontractors for manufacturing purposes. Since the Group currently has no environmentally controlled facilities such as clean rooms, it contracts the associated services out to third parties. The ultra-clean processing and the sterilization using gamma irradiation of sterile products are also subcontracted. Purchases of components during the 2018 fiscal year totaled €1.9 million (€3 million in 2017).

6.2 Environmental information

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

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

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

7. RISKS

7.1 Risks associated with the Company's business

The spinal surgery market is highly competitive. It is dominated by powerful players with extensive distribution networks, enabling them to sell their standard product ranges and restrict access to more modest-sized companies seeking to bring innovative solutions to market.

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

7.2 Regulatory environment risks

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

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

- CE certification was renewed following the last regulatory audit, conducted by GMED in January 2019. Inspections by the FDA (Food and Drug Administration) and ANVISA in connection with the marketing of implants in the United States and Brazil were successfully completed in February and April 2017 respectively. 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".

More stringent conditions for the marketing authorization of products are being observed with a view to improving safety and transparency, with a number of initially class IIb spinal medical devices due to move to class III following the application of European Regulation MDR2017/745, which involves tighter requirements for manufacturers in terms of checks, traceability and regulatory monitoring. The European Regulation will also involve changes in clinical studies: obtaining the CE marking will be subject to pre-market clinical studies, whereas today reference to an equivalent product is sufficient, and post-market monitoring will be stepped up. This change in regulations detailed below also impacts products that already have CE marking.

- Before June 2016:
    - Clinical evaluation could consist of demonstrating equivalence with a CE-marked product and research findings;

Post-market monitoring was conducted by regular updating of clinical evaluation reports and the implementation of post-market clinical studies.

- Since June 2016:
  - Clinical evaluation can still be based on the principle of equivalence but is more complex;
  - Post-market monitoring must be updated annually and includes the implementation of post-market clinical studies.

From 2020 onwards, the European Regulation will be enforced for new products:
- Equivalence will no longer be sufficient, and clinical evaluation will require clinical studies to be conducted before receiving CE marking (meaning a 3- to 4-year interval);
- A consultation procedure will be initiated. A group of experts will issue a scientific opinion, and will have the ability to restrict the product's marketing: limited numbers of patients and validity period of the certificate, etc.;
- Post-market monitoring will have to be updated annually, throughout the product's life cycle, and post-market clinical trials will systematically be conducted to confirm product performance and safety.

As of 2022, all products already marked CE before application of the new regulation will require their own clinical data, and post-market clinical studies will have to have been conducted if necessary. Otherwise products may no longer be marked CE, or see their indications limited.

Concerning the PASS LP thoraco-lumbar fixation system, including UNiD® patient-specific implants, which currently accounts for 70% of the Company's sales, MEDICREA already has all the clinical data for deformity surgery (complex scoliosis surgery). Data relevant to degenerative surgery has been compiled since May 2018 through a clinical study that will require two years of monitoring once all patients have been included (late 2019). For the specific case of LigaPASS the Company already has clinical data regarding the most frequent pediatric indications, and is not necessarily seeking to extend collection of data to degenerative or trauma-induced indications, which account for an extremely small or even non-existent portion of sales.

As a result, the risk of losing CE marking on products that represent a major part of the Company's sales can be considered very low.

All these regulatory changes have a significant effect on resources to be allocated to regulatory and clinical product monitoring, i.e. human and financial resources to conduct pre-market clinical studies and post-market monitoring. In addition, the timeframe required to obtain CE marking for any new product will also increase for all new products, and the CE marking process will be free in the case of a pre-marking clinical trial.

7.3 Risks associated with the malfunction of industrial processes

MEDICREA's quality system includes procedures to detect any non-compliant products, internally or externally, in accordance with its own requirements, those of its customers or those imposed by regulations. These procedures are embedded in the "Manage quality" process within MEDICREA's quality management system, allowing for the following:

- identification and notification of product non-conformities;
- recording of all investigations: root cause analysis and risk assessment;
- implementation and monitoring of action plans;
- measurement of the effectiveness of actions taken.

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 clients.
Any incidents affecting patients and/or users are stipulated in the regulatory framework of medical device vigilance (the various regulations are listed in the Quality Manual), which describes how to report an incident to the competent authorities.

Each incident is analyzed in order to reduce risks and prevent incidents recurring. The Company periodically conducts risk management reviews and assessments.

Pursuant to key recommendations in the various regulations listed in the Quality Manual, MEDICREA has documented risk management requirements throughout the product creation process, taking into account the following elements: Risk analysis – Risk assessment – Risk control – Post-production information.

7.4 Intellectual property risks

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

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

As a result, the Group cannot guarantee:

- that pending patent applications will actually result in patents being issued,
- that patents delivered or licensed out to the Group or its partners will not be challenged by others or invalidated,

- that the extent of the protection conferred by patents is sufficient to protect it from its competitors,
- that its products are not infringing patents owned by others.

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

7.5 Litigation risk

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

In the normal course of business, the Group may be involved in litigation, or be subject to fiscal and/or administrative checks.

Since July 2017, MEDICREA USA has been the subject of a civil investigation by the US Department of Justice (DoJ) under the Physician Payments Sunshine Act, which lays down the rules for reporting benefits awarded to healthcare professionals, notably when they attend conferences, exhibitions and meetings. Assisted by a specialist law firm, the company provided evidence demonstrating that it was in compliance with the requirements applicable to it, with the exception of a few reporting errors, since corrected. During the final quarter of 2018, the DoJ disclosed the findings of its initial investigations and asked for further information and additional documents. During the first quarter of 2019, the Company, acting through its lawyers, responded to the DoJ by providing the additional items requested. Following these exchanges, the DoJ put forward another request for further information. MEDICREA USA has committed to provide all requested information. At this stage of the investigation, it is not possible to say what the findings of the ongoing investigation will be, though the Company, assisted by its lawyers, is cooperating fully with the DoJ.

There are no other governmental, judicial or arbitration proceedings, including any proceedings of which the Company is aware, either pending or threatened, liable to have or have had in the past 12 months any significant effects on the financial condition or profitability of the Company and/or the Group.

7.6 Risks related to changes in raw material prices

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

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

7.7 Risks associated with changes to medical device reimbursement policies

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

7.8 Liquidity risks

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

The financial resources secured following fundraising transactions total approximately €76 million and USD 30 million, as detailed in the table below:

Date	Nature	Amount (€)	Amount (USD)
June 2006	Share capital increase by means of a public offering	11,587,604	-
December 2007	Share capital increase	7,000,002	-
November 2008	Share capital increase	1,155,928	-
April 2009	Issue of new shares with share warrants	1,176,000	-
May 2009	Issue of new shares with share warrants	767,621	-
June 2009	Share capital increase	621,942	-
December 2009	Share capital increase	1,395,608	-
December 2009	Exercise of share warrants	582,831	-
May 2010	Issue of bonds redeemable in new shares	1,928,624	-
June 2010	Share capital increase	594,740	-
November 2011	Issue of new shares with share warrants	1,534,500	-
August 2012	Share capital increase	762,000	-
June 2015	Share capital increase through private placement	3,543,697	-
August 2016	Issue of bonds convertible into new shares	15,000,000	-
August 2016	Share capital increase through private placement	4,999,983	-
June 2017	Share capital increase through private placement	13,000,003	-
December 2017	Issue of new shares with share warrants	7,216,957	-
July 2018	Issue of new shares with share warrants	3,083,777	-
November 2018	Issue of bonds and share warrants	-	30,000,000
Total		**75,951,817**	**30,000,000**

These fund-raising transactions totaling have significantly reduced this liquidity risk and have given the Group the necessary resources to implement its expansion strategy, create new subsidiaries, launch new products and develop innovative technologies, particularly in the field of personalized medicine.

7.9 Foreign exchange risks

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

7.10 Interest rate risks

At December 31, 2018, all borrowings were at fixed rates with the exception of the $30 million note issue completed in November 2018, maturing in four years and bearing interest at 8.5% plus the higher of 3-month USD LIBOR and 2.5%. The Group plans to simultaneously hedge foreign exchange and interest rate risk on this borrowing through a cross-currency swap and is currently in talks with its partner banks in this regard. No final hedging agreement had yet been put in place at the balance sheet date.

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 48% of its 2018 consolidated sales in dollars through its subsidiary MEDICREA USA (59% in 2017). The reduction in this percentage is explained by the significant contribution to total sales made by MEDICREA BELGIUM sales, a new subsidiary created in 2018.

The US, Polish, Polish and Australian subsidiaries are invoiced in their functional currency when they are able to settle their trade liabilities, and foreign exchange hedges have been put in place on an ad-hoc basis to cover the risk of fluctuation in the corresponding currencies (mainly dollars).

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

In 2018, the US dollar depreciated by more than 12% compared to the average rate of 2017. This generated a negative impact of €0.8 million on 2018 sales. A breakdown of these changes can be found in Note 4.10.

A 15% appreciation of the US dollar against the euro, applied to data from the 2018 fiscal year, would result in an increase to Group sales of €2.4 million and a negative impact of €0.3 million on operating income.

Conversely, a 15% depreciation of the dollar against the euro, applied to 2018 data, would result in a decline in Group sales and an increase in operating income in the same proportions as those indicated above.

7.14 Warranties on UNiD products

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

Since the launch of this warranty, no activation request has been recorded. On this basis, the Group did not recognize any provision in its financial statements at December 31, 2018 and, depending on all the data collected in 2019, it will assess whether or not it is necessary to review this position at December 31, 2019.

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

No significant event has occurred since the year-end.

9. INFORMATION ON THE PARENT COMPANY

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

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

MEDICREA INTERNATIONAL's financial statements at December 31, 2018 have been prepared pursuant to French generally accepted accounting principles.

The summarized financial statements are as follows:

9.1.1 Income statement

(€ K)	12.31.2018	12.31.2017
Sales	19,750	15,933
Finished products and work-in-progress	(722)	3,421
Own work capitalized	1,681	2,067
Operating grants	33	13
Provision reversals and transfers of charges	211	353
Other revenue	4	16
Operating revenues	**20,957**	**21,803**
Purchases consumed, subcontracting and other supplies	(4,586)	(7,309)
Purchases and other external expenses	(6,954)	(7,780)
Taxes and duties	(752)	(564)
Wages and salaries	(6,695)	(5,730)
Social security costs	(2,808)	(2,403)
Amortization and depreciation charges	(4,607)	(3,424)
Provision charges	(140)	(898)
Other expenses	(650)	(626)
Operating expenses	**(27,192)**	**(28,734)**
Operating income	**(6,235)**	**(6,931)**
Financial income	1,101	282
Financial expenses	(2,014)	(5,015)
Net financial income / (expense)	**(913)**	**(4,733)**
Income/(loss) before tax	**(7,148)**	**(11,664)**
Exceptional income	672	682
Exceptional expenses	(656)	(597)
Net exceptional income/(expense)	**16**	**85**
Corporate tax	888	897
Net income/(loss)	**(6,244)**	**(10,682)**

9.1.2 Balance sheet

(€ K)	12.31.2018	12.31.2017
Intangible assets	6,839	6,651
Property, plant and equipment	5,894	6,170
Non-current financial assets	8,013	7,831
Non-current assets	**20,746**	**20,652**
Inventories	8,105	8,953
Trade receivables	10,866	3,360
Other receivables	10,727	10,004
Cash and cash equivalents	8,158	11,677
Current assets	**37,856**	**33,994**
Total assets	**58,602**	**54,646**

(€ K)	12.31.2018	12.31.2017
Share capital	2,595	2,413
Reserves	27,162	35,335
Net income for the year	(6,244)	(10,682)
Shareholders' equity	**23,513**	**27,066**
Conditional advances	100	196
Other equity	**100**	**196**
Long-term financial debt	27,315	17,346
Non-current liabilities	**27,315**	**17,346**
Provisions for liabilities and charges	127	139
Short-term financial debt	1,302	3,545
Group and associates	94	-
Trade payables	3,611	3,956
Other liabilities	2,540	2,398
Current liabilities	**7,674**	**10,038**
Total shareholders' equity and liabilities	**58,602**	**54,646**

9.1.3 Comments on the income statement

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

The distribution subsidiaries are supplied directly by MEDICREA INTERNATIONAL.

The change in sales between 2018 and 2017 is analyzed as follows:

(€)	2018	2017	Change
MEDICREA USA	7,329,919	5,619,069	+ 30%
MEDICREA BELGIUM	896,918	-	N/S
MEDICREA POLAND	363,412	656,182	(45)%
MEDICREA AUSTRALIA	361,522	-	N/S
MEDICREA GMBH	3,000	(168,768)	N/S
MEDICREA TECHNOLOGIES	-	160,585	N/S
MEDICREA TECHNOLOGIES UK	(253,065)	(17,401)	N/S
Total intra-Group sales and rebillings	**8,701,706**	**6,249,667**	**39%**
Private and public hospitals - France	6,080,268	5,962,073	+ 2%
Export distributors	3,907,371	3,590,990	+ 9%
Repair center	982,797	76,444	N/S
Other	78,017	53,830	+ 45%
Total external sales and rebillings	**11,048,453**	**9,683,337**	**+ 14%**
Net sales	**19,750,159**	**15,933,004**	**+ 24%**

Sales to the Company's trading subsidiaries were up 39%, generating additional revenue of €2.5 million, including €1.7 million from MEDICREA USA following the US market launch of a top-loading thoraco-lumbar fixation system and €1.2 million from MEDICREA BELGIUM and MEDICREA AUSTRALIA, formed in February and June 2018 respectively.

The sales generated with international distributors, healthcare institutions in France, and the customers of the repair center, which reflect MEDICREA INTERNATIONAL's marketing activities with third-party customers, increased by 14%, representing additional sales of €1.4 million:

Own word capitalized amounted to €1.7 million, versus €2.1 million in 2017. It includes the capitalization of R&D expenses and of expenditure on patents, and reflects the Company's sustained innovation efforts. The €4.1 million decrease in finished products and work-in-progress compared with the previous fiscal year was mainly due to the transfer of the production plant from La Rochelle to Rillieux-la-Pape in 2017, which resulted in a large number of organizational changes and to the significant use of sub-contractors on a temporary basis.

The management gross margin (which includes subcontracting, categorized under "Purchases and other external expenses" in the parent company financial statements) came out at 51% of sales in 2018, down 2 percentage points year on year due to a change in the sales mix and pricing pressure.

The 2018 payroll grew significantly in comparison with the previous fiscal year (up +17%). Work in 2017 to bring the Group's French activities together at the same site and within the same company yielded its full benefits in fiscal year 2018.
Amortization and depreciation charges increased €1.2 million due to the Company's significant investments over the past few years, as well as amortization of remaining issuance expenses associated with the convertible loan issued in August 2016, repaid in full in November 2018. Provision charges, down €0.8 million in relation to the previous fiscal year, primarily relate to the writedown of bad debts.

Taking into consideration the points specified above, 2018 operating loss was €6.2 million, compared with an operating loss of €6.9 million in 2017.

The net financial loss amounted to €0.9 million, primarily due to the €1.2 million cost of debt, €1.2 million in impairment charges on current accounts (mothballing of MEDICREA GMBH and MEDICREA TECHNOLOGIES UK), offset by positive currency effects amounting to €0.4 million.

Ultimately, after a research tax credit of €0.9 million was taken into account, a net loss of €6.2 million was recorded, against a net loss of €10.7 million in 2017.

9.1.4 Comments on the balance sheet

Total assets were €59 million, an increase of €4 million compared with the end of 2017.

Non-current assets, stable in value compared to the previous fiscal year, represented 35% of total assets, compared with 38% in 2017.

The gross value of inventories fell by 7% in comparison with 2017. The main change is related to work-in-process and was due the normalization of operations at the new plant in Rillieux-la-Pape.

Of the €7.5 million increase in trade receivables, €7.4 million was the result of Group receivables, including €1 million relating to changes in scope. With effect from 1 January 2017, overdue Group receivables are no longer reclassified as current account advances.

Other receivables increased by €0.7 million, mainly due to the €0.4 million increase in prepaid expenses, which is explained by the recognition of rent invoices relating to the 1st quarter of 2019 in December 2018, while the rent invoices relating to the 1st quarter of 2018 were not received during the 2017 fiscal year.

Cash decreased €3.5 million as a result of amounts made available to distribution subsidiaries to fund their development, investment during the year, notably in research and development, and the refinancing exercises completed at end 2018.

Shareholders' equity was €23.5 million at the end of 2018, down €3.5 million compared with 2017. This change was due to the share capital increase completed in July 2018 for an overall net amount of €2.7 million following deduction of costs on the issue premium, offset by the loss of €6.2 million over the 2018 fiscal year. At the shareholders' meeting of November 30, 2018, the shareholders

approved a proposal to clear the accumulated deficit of €36.6 million by offsetting it against share premiums.

Financial liabilities increased by €7.7 million due to repayments made during the 2017 fiscal year in accordance with existing repayment schedules, the $30 million note issue and the subscription of two new bank loans totaling €1.2 million. The note issued during the fiscal year also made possible early redemption of the €15 million convertible note issue subscribed by Athyrium Capital Management in August 2016, as well as early repayment of other bank loans totaling €1.6 million.

At the Shareholders' Meeting of November 30, 2018, the shareholders approved a proposal to clear the accumulated deficit of €36.6 million by offsetting it against share premiums.

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

		Article D. 441 I. – 1°: Invoices received, unpaid at December 31, 2018				
Trade payables	0 days	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more	Total 1 day or more
(A) Late payment ranges						
Number of invoices concerned	240					497
Total value of invoices concerned exc. VAT	€646,813	€1,384,669	€240,752	€136,115	€208,696	€1,970,232
% of total value of purchases exc. VAT over the fiscal year	6%	12%	2%	1%	2%	17%
(B) Invoices excluded from (A) relating to contested or unrecorded trade payables						
Number of invoices excluded	0					0
Total value of invoices excluded exc. VAT	0					0
(C) Payment terms used						
Payment terms used for calculating late payments	Contractual terms					

		Article D. 441 I. – 2°: Invoices issued, unpaid at December 31, 2018				
Trade receivables	0 days	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more	Total 1 day or more
(A) Late payment ranges						
Number of invoices concerned	1,146					3,266
Total value of invoices concerned exc. VAT	€2,116,135	€1,015,014	€848,737	€ 169,439	€6,109,086	€8,142,276
% of sales exc. VAT for the year	11%	5%	4%	1%	31%	41%
(B) Invoices excluded from (A) relating to contested or unrecorded trade receivables						
Number of invoices excluded	2					
Total value of invoices excluded exc. VAT	€103,723					
(C) Payment terms used						
Payment terms used for calculating late payments	Contractual terms					

Development and future prospects

Company growth is directly related to that of the Group, the main trends of which are summarized in paragraph 3 of the Board of Directors' report on the Group.

9.2 Information relating to subsidiaries and investments

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

9.3 Research and development activities

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

9.4 Stock market performance

The share has been covered by a market-making contract in partnership with Kepler Cheuvreux since January 2019. The market-making contract was previously managed by the company Louis Capital Markets UK LLP. The share is listed on Euronext Growth, under the ISIN code FR004178572 and the ticker ALMED.

Major stock market data is analyzed as follows:

	2018	2017	2016
Number of shares at December 31	16,219,847	15,082,811	10,033,067
High price	3.46	6.37	7.04
Low price	1.65	2.86	4.33
Average price for the period	2.67	4.51	5.46
Share price at 12/31	2.29	3.00	5.40
Market capitalization at 12/31	€ 37,143,450	€ 45,248,433	€ 54,178,562
Trading volume	7,544,505	3,000,160	1,937,451
Capital turnover rate	46.5%	19.9%	20.18%

Since August 28, 2018, securities in the Company have been listed on the US OTCQX Best Market ("OTCQX"). In addition to trading on the Euronext-Growth market, this listing will give Medicrea the opportunity to increase its visibility within the US and grow its investor base.

9.5 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 May 17, 2018, the Company carried out the following transactions concerning its own shares during the fiscal year which ended on December 31, 2018:

- number of shares bought during the fiscal year: 40,255
- number of shares sold during the fiscal year: 39,937
- average price of the purchases: €2.56

- average price of the sales:	€2.60
- trading fees:	Nil
- number of shares registered in the Company's name at December 31, 2018:	4,756
- value based on the purchase price:	€ 10,770
- par value of shares:	€0.16
- fraction of share capital represented:	Negligible

These transactions were conducted by the brokers Louis Capital Markets, an investment services provider, as part of the liquidity agreement drawn up in accordance with the Ethics Code of the AMF. This liquidity agreement was transferred to Kepler Cheuvreux on January 1, 2019. This contract is renewable annually by tacit agreement and is compliant with the French Financial Markets Association (AMAFI).

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

9.6.1 Information pertaining to the share capital and threshold crossings

Pursuant to the provisions of Article L. 233-13 of the French Commercial Code, and based on the information received pursuant to Articles L. 233-7 and L. 233-12 of said Code, we hereby disclose, as of December 31, 2018:

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

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

	At 12.31.2018		At 12.31.2017	
	% share capital	% voting rights	% share capital	% voting rights
More than 5%	Amiral Gestion Armistice Capital Master Fund	Amiral Gestion Armistice Capital Master Fund Stonepine Capital Management	Armistice Capital Master Fund Keren Finance Vatel	Armistice Capital Master Fund
More than 10%	Stonepine Capital Management LLC Orchard International	-	Orchard International	-
More than 15%	-	Orchard International	-	Orchard International
More than 25%	-	-	-	-

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

Two new Deputy Chief Executive Officers were appointed in 2018: Chief Financial Officer Fabrice Kilfiger and Chief Operating Officer David Ryan.

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

	12.31.2018			12.31.2017		
	Number of shares	% share capital	% voting rights	Number of shares	% share capital	% voting rights
ORCHARD INTERNATIONAL (1)	1,727,490	10.65	18.17	1,727,490	11.45	19.55
Denys SOURNAC (2)	607,533	3.75	4.18	457,488	3.03	2.59
Jean Philippe CAFFIERO	216,089	1.33	2.19	216,089	1.43	2.36
David RYAN	24,148	0.15	0.21	24,148	0.16	0.14
Fabrice KILFIGER	6,000	0.04	0.03	9,000	0.06	0.05
Other Directors						
Pierre BUREL (2)	194,587	1.20	1.02	194,587	1.29	1.10
Patrick BERTRAND (2)	113,968	0.70	0.69	113,968	0.76	0.74
François Régis ORY (2)	108,652	0.67	0.57	108,652	0.72	0.61
Rick KIENZLE	102,880	0.63	0.54	102,880	0.68	0.58
Marc RECTON	76,952	0.47	0.47	18,752	0.12	0.18
Christophe BONNET	52,128	0.32	0.44	52,128	0.35	0.48
Pierre OLIVIER	27,000	0.17	0.14	18,000	0.12	0.10
Jean Joseph MORENO	22,000	0.14	0.23	22,000	0.15	0.21
Total	**3,279,427**	**20.22%**	**28.88%**	**3,065,182**	**20.32%**	**28.69%**

(1): Shares held by the holding company, ORCHARD INTERNATIONAL. The following table provides details of ORCHARD INTERNATIONAL's shareholding structure as of December 31, 2018:

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

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

9.6.3 Share capital and treasury shares

At December 31, 2018, the Company held 4,756 of its own shares as part of the share's liquidity and market-making contract on the stock market.

At December 31, 2018, share capital totaled €2,595,175.52, and comprised 16,219,847 shares as follows:

Pursuant to the provisions of Article L. 225-211 sub-paragraph 2 of the French Commercial Code and in accordance with the authorization granted by the Combined Shareholders' Meeting of May 17, 2018, the Company bought back some of its own shares during the year ended December 31, 2018, as described in point 9.6 above.

9.6.4 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 2018 by

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

- Number of securities sold: 3,000
- Number of securities acquired: 208,245
- Number of securities subscribed: 0
- Number of shares exchanged: 0

9.6.5 Employee shareholding

Pursuant to the provisions of Article L. 225-102 of the French Commercial Code, the number of shares of the Company's capital held by employees at the last day of the fiscal year is reported annually, as well as the proportion of share capital represented on December 31, 2018 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, 2018, employees of the Company and related companies held 0.82% of the Company's capital, including less than 0.01% via the company savings plan.

9.6.6 Group savings plan

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

There was no capital increase reserved for employees during the 2018 fiscal year, consequently the Company did not pay any employer's matching contributions.

9.6.7 Stock subscription or purchase options – Allocation of free shares

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

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

735,000 stock options and 792,000 free shares were allocated during the fiscal year ended December 31, 2018. Furthermore, 65,000 stock options awarded to US employees will vest in early 2019.

Taking account of employee departures between 2008 and 2018, the exercise of options and plans that have lapsed, free shares and stock options allocated to employees totaled 978,274 and 1,350,000 respectively at December 31, 2018.

9.8. Dividends paid

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

9.9. Five-year financial summary

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

9.10. Social and environmental information

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

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

No significant event has occurred since the year-end.

9.11 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 €176,029 and €49,288 respectively for the fiscal year ended December 31, 2018 (€164,418 and €46,037 respectively in relation to the previous year).

9.12 Proposed allocation of 2018 income

It is requested that the financial statements be approved as presented (balance sheet, income statement and notes), showing a net loss of €6,243,691.98 for the fiscal year of December 31, 2018, which the Board of Directors proposes at the Shareholders' Meeting to allocate it in its entirety to Retained Losses.

9.13 Proposal to charge the accumulated deficit to the share premium account

After applying the loss for the year ended December 31, 2018 to retained earnings (losses) as proposed above, the latter would stand at a debit balance of €6,243,691.98. The share premium account has a balance of €23,711,654.42.

Consequently, the Board of Directors proposes that the accumulated deficit in the retained earnings (losses) account be charged in full to share premiums. This would bring down the balance of the share premium account from €23,711,654.42 to €17,467,962.44, while the balance of retained earnings (losses) would increase from (€6,243,691.98) to zero.

By clearing the accumulated deficit, this decision would result in a more favorable presentation of the Company's capital, thus facilitating access to certain sources of bank financing.

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

The Statutory Auditors will read their report, which mentions that a new agreement was concluded with Orchard International for the year ended December 31, 2018, and lists the agreements that were authorized for previous years and which continued during the fiscal year. The report also confirms that one agreement ceased to have effect as of April 1, 2018.

9.16. Determination of Director's fees

We would remind you that the Shareholders' Meeting of June 15, 2017 determined the amount of directors' fees allocated to the Board of Directors at €72,000 for the year ended December 31, 2017 and for subsequent years, until decided otherwise.

We suggest allocating the amount of €80,000 to your Board of Directors as directors' fees for the year ending December 31, 2019 and for subsequent years, until decided otherwise by the Shareholders' Meeting.

9.17. Approval of share subscription or purchase option plans

We remind you that the Shareholders' Meeting of May 17, 2018 authorized the Board of Directors, pursuant to the provisions of Articles L225-177 and subsequent of the French Commercial Code, to grant share purchase and/or subscription options in the Company.

Article 422 of the US Internal Revenue Code requires, in order to allow the issue of the Incentive Stock Options provided for in the 2018 plan for the benefit of employees resident in the United States for tax purposes, that said plan be approved by the Shareholders' Meeting within a period of 12 months from their adoption by the Board of Directors. We therefore propose that the aforementioned 2018 plan, approved by the Board of Directors at its meeting of May 17, 2018, be adopted.

9.18. Reappointment of Statutory Auditors

The engagements of ERNST & YOUNG et Autres as Principal Statutory Auditor and of AUDITEX as Alternate Statutory Auditor are due to expire at the conclusion of this Shareholders' Meeting.

Consequently, it is proposed that the following be reappointed for a further six fiscal years, expiring at the conclusion of the shareholders' meeting held to approve the financial statements for the fiscal year ending December 31, 2024:

- ERNST & YOUNG et Autres as Principal Statutory Auditor

- AUDITEX as Substitute Statutory Auditor.

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

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

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

- To ensure the stimulation of the secondary market or the liquidity of the MEDICREA INTERNATIONAL share via an investment services provider acting in complete independence under a liquidity contract in compliance with a Code of Ethics recognized by the French Financial Markets Authority;
- Ensure the hedging of stock option purchase plans and/or free share allocation plans (or similar plans) for the benefit of Group employees and/or corporate officers;
- To reduce the share capital of the Company through the cancellation of shares within legal limits;
- To retain the purchased shares and subsequently exchange them or use them in payment as part of mergers and acquisitions;
- To implement any market practice that is or may be admitted by the market authorities.

No other use of this share buyback program is considered.

The transactions conducted as part of the buyback program would be carried out pursuant to applicable regulations and an information document would be released, specifying:

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

The theoretical maximum amount for the implementation of this program would be €40,549,617.50, 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, 2018 and for a maximum period of eighteen months.

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

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

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

In particular in order to:

- Accelerate the digital transformation of all Group companies through the development, integration and distribution of a new UNID proprietary platform;
- Strengthen the teams and the resources for analyzing the clinical data collected by the UNID LAB in order to hone the capabilities of the predictive model and the relevance of the Company's proprietary algorithms identifying the most appropriate implants for each patient;
- Strengthen the Group's foothold in the United States, increase MEDICREA's presence in the main centers specializing in spinal surgery by developing sales teams and the local manufacture of certain patient-specific implants;
- Continue to integrate new manufacturing technologies (3D printing);
- Continue to re-insource key production activities and fund the purchase of required machinery;
- Explore all opportunities relating to acquisitions or tactical or strategic partnerships concerning the products, technologies and patents;
- Accelerate the development of the Group's distribution subsidiaries.

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

As such, the following is proposed:

1. to delegate to the Board of Directors (13th resolution), for a period of eighteen (18) months, the power to decide on one or more share capital increases via the issue of ordinary shares in the Company or any marketable securities conferring access by any means, immediately and/or in the future, to existing or new ordinary shares in the Company with waiver of the preferential subscription right in favor of a category of individuals meeting specified characteristics pursuant to Article L. 225-138 of the French Commercial Code.

The total amount of share capital increases that may be completed under the terms of this delegation immediately and/or in the future, may not exceed a nominal amount of eight hundred thousand (800,000) euros. The amount of the share capital increases would not count towards the Overall Ceiling I set in the 19th resolution of the Shareholders' Meeting of May 17, 2018.

The total amount of issues of compound marketable securities whose primary component is a debt, notably a bond, security, may not exceed a nominal amount of twenty-five million (25,000,000) euros. The amount of issues of marketable securities would not count towards the Overall Ceiling II set in the 19th resolution of the Shareholders' Meeting of May 17, 2018.

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

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

2. to grant to the Board of Directors (14th and 15th resolutions), for a period of twenty-six months, the authority to complete a share capital increase reserved for all employees in the Company and companies within its Group and to waive the preferential subscription right of shareholders in favor of said employees.

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

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

9.20. 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;
- Certification regarding the information provided pursuant to Article L225-115 4° of the French Commercial Code relating to the total amount of remuneration paid to the highest paid individuals.

The Statutory Auditors have also prepared the following reports, which will be made available to shareholders 15 days prior to the Shareholders' Meeting of June 3, 2019:

- Special report on the cancellation of securities acquired under the Company's program to buy back its own shares;
- Report on the issue of various marketable securities with waiver of the preferential subscription right;
- Report on the share capital increase reserved for members of a company savings plan.

Once the Statutory Auditors' reports have been read, the Chairman invites you to adopt the resolutions submitted to the Shareholders' Meeting's vote.

Rillieux-la-Pape, France, March 20, 2019.

Appendix 1

List of subsidiaries and equity investments

Entities	Total shareholders' equity	Share capital ownership (%)	Book value of shares owned		Loans and advances granted and outstanding	Guarantees and sureties given by the Company	Net sales for last fiscal year	Net income for last fiscal year	Dividends paid to the parent company
			Gross	Net					
International subsidiaries									
MEDICREA TECHNOLOGIES UK	(690,625)	100%	2,465,018	-	731,963	-	168,442	(502,336)	-
MEDICREA USA	(4,597,363)	100%	7,395,058	7,395,058	6,427,965	-	15,564,239	(4,899,645)	-
MEDICREA GMBH	(1,248,207)	100%	100,000	-	1,254,719	-	-	(25,653)	-
MEDICREA POLAND	(683,149)	100%	47,119	47,119	738,390	-	292,140	(485,284)	-
MEDICREA BELGIUM	1,487,432	51%	120,076	120,076	-	-	5,064,349	1,278,596	-
MEDICREA AUSTRALIA	94,927	51%	96,915	96,915	-	-	218,205	611	-

Appendix 2

Five-year financial summary

(€)	2018	2017	2016	2015	2014
Share capital at year-end					
Share capital	2,595,176	2,413,266	1,605,307	1,438,030	1,357,025
Number of shares outstanding	16,219,847	15,082,911	10,033,167	8,987,688	8,481,405
Transactions and net income for the year					
Net sales	19,750,159	15,933,004	14,071,050	15,693,735	14,335,814
Income before tax, depreciation, amortization and provisions	(2,364,347)	(4,996,660)	43,546	1,637,488	(127,773)
Corporate tax	887,701	897,375	970,054	1,080,418	451,516
Employee profit sharing	-	-	-	-	-
Income after tax, depreciation, amortization and provisions	(6,243,692)	(10,681,569)	(10,805,933)	614,916	241,888
Dividends	-	-	-	-	-
Net earnings per share					
Income after tax, before depreciation, amortization and provisions	(0.09)	(0.27)	(0.01)	0.18	0.04
Income after tax, depreciation, amortization and provisions	(0.38)	(0.71)	(1.08)	0.07	0.03
Dividend per share	-	-	-	-	-
Workforce					
Average workforce size during the year	130	107	65	51	40
Total payroll for the year	6,695,330	5,730,151	3,489,325	3,076,459	2,329,736
Social security contributions for the year	2,807,518	2,403,316	1,441,946	1,247,209	970,525

REPORT ON CORPORATE GOVERNANCE

AT DECEMBER 31, 2018

Leading personalized spine | medicrea.com

MEDICREA INTERNATIONAL
A French corporation *(société anonyme)* with share capital of €2,595,175.52
Registered office: 5389, route de Strasbourg – 69140 RILLIEUX-LA-PAPE
393 175 807 RCS LYON

REPORT ON CORPORATE GOVERNANCE FOR FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018 SUBMITTED TO THE COMBINED SHAREHOLDERS' MEETING OF June 3, 2019

To the Shareholders,

We hereby report on:

– the composition and conditions of preparation and organization of the Board's work;
– the operation of the Board of Directors;
– information on corporate officers;
– agreements concluded between a Director or Major Shareholder and a subsidiary;
– limitations of the powers of the Board of Directors;
– delegations related to share capital increases;
– procedures relating to the participation of shareholders in Shareholders' Meetings.

In view of its size and shareholder structure, the MEDICREA Group has elected to base its governance procedures on the MIDDLENEXT governance code. This governance code is accessible at the MiddleNext website (www.middlenext.com).

I. COMPOSITION AND CONDITIONS OF PREPARATION AND ORGANIZATION OF THE BOARD'S WORK

1.1. Exercise of General Management – Limitation of powers

The Board of Directors has voted for and not challenged the roles of Chairman of the Board of Directors and Chief Executive Officer, held concurrently by Denys SOURNAC, not believing this to alter the balance within the Board of Directors. In particular, at the request of the Chairman and Chief Executive Officer, Jean-Philippe CAFFIERO was appointed Deputy Chief Executive Officer of the Company.

Article 1 of the Rules of Procedure adopted by the Board of Directors stipulates that the Chairman cannot make binding agreements on behalf of the Company without the prior authorization of the Board of Directors in relation to investments or disinvestments involving an amount in excess of €150,000 per transaction that are not in line with the Company's strategic priorities.

1.2. Composition of the Board of Directors

The Board of Directors is comprised of 10 Directors:

Director	Position	Date last appointed	Term of office expires	Age at 12/31/2018
Denys SOURNAC	Chairman and Chief Executive Officer	Shareholders' Meeting of June 25, 2014	Shareholders' Meeting to approve the financial statements for the year ended December 31, 2019	55 years
Jean-Philippe CAFFIERO	Deputy CEO	Shareholders' Meeting of June 25, 2014	Shareholders' Meeting to approve the financial statements for the year ended December 31, 2019	55 years
Richard KIENZLE	Independent Director	Shareholders' Meeting of May 11, 2017	Shareholders' Meeting to approve the financial statements for the year ended December 31, 2022	56 years
Patrick BERTRAND	Director	Shareholders' Meeting of June 25, 2014	Shareholders' Meeting to approve the financial statements for the year ended December 31, 2019	74 years
Christophe BONNET	Independent Director	Shareholders' Meeting of June 25, 2014	Shareholders' Meeting to approve the financial statements for the year ended December 31, 2019	54 years
Pierre BUREL	Director	Shareholders' Meeting of June 25, 2014	Shareholders' Meeting to approve the financial statements for the year ended December 31, 2019	75 years
Jean-Joseph MORENO	Director	Shareholders' Meeting of June 25, 2014	Shareholders' Meeting to approve the financial statements for the year ended December 31, 2019	76 years
Pierre OLIVIER	Director	Shareholders' Meeting of May 17, 2018	Shareholders' Meeting to approve the financial statements for the year ended December 31, 2023	52 years
François-Régis ORY	Independent Director	Shareholders' Meeting of June 3, 2015	Shareholders' Meeting to approve the financial statements for the year ended December 31, 2020	59 years
Marc RECTON	Independent Director	Shareholders' Meeting of June 3, 2015	Shareholders' Meeting to approve the financial statements for the year ended December 31, 2020	57 years

The Board of Directors is made up of 10 members. A new director, Pierre OLIVIER, was appointed at the Extraordinary Shareholders' Meeting of May 17, 2018.

There is no requirement to hold shares to be appointed as a director, however, all Company directors currently hold shares in the Company.

During the fiscal year, the Athyrium fund stepped down as a non-voting board member after the note issued to it in August 2016 was redeemed early in full. No new non-voting board members have subsequently been appointed.

At December 31, 2018, director Pierre Olivier was also an employee of Medicrea USA, Corp, a subsidiary of MEDICREA INTERNATIONAL.

Two new Deputy Chief Executive Officers were appointed by the Board of Directors at its meeting of May 17, 2018: Fabrice Kilfiger, also employed as the Company's Chief Financial Officer, and David Ryan, also employed as the Company's Chief Operating Officer.

The directors referred to as "independent" meet the criteria for classification as independent specified in the MIDDLENEXT Code, on which MEDICREA bases its governance procedures. The independence of the members of the Board is thus characterized by the absence of any material financial, contractual or family relationship that could affect the independence of the Board member's judgment.

1.3. Conditions of preparation and organization of the Board of Directors' work

1.3.1. Average notice for convening the Board

Each year, the Board of Directors determines the schedule of meetings for the coming year upon proposal by its Chairman. The Board meets once a quarter for the exclusive purposes of managing routine business. The Board can convene additional meetings should the interests of the Company so require. In addition to the purely legal decisions that are taken by the Board, the latter is also competent in relation to all decisions concerning the Company's major strategic, financial, corporate and technological priorities and monitors their implementation, for which the Chairman is responsible.

Although the Bylaws allow for the Board to be convened by any means, including orally, it is systematically convened by email a minimum of three days before the date of the meeting. Documents enabling the Directors to make a decision in full knowledge of the facts are provided to them. The Statutory Auditors have been invited on a regular basis to meetings dealing with financial and/or accounting matters in accordance with the provisions of Article L225-35 of the French Commercial Code.

1.3.2. Attendance of Directors

The average attendance rate at Board Meetings is 82%.

1.3.3. Chairing Board Meetings

All 8 meetings of the Board of Directors that were held over the course of the fiscal year were presided over by the Chairman.

1.3.4. Video-conferencing

The Rules of Procedure give Directors the option of participating in Board Meetings via videoconference or any other means of telecommunication.

The Chairman ensures that means of telecommunication are available to Directors who reside in France or abroad, or are visiting there for legitimate reasons, in order for them to participate in Board of Directors' meetings.

The foregoing provisions do not apply to the adoption of decisions as provided for under Articles L. 232-1 and L. 233-16 of the French Commercial Code, respectively pertaining to:

- preparation of annual financial statements and the management report;

preparation of the Group's annual consolidated financial statements and management report, if applicable.

If the Board of Directors' meeting is not held at the Company's registered office, the Chairman takes necessary measures to ensure that Directors who have decided to attend the meeting there may participate using the aforementioned means of telecommunication.

This method of participation via videoconferencing was used throughout the year, notably as a result of the attendance of an American Director who resides in the US and, on a provisional basis, of an American non-voting advisor based in the US.

1.3.5. Information provided to Directors

In addition to the agenda for each Board Meeting, each Director receives documents enabling them to make an informed decision in full knowledge of the facts in relation to the matters in question.

At each Board Meeting, the Chairman informs the Board members of the main facts and significant events relating to the life of the Company and its subsidiaries that have arisen since the date of the last Board Meeting.

1.4 Operation of the Board of Directors

The Middlenext Code sets out a list of recommendations and matters for attention to ensure the correct governance for companies of this size.

A summary of the application of the recommendations of the MIDDLENEXT code is provided in the following table:

		Recommendation	
Supervisory power		Applied	Not applied
R1	Director ethics	X	
R2	Conflicts of interest	X	
R3	Composition of the Board – Independent directors	X	
R4	Board member information	X	
R5	Board and committee meetings	X	
R6	Creation of committees	X	
R7	Introduction of Board Rules of Procedure	X*	
R8	Choice of directors	X	
R9	Directors' terms of office	X	
R10	Directors' compensation	X	
R11	Introduction of Board evaluation	X*	
R12	Relationships with Shareholders		
Executive power			
R13	Definition and transparency of the compensation of executive corporate officers	X	
R14	Succession planning for executive officers		X
R15	Corporate officers and employment contracts	X	
R16	Golden handshakes	X	
R17	Supplementary retirement schemes	X	
R18	Stock options and free shares	X	
R19	Review of points to be watched	X	

* These recommendations are partially applied.

Comments and explanations on the application or not of the recommendations of the MIDDLENEXT code:

R1 Director ethics

The ethical rules with which the directors undertake to comply (notably confidentiality, independence and diligence) are clearly explained in the Board Rules of Procedure.

Every Director is required to inform the Chairman of any situation involving them that is likely to create a conflict of interests with the Company or one of its subsidiaries. It is the responsibility of the Director concerned, at the end of this process, to act appropriately, in line with applicable legislation.

The Directors have access to privileged information and have been provided with the rules to which they are subject in this regard.

Members of the Board of Directors provide the Chairman with the information that will enable him to notify the Financial Markets Authority of the transactions they have conducted involving the Company's securities.

Members of the Board of Directors shall, in accordance with the law, refrain from conducting either directly or indirectly any transaction involving Company securities when they are in possession of any information likely, when it is made public, to have a significant impact on the share price. Moreover, they shall refrain from taking any action for the two (2) trading days after this information has been made public via a press release.

R2 Conflicts of interest

The Board of Directors is currently not aware of any potential conflicts of interest.

R3 Composition of the Board – Independent directors

The Board of Directors is currently composed of 6 independent directors out of a total of 10 members. They are deemed to be independent according to the 5 criteria defined by the MIDDLENEXT code.

R4 Board member information

The procedures for providing Directors with information are set out in Article 7 of the Rules of Procedure. It is also specified in Article 11 of these Rules of Procedure that it is the Directors' responsibility to "request all the additional information they deem useful."

R5 Board and committee meetings

Article 7 of the Rules of Procedure established a framework for Board meetings. The number of meetings of the Board of Directors must be a minimum of four per year and minutes must be drawn up in respect of each meeting.

R6 Creation of committees

The Board of Directors deemed it necessary to set up 3 specialized committees: the Ad Hoc Committee, the Strategy Committee and the Management Committee. The Board of Directors may set up additional specific committees, if necessary, including an Audit Committee as specified in Articles 5 and 6 of its Rules of Procedure.

R7 Introduction of Board Rules of Procedure

The Board's Rules of Procedure can be consulted in their entirety at the Company's registered office: 5389 route de Strasbourg – Vancia, 69140 Rillieux-la-Pape.

R8 Choice of Directors

An information sheet on each candidate is available at the Company's registered office prior to the Shareholders' Meeting voting on the appointment of a Director. It summarizes the career path of each candidate.

R9 Directors' term of office

The term of office is six years, which corresponds to the maximum set by law. The dates of appointment and therefore the terms of office of Directors are not all the same, de facto staggering the reappointment of Directors.

R10 Directors' compensation

Each year, the Board of Directors decides on the allocation of the total annual directors' fee budget. Until now, directors' fees have always been divided equally between the Directors.

R11 Introduction of Board evaluation

It is stated in Article 7 of the Rules of Procedure: "The Board of Directors reviews its operation once a year". This assessment is not formally carried out.

R12 Relationships with Shareholders

The Company's managers meet with the principal shareholders by participating in meetings with them throughout the year.

R13 Definition and transparency of the compensation of corporate officers

The Ad Hoc Committee, under the supervision of the Board of Directors, ensures compliance with these rules. The criteria used to determine the compensation paid to the executive directors comply with the MIDDLENEXT recommendations. The annual information provided to shareholders on the compensation received by the executive directors is drawn up in accordance with the applicable regulations.

R14 Succession planning for executive directors

To date, no succession plan for the founder executive directors has been defined.

R15 Corporate officers and employment contracts

The Group's two executive corporate officers do not also have an employment contract with the Group. The two Deputy Chief Executive Officers who are not directors both have employment contracts with the Company.

R16 Golden handshakes

There is no contractual provision for severance benefits if the executive corporate officers step down.

R17 Supplementary retirement schemes

There are no supplementary retirement schemes for executive corporate officers.

R18 Stock options and free shares

In 2018 and previous fiscal years, stock options and free shares were awarded to the Deputy Chief Executive Officers who are also employees of the Company. The Chairman and Chief Executive Officer was awarded free shares for the first time in fiscal year 2018.

R19 Review of points to be watched

Directors are aware of the Code's points to be watched and review them on a regular basis.

II. INFORMATION ON CORPORATE OFFICERS

In order to satisfy the provisions of Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code, in Appendix 1 we provide you with a list of all the terms of office and roles exercised in any company by each of the Executive Officers of the Company during the fiscal year, prepared based on the information provided by each individual concerned.

III. AGREEMENTS CONCLUDED BETWEEN A DIRECTOR OR MAJOR SHAREHOLDER AND A SUBSIDIARY

During the fiscal year ended December 31, 2018, the following agreements were entered into directly or indirectly between one of the executive directors or a shareholder holding more than 10% of the voting rights in a *société anonyme* (public limited company) and a company of which that société anonyme directly or indirectly owns more than half:

Service agreement entered into with Orchard International. This agreement has existed for a number of years but is classed as a new agreement following a significant reduction in its value.

IV. DELEGATIONS RELATED TO SHARE CAPITAL INCREASES

Pursuant to the provisions of Article L. 225-37--4 of the French Commercial Code, you will find in Appendix 2 to this report information 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.

V. PROCEDURES RELATING TO THE PARTICIPATION OF SHAREHOLDERS IN SHAREHOLDERS' MEETINGS

Shareholders' Meetings are convened and deliberate pursuant to the conditions laid down by law.

Collective decisions of shareholders are taken by Ordinary, Extraordinary or Special Shareholders' Meetings depending on the type of decisions they are being called upon to make.

Special Shareholders' Meetings are called for the holders of shares of a given category to decide on any changes to the rights attached to shares in this category. These meetings are convened and deliberate under the same conditions as Extraordinary Shareholders' Meetings.

The deliberations of Shareholders' Meetings are binding on all shareholders.

This report approved by the Board of Directors on March 20, 2018.

APPENDIX 1

LIST OF ALL APPOINTMENTS AND DUTIES CARRIED OUT
BY EACH CORPORATE OFFICER DURING THE FISCAL YEAR ENDED 12.31.2018

Denys SOURNAC:

Company name	Headquarters	Terms of office	Duties
MEDICREA INTERNATIONAL	5389 Route de Strasbourg – Vancia- 69140 Rillieux la Pape	Chairman and Chief Executive Officer	Nil
IDS CO	345, montée de Bellevue – 01600 Reyrieux	Co-Manager	Nil
LES CHALETS Z	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
IDS MANAGEMENT	6, rue Adolphe – L 1116 Luxembourg	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 Managing	Nil
PLG INVEST	12, rue de la Garenne – 69005 Lyon	Director	Nil
		Manager	

Christophe BONNET:

Company name	Headquarters	Terms of office	Duties
MEDICREA INTERNATIONAL	5389, route de Strasbourg – 69140 Rillieux-la-Pape	Director	Nil
SAS BORNE	12, rue Gardénat Lapostol – 92150 Suresnes	Chairman	Nil
SCI LES ESTABLES	12, rue Gardénat Lapostol – 92150 Suresnes	Manager	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	298, cote de Chanvre – 69360 Solaize	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	la grande bastide, chemin du vallon. 84360 Lauris	Manager	Nil
SC MR PIERRE 2	la grande bastide, chemin du vallon. 84360 Lauris	Manager	Nil
SC MR PARTICIPATIONS 2	la grande bastide, chemin du vallon. 84360 Lauris	Manager	Nil
SAS ALAMA LUXURY Paris	la grande bastide, chemin du vallon. 84360 Lauris	Chairman	Nil
SAS ALAMA LUXURY Paris 2	la grande bastide, chemin du vallon. 84360 Lauris	Chairman	Nil
SAS FINANCIERE GERARD FAIVRE	29 Rue de Bassano 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
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
SPB HOLDING	65A, route de Saint Maximin – 83149 Bras	Manager	Nil
SOGET	65A, route de Saint Maximin – 83149 Bras	Manager	Nil
PETER'S	65A, route de Saint Maximin – 83149 Bras	Manager	Nil
SOCIETE HOTELIERE LA RESIDENCE	Pointe Milou – 97 133 Saint Barthélémy	Manager	Nil
ASPHODELE	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
COBAE	65A, route de Saint Maximin – 83149 Bras	Manager	Nil
BERGENIA	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	Pointe Milou – 97 133 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
SPB GESTION	65A, route de Saint Maximin – 83149 Bras	Manager	Nil
ABBAYE SAINT HILAIRE	65A, route de Saint Maximin – 83149 Bras	Manager	Nil
TERROIR ET PATRIMOINE	65A, route de Saint Maximin – 83149 Bras	Manager	Nil
INVESTISSEMENT	65A, route de Saint Maximin – 83149 Bras	Manager	Nil
JEHANNE DE VILLEMARTIN	65A, route de Saint Maximin – 83149 Bras	Manager	Nil
SCI CHATEAU DE VILLEMARTIN	Domaine de Villemartin – 11300 Gaja et Villedieu	Manager	Nil
LES CHENES PROMOTION	886 Avenue dr Jacques Arnaud – 74190 Passy	Manager	Nil

Richard KIENZLE:

Company name	Headquarters	Terms of office	Duties
MEDICREA INTERNATIONAL	5389, route de Strasbourg – 69140 Rillieux-la-Pape	Director	Nil

Pierre OLIVIER:

Company name	Headquarters	Terms of office	Duties
MEDICREA INTERNATIONAL	5389, route de Strasbourg – 69140 Rillieux-la-Pape	Director	Nil

APPENDIX 2

DELEGATIONS OF AUTHORITY AND POWERS GRANTED TO THE BOARD OF DIRECTORS BY THE SHAREHOLDERS' MEETING

In order to comply with the provisions of Article 225-37-4 of the French Commercial Code, we hereby report on the information pertaining to currently valid delegations of authority and powers granted by the Shareholders' Meeting to the Board of Directors and relating to capital increases as well as on the use made of the aforementioned delegations during the fiscal year.

Type of Shareholders' Meeting delegation	Meeting date	Resolutions	Delegation period	Expiry of delegation	Methods for setting the price	Caps	2018 implementation
Authorization in order to increase capital with waiver of preferential subscription rights in favor of members of a company savings plan via an employees' mutual fund belonging to the Company and companies in its Group within the meaning of Article L. 225-180	05/17/2018	17th resolution	26 months	07/17/2020		€40,000 nominal	Nil
Delegation of authority in order to decide one or more capital increase with maintenance of preferential subscription rights (Art. L225-129-2 and L228-91)	05/17/2018	10th resolution	26 months	07/17/2020		* €800,000 nominal / €25,000,000 for marketable securities	Nil
Delegation of authority in order to decide one or more capital increase via public offering with cancelation of preferential subscription rights (Articles L225-129-2, L225-135, L228-91 *et seq.*)	05/17/2018	11th resolution	26 months	07/17/2020	At least equal to the weighted average of the last 20 trading days with a maximum discount of 10%	* €800,000 nominal / €25,000,000 for marketable securities	Nil
Delegation of authority in order to decide one or more capital increases with waiver of preferential subscription rights by offering referred to in Section II of Article 411-2 of the French Monetary and Financial Code as amended by Order 2009-80 of January 22, 2009 (Articles L225-136 of the French Commercial Code)	05/17/2018	12th resolution	26 months	07/17/2020	At least equal to the weighted average of the last 20 trading days with a maximum discount of 10%	20% max. of the share capital per year and within the overall ceiling €800,000 nominal / €25,000,000 for marketable securities	Nil
Authorization in order to increase the number of securities to issue in the event of oversubscription, not exceeding 15% of the initial issue	5/17/2018	13th resolution	26 months	7/17/2020		* €800,000 nominal / €25,000,000 for marketable securities	Nil

*Joint aggregate limit applicable to all these authorizations

Type of Shareholders' Meeting delegation		Meeting date	Resolution	Delegation period	Expiry of delegation	Methods for setting the price	Caps	2018 implementation
Authorization to be granted for the purpose of deciding to increase the share capital by issuing ordinary shares and/or marketable securities giving access to the share capital with cancelation of the preferential subscription right in favor of a category of named persons (Art L225-138)	Category of persons defined as follows: international investment funds and/or companies (i.e.: that conduct financial transactions in several countries), primarily American (i.e. from the 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 the provisions of the General Regulations of the French financial markets authority);	05/17/2018	14th resolution	18 months	11/17/2019	At least equal to the weighted average of the last 3 trading days with a maximum discount of 10%	€800,000 nominal / €25,000,000 Not deducted from overall ceilings	07/13/2018: issue of 1,127,936 share warrant at a price of €2.734 each Two warrants will be needed to subscribe for one share at a price of €3 11/26/2018: issue of 1,000,000 share warrants free of charge. One warrant will be needed to subscribe for one share at a price of €3

DRAFT RESOLUTIONS TO THE SHAREHOLDERS' GENERAL MEETING

OF JUNE 3, 2019

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MEDICREA INTERNATIONAL
Société Anonyme au capital de 2.595.175,52 euros
Siège social: 5389 Route de Strasbourg – Vancia (69140) RILLIEUX LA PAPE
393 175 807 RCS LYON

DRAFT RESOLUTIONS TO THE SHAREHOLDERS' MEETING OF JUNE 3rd, 2019

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, 2018, approves the financial statements as they were submitted, as well as the transactions recorded in these statements or summarized in these reports.

The Shareholders' Meeting also approves the total amount of non-deductible expenses and costs from profits liable to corporate tax totaling €176,029 as well as the tax payable due to said expenses and costs amounting to €49,288.

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 €6,243,691.98.

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

Deduction of losses carried forward from the "Issue, merger and contribution premiums" item

Having acknowledged the Board of Directors' report, the Shareholders' Meeting:
observes that, following the allocation of income for the fiscal year ended December 31, 2018, as decided in the 2nd resolution above, the "Retained earnings" item shows losses of €6,243,691.98;

decides to clear said "Retained earnings" item, which shows a loss, in full, i.e. in an amount of €6,243,691.98, by deducting that amount from the "Issue, merger, and contribution premiums" item, which amounts to €23,711,654.42 prior to the deduction;
observes that, as a result of this deduction, the "Retained earnings" item has now been fully settled, and that the "Issue, merger, and contribution premiums" item shows a positive balance of €17,467,962.44.

FOURTH RESOLUTION

Approval of the Regulated agreement concluded with Orchard International relating to a service and management delivery

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 service and management agreement with Orchard international as detailed in the special report of the Statutory Auditors and approves the provisions of the said report.

FIFTH 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, 2018, approves the consolidated financial statements as they were submitted, approves the accounts, which show a consolidated net loss result of €11,810,128 as well as the transactions recorded in these statements or summarized in these reports.

SIXTH RESOLUTION

Change in Directors' fees

The Shareholders' Meeting determines at €80,000 the amount of directors' fees allocated to the Board of Directors for the year ending December 31, 2019 and for subsequent fiscal years, until decided otherwise by the Shareholders' Meeting.

SEVENTH RESOLUTION

Approval of the Stock Option and / or Share Purchase Plan adopted by the Board of Directors on May 17th, 2018

The Shareholders' Meeting, having taken note of the report of the Board of Directors and of Article 422 of the U.S. Internal Revenue Code relating to the allocation of "incentive stock options" for the benefit of US tax resident beneficiaries provided for in the Stock option and / or share purchase option Plan adopted by the Board of Directors at its meeting of May 17th, 2018, approves said Option Plan.

EIGHTH RESOLUTION

Renewal of the tenured Statutory Auditors

The Shareholders' Meeting, observing that the mandate of the tenured Statutory Auditor of ERNST & YOUNG and Others expires today, decides to renew it for a period of six financial years, i.e. until the end of the Shareholders' Meeting called to approve the account of the financial period ending on December 31, 2024.

NINTH RESOLUTION

Renewal of the substitute Statutory Auditors

The Shareholders' Meeting, observing that the mandate of the substitute Statutory Auditor of AUDITEX expires today, decides to renew it for a period of six financial years, i.e. until the end of the Shareholders' Meeting called to approve the account of the financial period ending on December 31, 2024.

TENTH RESOLUTION

Authorization granted to the Company to purchase and hold its own shares

The Shareholders' Meeting, upon proposal by the Board of Directors, decides, to renew the authorization given to the Board of Directors by the Shareholders' Meeting held on May 17th, 2018 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, of which 5% of the share capital in the case of shares acquired by the Company for their retention and subsequent delivery in payment or exchange in the context of an external growth transaction, by order of priority:

- to ensure the animation of the secondary market or the liquidity of the MEDICREA INTERNATIONAL share by an investment services provider acting independently under a liquidity contract in accordance with a Code of Ethics recognized by the Autorité des Marchés Financiers;
- to ensure the coverage of stock option plans and / or bonus share plans (or similar plans) for the benefit of the Group's employees and / or corporate officers;
- to reduce the Company's capital by cancelling shares within the legal limits;
- to keep the purchased shares and to postpone them later to the exchange, or as payment in the context of possible acquisitions;
- to implement any market practice admitted or to be accepted by the market authorities.

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 €40.549.617.50, 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 is 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.

ELEVENTH 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

TWELFTH 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 10th 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 cancelled 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.

THIRTEENTH RESOLUTION

To grant authorization for the Board of Management to decide to increase share capital by issuing ordinary shares and/or marketable securities giving access to the Company's capital or entitlement to the allocation of debt securities, with removal of pre-emptive rights under article 225-138 of the French Commercial Code (reserved for a category of entities)

Having acknowledged the Board of Directors' report and the Auditor's special report, in compliance with legal provisions, the Shareholder Meeting:

– delegates authority to the Board of Directors to decide one or more increases in share capital by issuing in France or abroad, in euros, ordinary shares in the Company or any marketable securities giving access by any means, immediately or at a later date, to existing ordinary shares or ordinary shares to be issued by the Company or by a company that directly or indirectly owns more than half of its share capital or in which the Company directly or indirectly owns more than half of the share capital, which may be subscribed either in cash or by offsetting debts. These marketable securities may also be denominated in foreign currencies or in any monetary unit pegged to a basket of currencies;

decides that the total of share capital increases that may potentially be performed under this delegation immediately or at a later date may not exceed eight hundred thousand (800,000) euros in par value, with it being stipulated that this amount shall not be charged to the global ceiling specified in the 19th resolution of the Shareholders' Meeting of May 17th, 2018 ("Global Ceiling I");

decides that the total amount (i) of marketable debt securities giving access to capital by any means, immediately or at a later date, that may potentially be issued by virtue of this resolution may not exceed twenty-five million (25,000,000) euros par value or the equivalent of this amount in other currencies, on the date of deciding the issuance, and (ii) shares to be issued subsequent to the issue of hybrid marketable securities may not exceed eight hundred thousand (800,000) euros in par value and shall not be charged to the global ceiling specified in the 19th resolution of the Shareholders' Meeting of May 17th, 2018 ("Global Ceiling II");

– decides to remove the Shareholder pre-emptive right to shares or marketable securities specified in this resolution and to reserve the right to subscribe to a category of entities defined as follows: International investment funds and/or companies (i.e. conducting financial transactions in a number of countries), operating in the sector of health and/or medical devices and which each place at least one hundred thousand (100,000) euros, or the equivalent in foreign currencies, in the operation (in compliance with the provisions of article 211-2 3) of the General Regulations of the Financial Markets Authority (AMF);

– decides that the Board of Directors shall establish the precise list of beneficiaries for each use of this delegation, within the category of beneficiaries stipulated in the above paragraph for which pre-emptive rights have been removed and shall set the characteristics, amount and terms for any issuance, together with the payment terms securities issued;

– decides that the share issue price shall be at least equal to the weighted average of the stock market price of the twenty most recent stock exchange sessions preceding its determination, with a maximum 10% reduction as required;

– decides that the Board of Directors may if necessary charge any expenses involved in performance of the issuances concerned to the issue premiums;

– decides that the Board of Directors shall have full powers, with the option of sub-delegation, for the purpose of implementing this delegation, in particular establishing the characteristics of the marketable securities issued and, more generally, taking any measures and performing any formalities required for successfully concluding each capital increase, declaring the completion and making the required changes to the articles of association.

The delegation hereby granted to the Board of Directors remains valid for a period of eighteen months as from the date of this Meeting;

FOURTEENTH 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 global ceiling specified in 19th resolution of the Shareholders' Meeting of May 17th, 2018 ("Overall Ceiling I") of the Shareholders' Meeting of May 17th, 2018.

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.

FIFTEENTH 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 14th 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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