BOARD OF DIRECTORS' MANAGEMENT REPORT

AT DECEMBER 31, 2019

Leading personalized spine | medicrea.com

MEDICREA INTERNATIONAL

A French corporation *(société anonyme)* with share capital of €3,171,058.08
Registered office: 5389, route de Strasbourg – 69140 RILLIEUX-LA-PAPE
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BOARD OF DIRECTORS' REPORT ON THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019 SUBMITTED TO THE COMBINED SHAREHOLDERS' MEETING OF JUNE 25, 2020

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 175k 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.

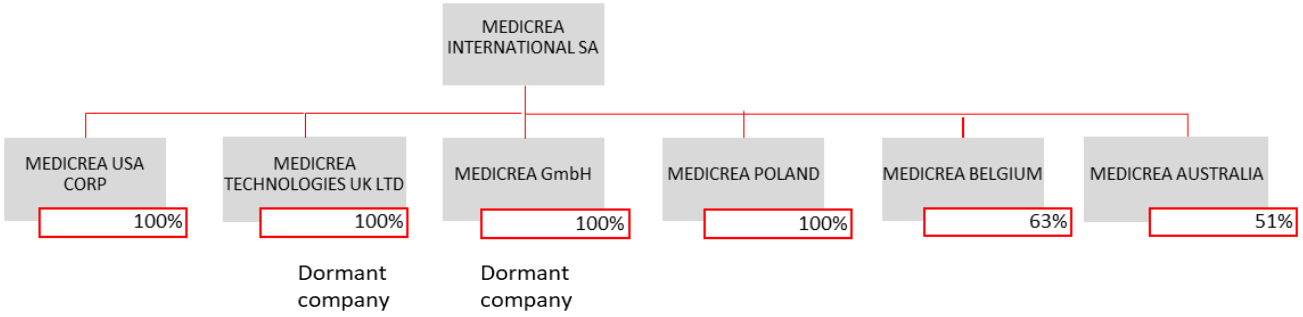
In accordance with the Law and the Bylaws, this Report contains a summary of the position and activity of MEDICREA Group and of the company MEDICREA INTERNATIONAL during the fiscal year ended December 31, 2019. The annual consolidated and parent company financial statements for the fiscal year are subject 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, 2019, 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 2019 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 2019 amounted to €32.7 million, a growth of 11% at constant exchange rates compared to 2018 on a pro-forma basis. Medicrea discontinued non-strategic activities on 2019, which represented sales of €2.9 million euros on 2018. All historical markets (United States, France, Belgium) grew versus the previous year and the Australian subsidiary is now contributing significantly to Group revenue.

MEDICREA®'s development in 2019 can be analyzed above all by the breakthrough of its strategic UNiD ASI™ activity of preoperative surgical planning and design of patient-specific implants. Each quarter setting a record compared to the previous one, the 4th quarter of 2019 definitively anchors this trend with 525 personalized surgeries performed, up +40% compared to the 4th quarter of 2018 and + 50% in the United States alone over the same period.

In 2019, more than 1,850 surgeries with MEDICREA® patient-specific implants were performed, an overall increase of + 48% compared to 2018 and + 55% for the US market alone.

The gross margin rate reached 78% in 2019, a strong improvement of 6 points compared to the previous year due to a significant decrease in subcontracting, better manufacturing efficiency and a more favorable products sales mix, in particular with an increase in sales in the USA where sales prices are at a premium.

Operating expenses rose by € 0,9 million compared to 2018 mainly due to a mechanical increase in sales commissions on the US market which followed the growth in sales.

Taking these elements into account, the operating loss before non-recurring expenses was € -6 million euros compared to € -7.5 million the previous year.

Other non-recurring expenses amounting to € 0.7 million were stable compared to the previous year and mainly included legal fees for legal actions in the United States (see point 8.3. 2) as well as costs related to the search for strategic partnerships.

Share-based payments arising from free shares and stock options granted in the last quarter of 2018 amounted to € 2 million, a sharp increase compared to the previous year arising from free shares and stock options granted in the last quarter of 2018.

The cost of net financial debt increased by 1.4 million euros directly related to the 30 million euros bond issued in November 2018 and to a new 6 million euros stake drawn in September 2019, with interests charged at a rate of 11%. Income before taxes thus stood at - 13.4 million euros compared to - 11.6 million euros at December 31, 2018.

Corporate taxes for 2019 amounted to -2.1 million euros, of which -1.6 million euros with no cash impact resulting from the cancellation of deferred tax assets on all carried forward losses pertaining to the US subsidiary. The balance is related to the income tax of the Belgian subsidiary.

Considering the above, net income for 2019 showed a loss of -15.6 million euros compared to -12 million euros for the previous year.

As of December 31, 2019, the Group had available cash of € 3.8 million excluding bank overdrafts of 1 million euros), before the capital increase of 8.5 million euros (gross amount) carried out in January 2020.

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 2019 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 April, MEDICREA announced FDA approval of new features offered by its proprietary UNiD ASI ™ platform. In addition to integrating into all clinical workflows and assisting the surgeon in his planning process to generate patient-specific implants, the UNiD ASI ™ software platform will also transform the standard model of surgical implant flow in hospitals. From now on, each pedicle screw and interbody device (IBD) will be planned and pre-selected by MEDICREA® before the surgery, thus allowing hospital staff to free themselves from the heavy management of stocks to concentrate on the surgical act. Currently, manufacturers are providing a standard kit with up to 450 screws when only 2 are used per instrumented vertebrae. By receiving FDA-clearance to integrate the Company's complete implant database within its software, MEDICREA is now uniquely positioned to reform this antiquated delivery model. MEDICREA thus optimizes the implants provided for each surgery, thanks to its unrivaled services of personalized implants selection, including the only patient-specific 3D printed IBD approved by the FDA on the US market.

In May, MEDICREA concluded the second edition of its conference on Artificial Intelligence applied to spinal surgery in New York, United States. MAIA (Medicrea Artificial Intelligence and Analytics) is the first global working group bringing together surgeons and a manufacturer, focused on the use of Artificial Intelligence in the treatment of complex spinal deformities. During this second edition, the Company demonstrated the advancements made to its UNiD ASI ™ (Adaptive Spine Intelligence) technology platform.

In June, several new patents have been issued to MEDICREA and reinforce the intellectual protection of its exclusive technological platform UNiD ASI™. The 3 newly allowed patents are directed to fundamental technologies and methods embedded in the UNiD ASI™ platform, strengthening the existing portfolio and protecting its technological platform.

In parallel, throughout the year, the research and development teams worked on enhancing the UNiD® offer.

3D-printed titanium interbody cages

MEDICREA announced in February 2020 FDA approval of the first patient-matched spinal interbody cage. UNiD® IB3D Patient-Matched interbody cages are 3D-printed titanium implants which allow customization of the cage dimensions, features and endplate morphology. It is the first time that this level of customization is commercially available on the spinal device market.

These cages are specifically defined to precisely match the optimal patient's surgical and anatomical requirements, determined by the UNiD® LAB engineers during the pre-op planning phase. Through 3D reconstruction of the spine, the engineers map out the exact anatomy of each vertebrae endplates. They then design the ideal cage to restore proper height and angulation but also to offer an optimized surface contact between the implant and the vertebrae endplates in order to improve stability of the instrumented segment and reduce subsidence. Pass TULIP GENESIS

In May 2019, the Group performed its first surgery with the new PASS TULIP GENESIS screw in Chicago, thus initiating the pre-launch on the American market of this new implant intended mainly for degenerative spinal surgeries.

1.2.4 Organization

CE certification was renewed following the last regulatory audit, conducted by GMED in January 2019. The last FDA (Food and Drug Administration) inspection was successfully carried out in early December 2019 for the marketing of implants in the United States. These audits specifically confirmed the level of expertise in the various skills used within the Group, with areas for further improvement, in particular in the field of formally setting out "good practices".

1.2.5 Financing

In September 2019, the Group issued bonds in the amount of $ 6 million for the benefit of Perceptive Advisors, a leading American investment fund in the health sector. This funding is in addition to the November 2018 issue of $ 30 million.

This additional financing was put in place on the same conditions as the issue of the November 2018 bonds and consists of senior guaranteed bonds subject to US law (New York) bearing interest at the rate of 8.5% increased by the rate on higher between the USD 3 month LIBOR and 2.5%. The bonds will mature on November 27, 2022.

The Group has also taken out new bank loans for a total amount of € 2.4 million to finance innovative projects and various equipment.

Finally, on January 23, 2020, MEDICREA INTERNATIONAL completed a capital increase of € 8.5 million by private placement, for a total of 2,421,653 shares issued at a unit price of € 3.51. This operation is mainly intended to meet the financing needs of the Company for the 2020 financial year.

1.2.6 Information to be taken into account in the context of the COVID-19 sanitary crisis

As of the date of this document, the economic impact of the COVID-19 virus on the Group's business and the measures taken to deal with it can be understood as follows.

In all the countries where the Group markets its technologies, its end customers are public hospitals and private clinics. In France, a large part of it revenue is made with public and private hospitals placed on alert and requisitioned by health authorities to treat patients infected with the virus and suffering from a very severe form of the pathology. With the very rapid spread of the disease and the transition to the so-called "3" epidemic phase of the control plan, full mobilization of the health system was instituted and all care establishments (in addition to establishments already identified COVID- 19) were requisitioned to participate actively in the care of patients who warrant urgent hospitalization.

In this context, which is almost similar in all European countries and now also in the United States, a rapid saturation of all health establishments, at an international level, is inevitable in the relatively short term.

For the past few weeks, the Group has observed an almost total halt and postponement of all spine surgeries, especially for patients with large deformities and degenerative conditions, planned for weeks, so that all operational resources of hospitals can focus on the urgent treatment of the many patients expected to be seriously affected by COVID-19.

These reports have appeared in France and Spain since March 12, in Belgium since March 16. In the United States on the Group's main market, the first postponements of surgery have started to be announced since March 17 and the trend is accelerating every day.

In all Group subsidiaries, employees who visited hospitals and clinics on a daily basis can no longer access these establishments. Daily turnover has therefore decreased significantly since the second half of March.

Given the drastic containment measures already taken or that will be taken by all the countries of the world, this health crisis should be brought to an end by September 2020.

The Group was therefore prepared and quickly organized to reduce and offset the majority of its expenses with the support of the various government measures announced in each country, in anticipation of an almost white billing period in the 2nd quarter of 2020 to glimpse a gradual resumption of vertebral surgeries, country after country during the third quarter of 2020.

All French and Belgian employees, including some members of the management committee, have been on partial unemployment since March 16 for an indefinite period but which will probably be at least two or even three months.

The Group negotiated with its main suppliers to postpone orders and deliveries over the 3rd quarter.

Landlords of premises in Lyon and New York have already agreed to postpone the collection of rents for the coming months.

All of the Group's banking partners, including the BPI, have taken the necessary steps to postpone the repayment of loan maturities or the payment of leasing fees until the end of September.

Payment of social and fiscal contributions is postponed as allowed under government emergency measures.

The Group should quickly cash in the 2019 research tax credit (€ 1 million), the declaration of which was filed at the end of January.

The Group's efforts are currently focusing on the re-formatting of its subsidiary in the United States with the temporary suspension of employment contracts for 25 employees following their lay-off ("furlough") and pending the terms application of the exceptional measures that the American Administration announced to support companies and their employees.

Despite this exceptional and difficult context, the Group benefits from two extremely favorable factors:

1- The Group raised funds at the end of January 2020 for € 8.5 million. On the date of the accounts, without taking into account the collection of the research tax credit, the cash flow was close to € 9 million, and the amount of customer invoices to be collected was € 3.6 million. Consequently, by taking all measures to save and consume its cash as quickly as possible, the Group is well equipped to face this crisis for several months and to redeploy in good conditions to take advantage of the strong rebound which is foreseeable from the 3rd or from the 4th quarter because,

2- The Group will automatically benefit from a powerful "catch-up effect" at the end of the crisis. Indeed, all patients who need vertebral surgery will have to reschedule it with their surgeon. These patients suffer a lot, they no longer have a normal life and there is no alternative for them for the surgery which was programmed with MEDICREA® implants, even if they can generally wait and bear a postponement of their date of delivery. intervention of two or three months.

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)	12.31.2019	12.31.2018 Restated (1)
Sales	**32,721**	**32,279**
Cost of sales	(7,254)	(9,195)
Gross margin	**25,467,**	**23,084,**
Research & development costs	(2,950)	(3,062)
Sales & marketing expenses	(16,187)	(16,523)
Sales commissions	(5,045)	(3,717)
General and administrative expenses	(7,317)	(7,310)
Other operating income and expenses	(678)	(561)
Operating income before share-based payments	**(6,710)**	**(8,089)**
Share-based payments	(2,000)	(728)
Operating income after share-based payments	**(8,710)**	**(8,817)**
Cost of net financial debt	(4,344)	(2,936)
Other financial (expenses) / income	(356)	166
Tax (charge) / income	(2,140)	(444)
Consolidated net income/(loss)	**(15,550)**	**(12,031)**

(1) Restated for the effects of the application of IFRS 16 - Leases (see note 2.3)

2.2 IFRS consolidated balance sheet

(€ K)	12.31.2019	12.31.2018 Restated (1)
Goodwill	12,053	12,132
Intangible assets	8,389	8,099
Property, plant and equipment	23,857	25,873
Non-current financial assets	677	650
Deferred tax	664	2,303
Total non-current assets	**45,640**	**49,057**
Inventories	9,306,	9,662,
Trade receivables	4,898	5,361
Other current assets	2,649	2,481
Cash and cash equivalents	3,807	10,803
Total current assets	**20,660**	**28,307**
Total assets	**66,300**	**77,364**

(€ K)	12.31.2019	12.31.2018 Restated (1)
Share capital	2,707	2,595
Issue, merger and contribution premiums	20,207	26,450
Consolidated reserves	(7,483)	(2,992)
Group net income/(loss) for the year	(15,550)	(12,031)
Total shareholders' equity	**(119)**	**14,022**
Conditional advances	-	100
Non-current provisions	764	622
Deferred tax	561	670
Long-term financial debt	49,912	46,552
Other non-current liabilities	89	174
Total non-current liabilities	**51,326**	**48,118**
Current provisions	128	122
Short-term financial debt	6,646	6,638
Trade payables	5,041	4,803
Other current liabilities	3,278	3,661
Total current liabilities	**15,093**	**15,224**
Total shareholders' equity and liabilities	**66,300**	**77,364**

(1) Restated for the effects of the application of IFRS 16 - Leases (see note 2.3)

2.3 Restatement of comparative periods

The consolidated financial statements at December 31, 2018, published in March 2019, have been restated for the impact of the retrospective application of IFRS 16 - Leases.

2.3.1 Impact of the restatement of the 2018 consolidated income statement

(€ K)	12.31.2018 Released	IFRS 16	12.31.2018 Restated (1)
Sales	**32,279**	**-**	**32,279**
Cost of sales	(9,283)	88	(9,195)
Gross margin	**22,996**	**88**	**23,084,**
Research & development costs	(3,067)	5	(3,062)
Sales & marketing expenses	(16,532)	9	(16,523)
Sales commissions	(3,717)	-	(3,717)
General and administrative expenses	(7,469)	159	(7,310)
Other operating income and expenses	(561)	-	(561)
Operating income before share-based payments	**(8,350)**	**261**	**(8,089)**
Share-based payments	(728)	-	(728)
Operating income after share-based payments	**(9,078)**	**261**	**(8,817)**
Cost of net financial debt	(2,428)	(508)	(2,936)
Other financial (expenses) / income	166	-	166
Tax (charge) / income	(470)	26	(444)
Consolidated net income/(loss)	**(11,810)**	**(221)**	**(12,031)**

(1) Restated for the effects of the application of IFRS 16 - Leases (see note 2.3)

2.3.2 Impact of the restatement of the 2018 consolidated balance sheet

(€ K)	12.31.2018 Released	IFRS 16	12.31.2018 Restated (1)
Goodwill	12,132	-	12,132
Intangible assets	8,099	-	8,099
Property, plant and equipment	10,354	15,519	25,873
Non-current financial assets	650	-	650
Deferred tax	2,122	181	2,303
Total non-current assets	**33,357**	**15,700**	**49,057**
Inventories	9,662,	-	9,662,
Trade receivables	5,361	-	5,361
Other current assets	2,481	-	2,481
Cash and cash equivalents	10,803	-	10,803
Total current assets	**28,307**	**-**	**28,307**
Total assets	**61,664**	**15,700**	**77,364**

(€ K)	12.31.2018 Released	IFRS 16	12.31.2018 Restated (1)
Share capital	2,595	-	2,595
Issue, merger and contribution premiums	26,450	-	26,450
Consolidated reserves	(2,308)	(684)	(2,992)
Group net income/(loss) for the year	(11,810)	(221)	(12,031)
Total shareholders' equity	**14,927**	**(905)**	**14,022**
Conditional advances	100	-	100
Non-current provisions	622	-	622
Deferred tax	670	-	670
Long-term financial debt	31,731	14,821	46,552
Other non-current liabilities	174	-	174
Total non-current liabilities	**33,297**	**14,821**	**48,118**
Current provisions	122	-	122
Short-term financial debt	4,854	1,784	6,638
Trade payables	4,803	-	4,803
Other current liabilities	3,661	-	3,661
Total current liabilities	**13,440**	**1,784**	**15,224**
Total shareholders' equity and liabilities	**61,664**	**15,700**	**77,364**

(1) Restated for the effects of the application of IFRS 16 - Leases (see note 2.3)

2.4 Comments on the consolidated income statement

Income statement items for the 2019 financial year and the main changes compared to the previous financial year are detailed in paragraph 1.2.2 above.

2.5 Comments on the consolidated balance sheet

Total assets were €66 million, a decrease of €11 million compared with the previous fiscal year.

Non-current assets, which decreased by €3.4 million, represented 69% of total assets.

Intangible assets increased €0.3 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 €2 million reduction in property, plant and equipment was mainly the result of existing depreciation schedules.

Deferred tax assets decreased by €1.6 million as a result of the cancellation of all MEDICREA USA's tax losses carried forward and capitalized at January 1, 2019 following an update of the analysis of forecasts of future taxable profits.

Within current assets, inventories increase in gross value by +6% compared to 2018. The increase is mainly concentrated in the finished products category, following the launch of the new PASS TULIP ™ range of pedicle screws and fixations for degenerative spinal surgery. At December 31, 2019, impairment represented on average 33% of gross values compared to 27% at December 31, 2018. The increase relates mainly to finished products and results from a detailed review of sales prospects for a certain number of products for which available inventory is high in relation to future consumption, the planned discontinuation of aging product lines, and the planned disposal of items becoming no longer fit for sale due to expiration dates that have passed or maximum sterilization cycles that have been reached.

The 0.4 million decrease in gross trade receivables reflects the Group's ongoing efforts to monitor its average payment terms, which have decreased from 59 days at December 31, 2018 to 55 days at December 31, 2019. 0.1 million increase in the impairment of receivables is mainly due to the post-closing bankruptcy of a Puerto Rican distributor of MEDICREA USA, for which the prospects of recovering outstanding invoices are very low.

Cash and cash equivalents decreased by €7 million due to the current cash consumption related to the loss-making situation, investments in particular in research and development and the repurchase of a 12.25% tranche of the shares of the subsidiary MEDICREA BELGIUM as stipulated in the shareholders' agreement, offset by cash contributions from refinancing operations (new bond issue and medium-term loan).

Shareholders' equity amounted to - €0.1 million at the end of 2019, down €14.1 million compared to 2018. This change is mainly due to the loss of €15.6 million for 2019.

Provisions include lump sum retirement benefits as well as various liabilities relating to wage disputes.

Gross financial debt amounted to €57 million, an increase of €3 million compared to 2018 as a result of the repayments made during 2019 under existing amortization plans, of the $6 million bond issue and of the subscription of new bank loans for a total of €2.4 million.

The €0.2 million increase in trade payables is mainly due to a temporary postponement of payments from the end of December 2019 to January 2020.

Finally, the decrease in other liabilities by €0.4 million is mainly explained by the reimbursement of a current account of associates within MEDICREA BELGIUM following the discontinuation of a non-strategic activity of distribution of bone substitutes and other medical devices.

3. DEVELOPMENT AND FUTURE PROSPECTS

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 5,000 procedures to date. Over 50 new surgeons adopted the technology in the United States in 2019.

The UNiD® service offering will be enriched in 2020 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® services users should continue to increase significantly in 2020. In February 2020, MEDICREA announced the FDA approval of the first spinal patient-matched interbody. With this new FDA approval, MEDICREA has an offering that provides surgeons with a solution that was not previously available to them, which will help to retain more surgeons..

However, future prospects are now closely linked to the duration of the health crisis relating to COVID-19 and its impact on the Group's activities as described in paragraph 1.2.6.

4. INFORMATION RELATING TO SUBSIDIARIES AND INVESTMENTS

The corporate results of the subsidiaries and significant comments on activity over the 2019 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)	2019	2018	2017
EUR/USD exchange rate	1.121	1.184	1.125
Sales	17,887	15,564	16,001
Operating income	(4,964)	(4,702)	(4,080)
Net financial income / (expense)	(217)	(198)	(121)
Net income/(loss)	(5,182)	(4,900)	(4,201)
Workforce size (excluding trainees)	38	37	37

Sales were up 15% in 2019 (up 9% at constant exchange rates), reflecting growing adoption by US surgeons of the UNiD® patient-specific services and implants.

- As a result, 100 surgeons have implanted UNiD® patient-specific rods, representing 70% of the surgeons using MEDICREA products in the United States;
- The number of UNiD® personalized surgeries increased sharply by 55% compared to the previous year.

In dollars, gross margin was $12.3 million, up €0.5 million compared to the previous year.

This increase is offset by an increase in operating expenses of the same amount, which can be broken down as follows :

- Research and development expenses, including expenses related to product development and clinical studies, are stable compared to 2018 ;
- Commissions paid to distributors, which are proportional to sales, are mechanically up by $1.3 million due to the increase in sales and the share of business managed by distributors ;
- Marketing expenses decreased by $0.5 million due to the control of travel expenses and a better allocation of expenses for congresses and surgical events;
- Administrative expenses increased slightly by €0.1 million;
- Depreciation, amortization and impairment decreased by 0.4 million, as part of the kits deployed in the field were fully depreciated by the end of 2018.

The operating loss is -$5.6 million in 2019, stable compared to the previous year. In euros, the operating loss is -€5.2 million in 2019, compared with a loss of €4.9 million in 2018.

4.3 MEDICREA TECHNOLOGIES UK LTD

(€ K)	2019	2018	2017
EUR/GBP exchange rate	0.880	0.885	0.873
Sales	-	168	468
Operating income	(27)	(470)	(486)
Net income/(loss)	(40)	(502)	(406)
Workforce size (excluding trainees)	-	-	6

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)	2019	2018	2017
Sales	-	-	121
Operating income	(5)	(17)	(323)
Net income/(loss)	(13)	(26)	(331)
Workforce size (excluding trainees)	-	-	-

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)	2019	2018	2017
EUR/PLN exchange rate	4.302	4.266	4.262
Sales	275	292	121
Operating income	(281)	(480)	(222)
Net income/(loss)	(288)	(485)	(224)
Workforce size (excluding trainees)	3	4	3

Sales for 2019 amounted to €0.3 million, stable compared to 2018.

Operating expenses were down by €0.2 million, reflecting the initial effects of a plan launched at the end of 2019 to reduce fixed costs.

In this environment of restructuring, the company posted a €0.3 million operating loss in 2019, compared with a €0.5 million loss a year earlier.

4.6 MEDICREA BELGIUM

(€ K)	2019	2018
Sales	3,730	5,064
Operating income	1,767	1,927
Net financial income / (expense)	(29)	(35)
Corporate tax	(548)	(613)
Net income/(loss)	1,190	1,279
Workforce size (excluding trainees)	12	11

Sales for the 2019 financial year amounted to €3.7 million. In 2018, it was €5.1 million, including €1.9 million generated by a medical device trading activity, which was discontinued as of June 30, 2018, and transferred to minority shareholders who continue to operate it in another commercial structure. On a pro forma basis, the increase in revenues was €0.5 million.

Gross margin for the year amounted to €2.7 million in 2019 compared to €3.4 million for the previous year. This negative variation is mainly due to the discontinuation of the activity mentioned above. The gross margin rate was 72% in 2019 compared to 66% in the previous year, with trading products having a much lower margin (50%) than that generated on medical devices marketed by MEDICREA.

Operating expenses in 2019 amounted to €0.9 million, down by €0.5 million, generating an operating profit of €1.8 million compared to an operating profit of €1.9 million for the previous financial year.

Finally, and taking into account a corporate income tax of €0.6 million, net income for 2019 was €1.2 million, which will be distributed in part to the partners after approval of the accounts by the General Meeting. In 2018, net income was €1.3 million.

4.7 MEDICREA AUSTRALIA

(€ K)	2019	2018
EUR/AUD exchange rate	1.610	1.576
Sales	641	218
Operating income	(56)	1
Net income/(loss)	(40)	1
Workforce size (excluding trainees)	-	-

Sales for the 2019 financial year amounted to €0.6 million. In 2018 it was €0.2 million, but the company, created in June 2018, was not commercially operational until the third quarter of 2018.

Gross margin was €0.5 million or 74% of sales, up €0.3 million compared to the previous year, offset by an increase in operating expenses of €0.3 million, mainly due to variable items proportional to the growth in sales.

In this context of start-up of a subsidiary, the operating income is at break-even and bears all of the structure's fixed 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)	2019	2018 Restated (2)	2017 Restated (2)	2016	2015
Capitalized R&D costs	1,655	1,626	1,892	2,281	1,886
Expensed R&D costs (1)	3,996	3,949	2,909	2,055	1,960
- of which amortization charge of R&D costs	(1,788)	(1,691)	(1,492)	(1,284)	(993)

(2) Before allocation of the Research Tax Credit
(3) Restated for the effects of the application of IFRS 16 - Leases (see note 2.3)

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 2019 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 platform made available to surgeons).

6. SOCIAL AND ENVIRONMENTAL INFORMATION

6.1 Corporate information

At December 31, 2019 the Group's workforce consisted of 184 full-time staff, including two apprentices, together with a few interns working under internship agreements entered into at various points in the year.

131 people are employed in France, 38 work for the US subsidiary, 3 for the Polish subsidiary, 12 for the Belgian subsidiary. Medicrea Australia has been operating to date with shared resources that are not directly employed by the subsidiary.

The average gross salary for the 2019 fiscal year stood at €5,389 (€5,055 in 2018). Excluding the remuneration of employees of the US subsidiary, the average gross salary was €4,147 (€4,258 in 2018).

The gender breakdown by staff category is as follows:

	12.31.2019			12.31.2018		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**
Executives	70	37	107	56	37	93
Supervisors - Employees	36	41	77	42	44	86
Total	**106**	**78**	**184**	**98**	**81**	**179**

6.1.1 Training

Payments, excluding taxes, made to collecting bodies for continuing professional training amounted to €185,239 in 2019 (€128,358 in 2018), all of which was used for the training of the Group's employees, and exceeds the legal training obligation. The increase in payments is mainly due to the "Avenir professionnel" law of 5 September 2018, which radically changes the terms and conditions for the payment of company contributions for professional training and apprenticeships. Thus an advance payment of 75% of the 2019 professional training contribution, i.e. €57,901, was made in September 2019.

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

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.

Subcontracting expenses (€4.1 million in 2019 compared to €4.7 million in 2018) break down as follows :

- €1.7 million corresponds to implants purchased externally, down €0.3 million compared to 2018 ;
- €1.5 million relates to the purchase of instruments, also down by €0.3 million;
- €0.9 million includes other services such as packaging, filling and sterilization. This amount is stable.

6.2 Environmental information

The Rillieux-la-Pape site, 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 Risk mapping

A risk mapping process has been carried out by the Group and has identified the main risks below. This risk mapping was carried out prior to the emergence of the Covid-19 health crisis, the specific risk of which is addressed in paragraph 1.2.6.

Risks	Probability of occurrence	Possible impact	Criticality
Risks associated with the Company's business	Possible	Significant	High
Risks associated with changes to medical device reimbursement policies	Possible	Significant	High
Regulatory environment risks	Possible	Significant	High
Intellectual property risks	Unlikely	Significant	Limited
Risks associated with the malfunction of industrial processes	Unlikely	Significant	Limited
Warranties on UNiD products	Unlikely	Moderate	Limited
Risks related to changes in raw material prices	Unlikely	Moderate	Limited
Risks related to BREXIT	Unlikely	Moderate	Limited
Risks to the environment	Unlikely	Significant	High
Litigation risk	Possible	Significant	Limited
Liquidity risks	Possible	Significant	High
Interest rate and foreign exchange risks	Possible	Significant	Limited
Share risks	Unlikely	Moderate	Limited
Credit risks	Unlikely	Moderate	Limited

7.2 Operating risks

7.2.1 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.

7.2.2 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.

7.2.3 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. The last FDA (Food and Drug Administration) inspection was successfully completed in early December 2019 for the commercialization of the implants in the United States. These audits specifically confirmed the level of expertise in the various skills used within the Group, with areas for further improvement, in particular in the field of formally setting out "good practices".

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.

As of 26/05/2020 (excluding the exceptional postponement measure related to the Covid-19 health crisis), 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.

For surgical instruments that can be reused, MEDICREA will have to obtain a specific certificate issued by a notified body (GMED) in order to be able to place new references on the market. To date, this notified body (GMED) has not yet received, like many other bodies, the notification of conformity to this new regulation and therefore can neither audit according to the new regulation nor issue EC certificates.

MEDICREA has obtained the extension of EC certificates in accordance with Directive 93/42/EEC for its class IIb and IIa products until May 2024, including those for which a change of class is required by the new regulation. MEDICREA must therefore by May 2024 at the latest have an EC certificate in accordance with European Regulation MDR2017/745.

Finally, any medical device covered by a CE "directive" marking certificate may continue to be made available until 27 May 2025. Consequently, importers or distributors may continue to provide health care institutions (EDS) until 27 May 2025 with medical devices that are CE marked according to the directive.

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.

7.2.4 Intellectual property risks

The Group's commercial success depends on its ability to acquire, maintain and protect its patents and other intellectual property rights. One of them, novelty, requires that the described invention be

unknown. However, at the time of the examination of a patent application by the Offices, there may be prior art that exists but is not identified by the examiners.

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.

7.2.5 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 define the necessary corrective and preventive actions to be implemented in order to reduce the risks as much as possible and prevent the incident from happening again. Risk assessment and management reviews are carried out periodically within the Company.

In accordance with the essential recommendations of the various regulations mentioned in the Quality Manual, MEDICREA has established, applies, documents and maintains a Risk Management System throughout the life cycle of the product, from its design to its destruction.

7.2.6 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, 2019 and, depending on all the data collected in 2020, it will assess whether or not it is necessary to review this position at December 31, 2020.

7.2.7 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 10%). 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.

7.2.8 Risks related to BREXIT

The Group owns 100% of a distribution subsidiary in the United Kingdom, which was mothballed at the end of 2018 and no longer has any employees. In addition, the Group has very little exposure to the pound sterling compared to its current activity in the United Kingdom.

As a result, the Group's exit from the European Union, with or without agreements, will have only extremely limited impacts for the Group.

7.3 Risks to the environment

Environmental risks are almost non-existent except for the activity of management and control of hospital loaner kits lent which exposes people handling medical devices to products potentially contaminated by biological pathogens that are sources of infectious risks. Work procedures limiting employee exposure are in place and waste disposal systems for healthcare activities involving infectious and similar risks are respected. Safety procedures for the handling and disposal of these products comply with the laws and regulations in force in the countries concerned.

7.4 Legal risks

7.4.1 Litigation risks

In the normal course of business, the Group may be involved in litigation, or be subject to fiscal and/or administrative checks.

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.

Since July 2017, MEDICREA USA has been the subject of a civil investigation conducted by the US Department of Justice (DOJ) under the Sunshine Act, which defines the rules for declaring benefits granted to healthcare professionals in connection with their participation in congresses, exhibitions and meetings. With the assistance of a specialized law firm, the Company has since provided on several occasions multiple elements to demonstrate that these declarations were established in accordance with its obligations, except for a few minor errors that have been corrected after the fact. The Company has also provided, at the DOJ's request for given periods, the completeness of emails exchanged between several employees and selected on the basis of numerous keywords. At the Company's request, a meeting was held on January 31, 2020 between representatives of the DOJ and the Company's attorneys, during which the latter summarized all the information provided since the beginning of the investigation and formally asked the US Administration to take a position on a possible violation of the rules imposed by the Sunshine Act and a possible compensation for the damages caused. To date, the DOJ has not responded to the Company's requests. At this stage of the investigation and to the extent that the Company is cooperating fully with the DOJ, it is still not possible to determine what the results and contingent liabilities associated with the ongoing investigation will be.

7.5 Financial risks

7.5.1 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 $36 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
September 2019	Issue of bonds	-	6,000,000
Total		**75,951,817**	**36,000,000**

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.

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

The Group generated 55% of its 2019 consolidated sales in dollars through its subsidiary MEDICREA USA (48% in 2018). The increase in this proportion is explained by the dynamism of the US subsidiary and by the discontinuation within MEDICREA BELGIUM of related, low-margin trading activities.

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 2019, the US dollar increased by more than 5% compared to the average rate of 2018. This generated a positive impact of €0.9 million on 2019 and €0.4 million on operating income.

A 15% appreciation of the US dollar against the euro, applied to data from the 2019 fiscal year, would result in an increase to Group sales of €2.8 million and a positive impact of €1.2 million on operating income.

Conversely, a 15% depreciation of the dollar against the euro, applied to 2019 data, would result in a decline in Group sales and an increase in operating income in the same proportions as those indicated above.

7.5.3 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.

At December 31, 2019, the Group has hedged the interest due on the dollar-denominated bonds relating to the first quarter of 2020 for an amount of USD 1 million by forward purchases at the guaranteed rate of 1.1215 USD/EUR.

7.5.4 Interest rate risks

At December 31, 2019, all borrowings were at fixed rates with the exception of the $36 million note debt maturing in 2022 and bearing interest at 8.5% plus the higher of 3-month USD LIBOR or 2.5%. The Group has made numerous requests to its banking partners to hedge the foreign exchange and interest rate risks relating to this loan by means of a cross currency swap, but to date without success. Since the implementation of this financing, taking into account the evolution of the 3-month USD LIBOR over the entire period, the effective interest rate has been 11%.

7.5.5 Share risks

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

7.5.6 Inflation risks

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

7.5.7 Credit risks

The Group monitors the average payment term of its customers on a monthly basis. This ratio amounts to 55 days at December 31, 2019. For international customers who are not healthcare institutions, or who do not pay in advance, the Group sets up hedging mechanisms, such as :

- request for a guarantee from Coface. The maximum amount of trade receivables potentially eligible for Coface cover at 31 December 2019 is € 583,000;
- documentary credits (no transactions outstanding at 31 December 2019).

In general, the Group is not exposed to any material credit risk as shown in the table below.

€	12.31.2019	12.31.2018
Gross trade receivables	5,107,833	5,464,975
Amount outstanding for more than 6 months	229,835	107,981
% of total receivables	4.50 %	1.98 %
Amount of trade receivable provisions	210,118	103,723
% of total receivables	4.11 %	1.90 %
Amount of credit losses	7,445	22,751

The increase in provisions for impairment of trade receivables at December 31, 2019 follows a notice of receivership of a Group distributor in Puerto Rico received in February 2020.

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

Fundraising

On January 23, 2020, MEDICREA INTERNATIONAL increased its capital by €8.5 million through a private placement.

This capital raising involved a total of 2,421,653 shares, with a nominal value of €0.16 each, issued at a unit price of €3.51 (including issue premium).

This capital increase is mainly intended to meet the Company's financing needs. The proceeds of the issue, combined with the cash available to the Company on the date of the transaction, should provide it with the necessary resources to finance its activity over the entire 2020 financial year.

Information to be taken into account in connection with the COVID-19 health crisis

This information is described in section 1.2.6 of this document.

8 INFORMATION ON THE PARENT COMPANY

8.1 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, 2019 have been prepared pursuant to French generally accepted accounting principles.

The summarized financial statements are as follows:

8.1.1 Income statement

(€ K)	12.31.2019	12.31.2018
Sales	19,930	19,750
Finished products and work-in-progress	640	(722)
Own work capitalized	1,959	1,681
Operating grants	-	33
Provision reversals and transfers of charges	113	211
Other revenue	2	4
Operating revenues	**22,644**	**20,957**
Purchases consumed, subcontracting and other supplies	(3,776)	(4,586)
Purchases and other external expenses	(6,900)	(6,954)
Taxes and duties	(809)	(752)
Wages and salaries	(6,269)	(6,695)
Social security costs	(2,930)	(2,808)
Amortization and depreciation charges	(4,449)	(4,607)
Provision charges	(1,039)	(140)
Other expenses	(682)	(650)
Operating expenses	**(26,854)**	**(27,192)**
Operating income	**(4,210)**	**(6,235)**
Financial income	3,709	1,101
Financial expenses	(7,497)	(2,014)
Net financial income / (expense)	**(3,788)**	**(913)**
Income/(loss) before tax	**(7,998)**	**(7,148)**
Exceptional income	119	672
Exceptional expenses	(24)	(656)
Net exceptional income/(expense)	**95**	**16**
Corporate tax	1,046	888
Net income/(loss)	**(6,857)**	**(6,244)**

8.1.2 Balance sheet

(€ K)	12.31.2019	12.31.2018
Intangible assets	7,296	6,839
Property, plant and equipment	5,981	5,894
Non-current financial assets	30,633	8,013
Non-current assets	**43,910**	**20,746**
Inventories	7,814	8,105
Trade receivables	2,162	10,866
Other receivables	3,879	10,727
Cash and cash equivalents	2,061	8,158
Current assets	**15,916**	**37,856**
Total assets	**59,826**	**58,602**

(€ K)	12.31.2019	12.31.2018
Share capital	2,706	2,595
Reserves	20,807	27,162
Net income for the year	(6,857)	(6,244)
Shareholders' equity	**16,656**	**23,513**
Conditional advances	-	100
Other equity	**-**	**100**
Long-term financial debt	34,513	27,315
Non-current liabilities	**34,513**	**27,315**
Provisions for liabilities and charges	403	127
Short-term financial debt	1,408	1,302
Group and associates	283	94
Trade payables	4,063	3,611
Other liabilities	2,500	2,540
Current liabilities	**8,657**	**7,674**
Total shareholders' equity and liabilities	**59,826**	**58,602**

8.1.3 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 2019 and 2018 is analyzed as follows:

€	2019	2018	Change
MEDICREA USA	8,043,369	7,329,919	+ 10 %
MEDICREA BELGIUM	870,168	896,918	(3) %
MEDICREA POLAND	192,610	363,412	(47) %
MEDICREA AUSTRALIA	418,318	361,522	+ 16 %
MEDICREA GMBH	-	3,000	N/S
MEDICREA TECHNOLOGIES UK	-	(253,065)	N/S
Total intra-Group sales and rebillings	**9,524,465**	**8,701,706**	**+ 9 %**
Private and public hospitals - France	6,466,149	6,080,268	+ 6 %
Export distributors	3,857,736	3,907,371	(1) %
Repair center	82,123	78,017	+ 5 %
Total external sales and rebillings	**10,406,008**	**10,065,656**	**+ 3 %**
Discontinued Activity - Repair Centre	-	982,797	N/S
Net sales	**19,930,473**	**19,750,159**	**+ 1 %**

Sales for 2019 amounted to €19.9 million, an increase of 6% on a pro forma basis (excluding the surgical motor repair business) compared to the previous year. Revenues from the Company's sales to subsidiaries increased by 9%, i.e. + €0.8 million in additional billings, including + €0.7 million relating to MEDICREA USA. This growth is in line with the growth in the Group's revenue.

Sales to international distributors and healthcare institutions in France, which reflect MEDICREA INTERNATIONAL's commercial activity with third party customers, grew by 3%, i.e. +0.3 million in additional sales.

The surgical motors repair business was discontinued by the Company as of December 31, 2019, and had generated €1 million in revenue for the year ended December 31, 2019.

The finished products and work-in-progress increased by €1.4 million compared to the previous period, reflecting the growth in the subsidiaries' business, which accelerated at the end of 2019, and the launch of a complete new range of screws, known as "tulip", mainly used for degenerative spinal surgery. Capitalized production amounted to €2 million compared to €1.7 million in 2018. It includes the capitalization of R&D and patent expenses and reflects the Company's sustained innovation efforts.

The gross margin (which includes subcontracting classified in the parent company financial statements under "other purchases and external charges") is 61% of revenue in 2019, up 6 points compared to the previous year due to a different sales mix with an increase in revenue from the American and Australian subsidiaries benefiting from better margin rates.

Payroll, the main expenses item, decreased by 3% in 2019 despite a 6-person increase in headcount.

Structurally high, depreciation and amortization charges, amounting €4.4 million for 2019, decreased by €0.2 million due to the amortization in 2018 of the remaining issue costs of the convertible bond issued in August 2016 and fully repaid in November 2018. Provisions, up €0.9 million compared to the previous year, mainly concern the impairment of inventories for products at the end of their useful life or with close expiry dates and therefore no longer able to be subject to new sterilization cycles.

Taking into account these elements, 2019 operating income, although showing a loss of €4.2 million, improved by €2 million compared to 2018.

Financial result for 2019 is negative by €3.8 million (€0.9 million in 2018), due to a cost of indebtedness of €3.1 million (€1.2 million in 2018) and net impairments of equity investments and current accounts of €1.5 million, offset by dividends received from MEDICREA BELGIUM for €0.5 million and a positive impact of €0.3 million from exchange rate effects. The deterioration of the financial result by €2.9 million is mainly explained by the cost of indebtedness, which increased by €1.9 million due to the terms of the bond issue for a total amount of $36 million subscribed in November 2018 for a first stake of $30 million and in September 2019 for a second stake of $6 million.

After taking into account a research tax credit of €1 million, the net loss for the year is -€6.9 million compared to -€6.2 million in 2018.

8.1.4 Comments on the balance sheet

Total assets were €60 million, an increase of €1 million compared with the end of 2018.

Non-current assets, up by 23.1 million euros, represent 73% of the balance sheet total compared with 35% in 2018. This significant increase is explained by the incorporation of current accounts in the capital of the subsidiaries MEDICREA USA (€19.9 million), MEDICREA TECHNOLOGIES LTD (€0.8 million) and MEDICREA GMBH (€1.3 million) by charging against their respective share premiums.

In gross value terms, inventory increased by 6% compared to 2018, i.e. €0.7 million of additional inventory. The increase is mainly concentrated in the finished products category, following the launch of the new PASS TULIP ™ range of screws and pedicle screws for degenerative spinal surgery. At December 31, 2019, impairment represented on average 35% of gross values compared to 29% at December 31, 2018. The increase relates mainly to finished products and results from a detailed review of sales prospects for a certain number of products for which available inventory is high in relation to future consumption, the planned discontinuation of aging product lines, and the planned disposal of items that become no longer fit for sale due to expiration dates that have passed or maximum sterilization cycles that have been reached.

The decrease in trade receivables by €8.7 million is due to €8.3 million in receivables from subsidiaries, mainly MEDICREA USA, which were initially reclassified as current accounts and then incorporated into the capital of these companies.

Other receivables decreased by €6.8 million, mainly due to the incorporation of current accounts into the capital of the subsidiaries MEDICREA USA, MEDICREA TECHNOLOGIES LTD and MEDICREA GMBH.

Cash and cash equivalents decreased by €6.1 million as a result of the cash left at the disposal of the distribution subsidiaries to ensure their development, investments during the year, particularly in research and development and in the purchase of 12.25% of the capital of MEDICREA BELGIUM, and refinancing operations carried out in 2019.

Shareholders' equity amounted to €16.7 million at the end of 2019, down€ 6.8 million compared to 2018. This variation is mainly explained by the loss of €6.8 million in 2019.

Financial liabilities increased by €7.3 million due to the repayments made during fiscal year 2019 under existing amortization plans, the issuance of bonds for $6 million and the subscription of new bank loans for a total amount of €2.4 million.

Other current liabilities (excluding financial debts and intra-group current accounts) amounted to €7 million, up €0.7 million compared to 2018, due to an increase in trade payables, mainly resulting from a temporary postponement of payments from the end of December 2019 to January 2020.

In accordance with 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, 2019					
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	**301**					**383**
Total value of invoices concerned exc. VAT	**€2,126,842**	€421,820	€160,392	€91,768	€117,787	**€791,768**
% of total value of purchases exc. VAT over the fiscal year	**73%**	**14%**	**5%**	**3%**	**5%**	**27%**
(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, 2019					
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	**347**					**906**
Total value of invoices concerned exc. VAT	**€197,474**	€752,353	€505,437	€111,386	€560,963	**€1,930,138**
% of sales exc. VAT for the year	**9%**	**35%**	**24%**	**5%**	**27%**	**91%**
(B) Invoices excluded from (A) relating to contested or unrecorded trade receivables						
Number of invoices excluded	**1**					
Total value of invoices excluded exc. VAT	**€97,513**					
(C) Payment terms used						
Payment terms used for calculating late payments	**Contractual terms**					

8.2 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.

8.3 Information relating to subsidiaries and investments

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

8.4 Research and development activities

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

8.5 Stock market performance

The share has been covered by a market-making contract in partnership with Kepler Cheuvreux since January 2019. The share is listed on Euronext Growth, under the ISIN code FR004178572 and the ticker ALMED.

Major stock market data is analyzed as follows:

	2019	2018	2017
Number of shares at December 31	16,915,847	16,219,847	15,082,811
High price	3.50	3.46	6.28
Low price	2.08	1.65	2.88
Average price for the period	2.67	2.67	4.82
Share price at 12/31	2.94	2.29	3.00
Market capitalization at 12/31	49,732,590 €	37,143,450 €	45,248,433 €
Trading volume	3,854,335	7,544,505	3,000,160
Capital turnover rate	23.76 %	48.72 %	19.9 %

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.

8.6 Report on own share transactions carried out by the Company during the year

Pursuant to the provisions of Article L. 225–211 sub-paragraph 2 of the French Commercial Code, and as part of the approval given by the Combined Shareholders' Meeting of June 3, 2019, the Company carried out the following transactions concerning its own shares during the fiscal year which ended on December 31, 2019:

- number of shares bought during the fiscal year: 57,012
- number of shares sold during the fiscal year: 57,486
- average price of the purchases: €2.61
- average price of the sales: €2.71
- trading fees: Nil

- number of shares registered in the Company's name at December 31, 2018: 4,282
- value based on the purchase price: €9,060
- par value of shares: €0.16
- fraction of share capital represented: Negligible

These transactions were conducted by the brokers Kepler Cheuvreux, an investment services provider, as part of the liquidity agreement drawn up in accordance with the Ethics Code of the AMF. This contract is renewable annually by tacit agreement and is compliant with the French Financial Markets Association (AMAFI).

8.7 Senior executives' threshold crossings, holdings, treasury shares and securities transactions

8.7.1 Information pertaining to the share capital and threshold crossings

Pursuant to the provisions of Article L. 233-13 of the French Commercial Code, and based on the information received pursuant to Articles L. 233-7 and L. 233-12 of said Code, we hereby disclose, as of December 31, 2019 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 12.31.2019		**At 12.31.2018**	
	% share capital	% voting rights	% share capital	% voting rights
More than 5%	Amiral Gestion Special Situation Fund	Amiral Gestion Special Situation Fund Stonepine Capital Management	Amiral Gestion Armistice Capital Master Fund	Amiral Gestion Armistice Capital Master Fund Stonepine Capital Management
More than 10%	Stonepine Capital Management LLC Orchard International	-	Stonepine Capital Management LLC Orchard International	-
More than 15%	-	Orchard International	-	Orchard International

8.7.2 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:

	12.31.2019			12.31.2018		
	Number of shares	% share capital	% voting rights	Number of shares	% share capital	% voting rights
Directors						
ORCHARD INTERNATIONAL (1)	1,727,490	10.21	17.46	1,727,490	10.65	18.17
Denys SOURNAC (2)	915,533	5.41	5.92	607,533	3.75	4.18
Jean Philippe CAFFIERO	216,089	1.28	2.11	216,089	1.33	2.19
David RYAN	114,148	0.67	0.58	24,148	0.15	0.21
Fabrice KILFIGER	96,000	0.57	0.49	6,000	0.04	0.03
Other Directors						
Pierre BUREL (2)	194,587	1.15	0.98	194,587	1.20	1.02
Patrick BERTRAND (2)	113,968	0.67	0.66	113,968	0.70	0.69
François Régis ORY (2)	108,652	0.64	0.55	108,652	0.67	0.57
Rick KIENZLE	102,880	0.61	0.52	102,880	0.63	0.54
Marc RECTON	83,402	0.49	0.48	76,952	0.47	0.47
Christophe BONNET	52,128	0.31	0.43	52,128	0.32	0.44
Pierre OLIVIER	27,000	0.16	0.14	27,000	0.17	0.14
Jean Joseph MORENO	26,450	0.16	0.24	22,000	0.14	0.23
Total	**3,778,327**	**22.33 %**	**30.56 %**	**3,279,427**	**20.22 %**	**28.88 %**

(1): Shares held by the holding company, ORCHARD INTERNATIONAL. The following table provides details of ORCHARD INTERNATIONAL's shareholding structure as of December 31, 2019:

- 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

8.7.3 Share capital and treasury shares

At December 31, 2019, the Company held 4,282 of its own shares as part of the share's liquidity and market-making contract on the stock market.

At December 31, 2019, share capital totaled €2,706,535.52, and comprised 16,915,847 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, 2019, the Company bought back some of its own shares during the year ended December 31, 2019, as described in point 9.6 above.

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

In accordance with the legal and regulatory requirements, we provide a table hereafter which summarizes the transactions carried out in the Company's securities during the fiscal year 2019 by senior executives or by persons closely connected to them, prepared on the basis of information provided to us:

- Number of securities sold: 0
- Number of securities acquired: 498,900 resulting from the granting of free shares
- Number of securities subscribed: 0
- Number of shares exchanged: 0

8.7.5 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, 2019 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, 2019, employees of the Company and related companies held 3.13% of the Company's capital, including less than 0.01% via the company savings plan.

8.7.6 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.

Any stock options and free shares were allocated during the fiscal year ended December 31, 2019.

Taking account of employee departures between 2008 and 2019, the exercise of options and plans that have lapsed, free shares and stock options allocated to employees totaled 922,273 and 1,387,521 respectively at December 31, 2019.

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

On January 23, 2020, MEDICREA INTERNATIONAL increased its capital by €8.5 million through a private placement.

This capital raising involved a total of 2,421,653 shares, with a nominal value of €0.16 each, issued at a unit price of €3.51 (including issue premium) and a total amount of €8,500,002.03.

This capital increase is mainly intended to meet the Company's financing needs. The proceeds of the issue, combined with the cash available to the Company on the date of the transaction, should provide it with the necessary resources to finance its activity over the entire 2020 financial year

8.12 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 €167,373 and €46,864 respectively for the fiscal year ended December 31, 2019 (€176,029 and €49,288 respectively in relation to the previous year).

8.13 Proposed allocation of 2019 income

It is requested that the financial statements be approved as presented (balance sheet, income statement and notes), showing a net loss of €6,857,339.31 for the fiscal year of December 31, 2019, which the Board of Directors proposes at the Shareholders' Meeting to allocate it in its entirety to Retained Losses.

8.14 Proposal to charge the accumulated deficit to the share premium account

After applying the loss for the year ended December 31, 2019 to retained earnings (losses) as proposed above, the latter would stand at a debit balance of €6,857,339.31. The share premium account has a balance of €26,449,450.23.

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 €26,449,450.23 to €19,592,110.92, while the balance of retained earnings (losses) would increase from (€6,857,339.31) 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.

8.15 Agreements referred to in articles l. 225-38 *et seq.* of the French Commercial Code

The Statutory Auditors will read their report, mentioning the absence of new regulated agreements during fiscal year 2019 and the continuation of agreements authorized during previous fiscal years.

9.16. Determination of Director's fees

We would remind you that the Shareholders' Meeting of June 3, 2019 determined the amount of directors' fees allocated to the Board of Directors at €80,000 for the year ended December 31, 2019 and for subsequent years, until decided otherwise.

9.17. Reappointment of Statutory Auditors

The engagements of ODICEO as Principal Statutory Auditor and of Jean-Pascal REY as Alternate Statutory Auditor are due to expire at the conclusion of this Shareholders' Meeting.

Consequently, it is proposed that the following be appointed for six fiscal years, expiring at the conclusion of the shareholders' meeting held to approve the financial statements for the fiscal year ending December 31, 2025:

- GRANT THORNTON as Principal Statutory Auditor

- IGEC as Substitute Statutory Auditor.

9.18. Renewal of Directors' terms of office

As the terms of office as Directors of Mr Denys SOURNAC, Mr Jean-Philippe CAFFIERO, Mr Christophe BONNET, Mr Patrick BERTRAND, Mr Jean-Joseph MORENO and Mr Pierre BUREL expire at the end of this Meeting, it is proposed that they be appointed for a further period of six years, i.e. until the Meeting called in 2026 to approve the financial statements for the financial year ending 31 December 2025.

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 €49,547,782.5, 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, 2019 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 (17th and 18th resolutions), for a period of twenty-six (26) months, a delegation of authority in order to increase the share capital, either by the issue of ordinary shares or of any marketable securities conferring access, with retention of the preferential subscription right of shareholders, or without retention of the preferential subscription right by public offerings other than those referred to in paragraph II of article L. 411-2 of the French Monetary and Financial Code, conferring access to the share capital of the Company or granting entitlement to the allocation of debt securities :***

   - Existing or new debt securities in the Company and/or a company that holds, either directly or indirectly, more than half its share capital or of which it holds either directly or indirectly more than half of the share capital;

   - Existing or new debt securities in the Company and/or a company of which it holds, either directly or indirectly, less than half its share capital or of which less than half of the capital is indirectly held by this company.

   The total amount of share capital increases that may be realized now 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 count towards the Overall Ceiling I mentioned hereafter.

   The total amount of marketable securities whose primary security is a debt, notably a bond security, that may be issued in this way may not exceed a nominal amount of twenty-five million

(25,000,000) euros or the exchange value of this amount in other currencies. The amount of issues of marketable securities would count towards the Overall Ceiling II mentioned hereafter.

The issue price of the shares that would be issued without preferential subscription rights 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 (19th resolution), for a period of twenty-six months, a delegation of authority in order to increase the share capital by the issue of ordinary shares and/or marketable securities conferring access to the share capital of the Company or granting entitlement to the allocation of debt securities with waiver of the preferential subscription right of shareholders within the context of an offer referred to in Article L.411-2 II of the French Monetary and Financial Code.***

   The total nominal amount of the share capital increases which may be realized in this way immediately and/or in the future may not exceed 20% of the share capital per annum at the date of the decision of the Board of Directors and the amount of the share capital increases provided for in said delegation shall be deducted from the above-mentioned delegation.

   The total nominal amount of marketable securities in the form of receivables giving access to the share capital and likely to be issued in this way may not exceed a nominal amount of twenty-five million (25,000,000) euros or the equivalent value of this amount in other currencies, at the date of the decision regarding the issue, with this amount being deducted from the **Overall Ceiling II** provided for below;

   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%.

3. ***to delegate to the Board of Directors (20th resolution), for a period of twenty-six months, the authority to increase the number of securities to be issued as part of one of the share capital increases listed above, in the event of oversubscription, and all under the conditions set out by Article L.225-135-1 of the French Commercial Code and within the limit of Overall Ceilings I and II referred to above.***

4. ***to delegate to the Board of Directors (21st resolution), pour 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 mentioned hereafter.

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 mentioned hereafter.

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%.

5. Authorization to be granted to the Board of Directors (22nd resolution) to allocate free shares to Group employees and executive corporate officers

Pursuant to the provisions of Articles L. 225-177 et seq. of the French Commercial Code, it is suggested that you:

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

- Decide that the cumulative total number of shares issuing (i) both from the free allocation of shares resulting from this authorization, be they existing shares or shares to be issued, and (ii) from the exercise of the purchase and/or subscription options provided for hereafter, may not exceed an overall number equal to 7.5% of the total number of shares comprising the share capital of the Company at the date of allocation;

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

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

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

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

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

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

- The amount of the share capital increase would not count towards the aforementioned Overall Ceiling I.

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

- Implement this authorization;

- Set the terms and conditions and where necessary the criteria for the allocation of the shares;

- Decide on the number of shares to be allocated free of charge;

- Determine the identity of the beneficiaries, the number of shares allocated free of charge to each of them and the procedures for the allocation of shares;

- Agree on any clauses prohibiting the immediate resale of some or all of the shares in the event of allocation to corporate officers;

- In the case of the allocation of shares to be issued, set the amount and nature of the reserves, profits and premiums to be capitalized;

- Record the share capital increase or increases carried out pursuant to this authorization, and amend the Bylaws accordingly;

- and more generally do whatever is necessary.

6. *Authorization to be granted to the Board of Directors (23rd resolution) to allocate share purchase and/or subscription options to the Group's employees or executive corporate officers*

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

Implementation

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

Under this authorization and under previous authorizations:

- The total number of subscriptions granted and not yet exercised may not confer the right to subscribe to a quantity of shares exceeding one third of the share capital;

- The total number of these purchase options may not exceed 10% of the total number of shares issued by the Company, the Company not being authorized to hold more than 10% of its own shares.

In any event, the cumulative total number of shares resulting from both (i) the exercise of purchase and/or subscription options that would be granted in respect of this authorization, and (ii) the aforementioned allocation of free shares may not exceed an overall number equal to 7.5% of the total number of shares comprising Company stock at the date of allocation.

Beneficiaries

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

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

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

Price

Pursuant to Article L. 225-177 of the French Commercial Code, the purchase and/or subscription share price would be determined on the day on which the option is granted by the Board of Directors, in accordance with the objective methods applicable to the valuation of shares which takes account, applying a specific weighting, of the Company's net asset

position, profitability and business prospects, on a consolidated basis, in the manner determined by the Combined Shareholders' Meeting based on the Statutory Auditors' report.

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

Period of validity

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

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

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

Capital increase resulting from exercise of share subscription

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

The amount of the share capital increase resulting from the exercise of options would not count towards the aforementioned Overall Ceiling I.

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

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

Other conditions

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

The Shareholders' Meeting would give full authority to the Board of Directors, who may further delegate such authority to the Chief Executive Officer, to set the other terms under which the options would be granted, such as the beneficiaries, the maximum number of options exercisable by the beneficiary, the exact purchase and/or subscription option price, the opening date and terms of exercise of the options and, more broadly, to establish the rules of the option plan with all restrictions, particularly the exercise and/or retention of shares, and

specific conditions pertaining to these options that it would deem appropriate, and generally do whatever is required to implement said authorization and its consequences.

7. ***to grant to the Board of Directors (24th and 25th 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.

8. ***to decide (26th résolution) :***

- que le montant nominal des augmentations de capital susceptibles d'être réalisées immédiatement et/ou à terme, en vertu des délégations consenties au Conseil d'Administration par la présente Assemblée Générale (Resolutions 17, 18, 19 and 24), ne pourrait être supérieur à huit cent mille (800.000) euros (« Plafond Global I ») ;
- that the total nominal amount (i) of the marketable securities representing the receivables conferring entitlement by any means, either immediately or in the future to the share capital and which may be issued under the delegations granted to the Board of Directors (Resolutions 17, 18, 19 and 24) may not exceed a twenty-five million (25,000,000) euros or the equivalent of this amount in other currencies, on the date of the decision to issue them and (ii) shares to be issued as a result of the issue of the compound marketable securities may not exceed a nominal amount of eight hundred thousand (800,000) euros ("**Overall Ceiling II**").

The par value of the shares to be issued in order to protect the rights of the holders of marketable securities or other securities granting access to the Company's share capital and/or issued by a Subsidiary or a parent company as part of the delegations of authority granted to the Board of Directors shall be added to these ceilings, where applicable, in accordance with the law and with the contractual specifications providing for other adjustment cases, where applicable.

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 25, 2020:

- 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;
- Special report on the allocation of free shares to employees and/or executive officers of the company and the Group;
- Special report on the granting of options to purchase or subscribe for shares;
- Report on the share capital increase reserved for members of a company savings plan d'entreprise ;

Once the Statutory Auditors' reports have been read, the Chairman invites you to adopt the resolutions submitted to the Shareholders' Meeting's vote.

Appendix 1

List of subsidiaries and equity investments

Entities	Total shareholders' equity	Share capital ownership (%)	Book value of shares owned		Loans and advances granted and outstanding	Guarantees and sureties given by the Company	Net sales for last fiscal year	Net income for last fiscal year	Dividends paid to the parent company
			Gross	Net					
International subsidiaries									
MEDICREA TECHNOLOGIES UK	4,756	100 %	3,236,917	-	-	-	-	(39,621)	-
MEDICREA USA	9,818,631	100 %	27,277,959	27,277,959	-	-	17,886,722	(5,181,423)	-
MEDICREA GMBH	1,705	100 %	1,362,673	-	-	-	-	(12,760)	-
MEDICREA POLAND	(981,376)	100 %	47,119	-	1,371,764	-	275,370	(287,964)	-
MEDICREA BELGIUM	1,721,664	63 %	2,886,992	2,886,992	-	-	4,462,739	1,190,155	487,521
MEDICREA AUSTRALIA	147,408	51 %	96,915	96,915	-	-	641,386	(40,498)	-

Appendix 2

Five-year financial summary

(€)	2019	2018	2017	2016	2015
Share capital at year-end					
Share capital	2,706,536	2,595,176	2,413,266	1,605,307	1,438,030
Number of shares outstanding	16,915,847	16,219,847	15,082,911	10,033,167	8,987,688
Transactions and net income for the year					
Net sales	19,930,473	19,750,159	15,933,004	14,071,050	15,693,735
Income before tax, depreciation, amortization and provisions	(802,806)	(2,364,347)	(4,996,660)	43,546	1,637,488
Corporate tax	1,045,788	887,701	897,375	970,054	1,080,418
Employee profit sharing	-	-	-	-	-
Income after tax, depreciation, amortization and provisions	(6,857,339)	(6,243,692)	(10,681,569)	(10,805,933)	614,916
Dividends	-	-	-	-	-
Net earnings per share					
Income after tax, before depreciation, amortization and provisions	0.01	(0.09)	(0.27)	(0.01)	0.18
Income after tax, depreciation, amortization and provisions	(0.41)	(0.38)	(0.71)	(1.08)	0.07
Dividend per share	-	-	-	-	-
Workforce					
Average workforce size during the year	124	130	107	65	51
Total payroll for the year	6,268,626	6,695,330	5,730,151	3,489,325	3,076,459
Social security contributions for the year	2,930,308	2,807,518	2,403,316	1,441,946	1,247,209