ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2019

Leading personalized spine | medicrea.com

CONTENTS

1. ACTIVITY

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

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

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

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

2. FISCAL YEAR HIGHLIGHTS

The following are the highlights of the 2019 fiscal year:

2.1. MARKET AND ENVIRONMENT

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

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

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

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

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

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.

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.

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".

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.

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.

3. IFRS CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2019

3.1. CONSOLIDATED INCOME STATEMENT

(€)	Notes	12.31.2019	12.31.2019 Restated (1)
Sales	**3.1 and 4.2**	**32,721,405**	**32,279,021**
Cost of sales		(7,253,914)	(9,195,355)
Gross margin		**25,467,491**	**23,083,666**
as % of sales		***77.8 %***	***71.5 %***
Research & development costs	**4.6**	(2,949,868)	(3,061,434)
Sales & marketing expenses	**4 and 5**	(16,187,522)	(16,523,211)
Sales commissions		(5,045,229)	(3,716,778)
General and administrative expenses	**4 and 5**	(7,317,351)	(7,310,233)
Other operating income and expenses	**4.9.2**	(678,023)	(561,038)
Operating income before share-based payments		**(6,710,502)**	**(8,089,028)**
Share-based payments	**5.5.3**	(1,999,650)	(728,078)
Operating income after share-based payments	**4.9.1**	**(8,710,152)**	**(8,817,106)**
Cost of net financial debt	**8.3.1**	(4,344,228)	(2,935,606)
Other financial (expenses) / income	**8.3.2**	(355,912)	166,002
Tax (charge) / income	**9.1**	(2,140,099)	(444,015)
Consolidated net income/(loss)		**(15,550,391)**	**(12,030,725)**
Earnings per share	**10.2**	**(0.96)**	**(0.77)**
Diluted earnings per share	**10.2**	**(0.96)**	**(0.77)**

(1) Restated for the effects of the application of IFRS 16 - Leases (see note 1.2)

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

3.2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€)	12.31.2019	12.31.2018 Restated (1)
Consolidated net income/(loss)	**(15,550,391)**	**(12,030,725)**
Translation adjustment	(87,136)	51,658
Incl. taxes	-	-
Other elements of comprehensive income that can be recycled into profit or loss	**(87,136)**	**51,658**
Actuarial gains and losses on defined benefit pension plans	(40,816)	-
Incl. taxes	-	-
Other elements of comprehensive income that cannot be recycled into profit or loss	**(40,816)**	-
Total comprehensive income	**(15,678,343)**	**(11,979,067)**

(1) Restated for the effects of the application of IFRS 16 - Leases (see note 1.2)

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

3.3. CONSOLIDATED BALANCE SHEET

(€)	Notes	12.31.2019	12.31.2018 Restated (1)
Goodwill	**6.1**	12,052,748	12,131,603
Intangible assets	**6.6**	8,389,393	8,098,712
Property, plant and equipment	**6.6**	23,856,452	25 873,322
Non-current financial assets	**6.6**	677,296	650,629
Deferred tax assets	**9.3**	664,417	2,302,820
Total non-current assets		**45,640,306**	**49,057,086**
Inventories	**4.3**	9,305,625	9,662,145
Trade receivables	**4.4**	4,897,715	5,361,252
Other current assets	**4.4**	2,648,894	2,480,928
Cash and cash equivalents	**8.1.5**	3,807,308	10,802,725
Total current assets		**20,659,542**	**28,307,050**
Total assets		**66,299,848**	**77,364,136**

(€)	Notes	12.31.2019	12.31.2018 Restated (1)
Share capital	**10.1**	2,706,536	2,595,176
Issue, merger and contribution premiums	**10.1**	20,206,582	26,450,274
Consolidated reserves	**10.1**	(7,481,544)	(2,992,794)
Net income/(loss) for the year	**10.1**	(15,550,391)	(12,030,725)
Total shareholders' equity		**(118,817)**	**14,021,931**
Conditional advances	**8.2**	-	100,000
Non-current provisions	**7.1**	763,872	621,868
Deferred tax assets	**9.3**	560,967	669,701
Long-term financial debt	**8.1**	49,911,676	46,552,124
Other non-current liabilities	**4.5**	89,015	174,672
Total non-current liabilities		**51,325,530**	**48,118,365**
Current provisions	**7.1**	128,542	122,299
Short-term financial debt	**8.1**	6,646,138	6,637,856
Trade payables	**4.5**	5,040,892	4,803,155
Other current liabilities	**4.5**	3,277,563	3,660,530
Total current liabilities		**15,093,135**	**15,223,840**
Total shareholders' equity and liabilities		**66,299,848**	**77,364,136**

(1) Restated for the effects of the application of IFRS 16 - Leases (see note 1.2)

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

3.4. CONSOLIDATED CASH FLOW STATEMENT

€	Notes	12.31.2019	12.31.2018 Restated (1)
Consolidated net income/(loss)		**(15,550,391)**	**(12,030,725)**
Non-cash expenses (income)	**8.1.6**	11,050,981	9,116,070
Tax expense (income) (current and deferred)	**8.1.6**	1,031,398	(567,824)
Cost of net financial debt	**8.3.1**	4,344,228	2,935,606
Cash flow from operating activites		**876,216**	**(546,873)**
Taxes paid / refunde		(253,584)	(267,424)
Change in working capital requirements	**8.1.6**	(40,369)	244,997
Net cash flow from operating activities		**582,263**	**(569,300)**
Acquisition of non-current assets		(5,580,295)	(5,604,295)
Disposal of non-current assets		40,955	220,097
Impact of changes in scope		-	106,836
Government grants received / (repaid)	**8.2**	(100,000)	(96,250)
Other movements		(20,826)	77,009
Net cash flow from investment activities		**(5,660,166)**	**(5,296,603)**
Distribution of dividends from subsidiaries		(468,402)	-
Share capital increase		-	3,083,777
Proceeds from new borrowings		7,798,120	27,400,800
Repayment of borrowings		(3,298,003)	(21,907,595)
Interest paid		(3,856,420)	(1,937,107)
Other movements	**8.1.6**	(2,675,598)	(1,797,153)
Net cash flow from financing activities		**(2,500,303)**	**4,842,722**
Translation effect on cash and cash equivalents		244,238	(101,028)
Other movements		6,348	50,646
Change in cash and cash equivalents		**(7,327,620)**	**(1,073,563)**
Opening cash position		**10,018,668**	**11,092,231**
Closing cash position		**2,691,048**	**10,018,668**
of which cash and cash equivalents	**8.1.5**	3,807,308	10,802,725
of which short-term loans and banks	**8.1.3**	(1,116,260)	(784,057)

(1) Restated for the effects of the application of IFRS 16 - Leases (see note 1.2)

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

3.5. CHANGE IN CONSOLIDATED SHAREHOLDERS' EQUITY

(€)	Number of shares	Share capital	Reserves	Consolidated shareholders' equity
Shareholders' equity at 12.31.2017 Restated (1)	**15,082,911**	**2,413,266**	**18,724,260**	**21,137,526**
Share capital increase	1,136,936	181,910	2,509,894	2,691,804
2017 comprehensive income	-	-	(11,979,067)	(11,979,067)
Stock options and free shares	-	-	728,078	728,078
Other movements	-	-	1,443,590	1,443,590
Shareholders' equity at 12.31.2018 Restated (1)	**16,219,847**	**2,595,176**	**11,426,755**	**14,021,931**
Share capital increase	696,000	111,360	(111,360)	-
2018 comprehensive income	-	-	(15,678,343)	(15,678,343)
Stock options and free shares	-	-	1,999,650	1,999,650
Other movements	-	-	(468,402)	(468,402)
	-	-	6,347	6,347
Shareholders' equity at 12.31.2019	**16,915,847**	**2,706,536**	**(2,825,353)**	**(118,817)**

(1) Restated for the effects of the application of IFRS 16 - Leases (see note 1.2)

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

3.6. EXPLANATORY NOTES

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

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

The consolidated financial statements for the 2019 fiscal year were approved by the Board of Directors on April 7, 2020. They will be submitted for approval at the Shareholders' General Meeting of June 25, 2020.

(1) NOTE 1: ACCOUNTING PRINCIPLES

1.1 Accounting framework

The financial statements of MEDICREA Group for the year ended December 31, 2019 have been prepared in accordance with the International Financial Reporting Standards (IFRS published by the International Accounting Standards Board (IASB) and approved by the European Union pursuant to European Regulation n° 1606/2002 of July 19, 2002, and available at ec.europa.eu/info/law/international-accounting-standards-regulation-ec-no-1606-2002/law-details_fr

These standards include:

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

1.1.1 Standards, amendments and interpretations adopted by the European Union, the application of which is mandatory for reporting periods starting on or after January 1, 2019

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

Standards, Amendments and Interpretations	**IFRS 16 – Leases** Standard applicable from January 1, 2019
Introduction and general principles	On January 13, 2016, the IASB issued IFRS 16 "Leases". IFRS 16 replaces IAS 17 and the associated IFRIC and SIC interpretations. IFRS 16 introduces major changes in the principles for measuring, recognizing and presenting lease agreements for the lessee. It now requires the Group to account for the vast majority of its leases using a single model equivalent to that used to account for finance leases under IAS 17. The lessee records as follows: - a non-current asset representative of the right to use the leased asset on the consolidated statement of financial position; - a financial debt representative of the obligation to pay this right on the liabilities side of the consolidated statement of financial position; - amortization charges for user rights and interest charges on rental debts in the consolidated income statement. On the effective date of the lease, the lease debt is recorded at an amount equal to the present value of the minimum payments that have not yet been paid as well as payments related to the options that the lessee has reasonable certainty to exercise. This amount is then measured at amortized cost using the effective interest rate method. It is increased on the one hand to take into account the interest due on the rental liability and on the other hand less rent paid. On the same date, the right of use is valued at its cost and includes (i) the initial amount of the debt plus, where applicable, (ii) the advance payments made to the lessor, net where applicable, of the benefits received from the lessor, (iii) the initial direct costs incurred by the lessee for the conclusion of the contract, and (iv) the estimated costs of dismantling or restoring the leased property in accordance with the terms of the contract. This amount is then reduced by the depreciation and impairment losses recognized. The rights of use are depreciated using the straight-line method. Where the effect of the contract is to transfer the ownership of the property to the lessee or to include a call option that will be exercised with reasonable certainty, the right of use is depreciated over the useful life of the asset under the same conditions as those applied to own-account assets. In other cases, the rights of use are depreciated over the reasonably certain period of use of the underlying assets. The lease payments are broken down between the financial expense and the repayment of the principal of the lease liabilities and are recognized in the cash flow on financing transactions in the consolidated cash flow statement. The share relating to the repayment of the principal of the rental liabilities is reintegrated in the determination of the free cash flow. Subsequently, the liability and the right of use of the underlying asset must be remeasured to take into account the following situations: - revision of the rental period; - any modification related to the assessment of the reasonably certain (or not) nature of the exercise of an option; - remeasurement of the residual value guarantees; - revision of the rates or indices on which the rents are based; - adjustments in the rents.

	The main simplification measures provided for by the standard and adopted by the Group are as follows: - exclusion of short-term contracts; - exclusion of contracts for low value assets. Rents for contracts excluded from the scope of IFRS 16 as well as variable payments, which are not taken into account in the initial measurement of the liability, are recognized in operating expenses.
Impact and application of the new standard on the transition date	In particular, the Group has leases for land and buildings (production centers, storage facilities and offices) previously considered as operating leases under IAS 17 and for which a right of use is now recognized under IFRS 16. The Group has applied IFRS 16 according to the full retrospective method. As a result, financial statements issued prior to the date of application of the standard have been restated. The main impacts related to the application of IFRS 16 "Leases" are presented in Note 6.9.

The IASB has also published the following standards, amendments, and interpretations, which have been adopted by the European Union and whose application is mandatory from January 1, 2019:

Amendments to IFRS 9	Early redemption features with negative pay
Amendments to IAS 19	Employee benefits: Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Investments in Associates and Joint Ventures.
IFRIC 23 interpretation	Uncertainty over Income Tax Treatments.
Annual improvements to IFRS 2015-2017 cycle	Various provisions.

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

1.1.2 Standards, amendments and interpretations adopted by the European Union, the application of which is mandatory for reporting periods starting on or after January 1, 2019 and not applied early by the Group

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

Amendments to IFRS 9, IAS 39 and IFRS 7	IBOR reform – Phase 1.
Amendments to IFRS 3	Definition of a business.

The Group does not expect any material impact on the consolidated financial statements as a result.

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

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

Standards, amendments and interpretations		Application date (1)
Amendments to IAS 1 / IAS 8	Definition of Materiality in the financial statements.	January 1, 2020
Amendments to IFRS 3	Definition of a Business.	January 1, 2020
Revised Conceptual Framework for Financial Reporting	Amendment to References to the Conceptual Framework in IFRS Standards	January 1, 2020

(1) Subject to adoption by the European Union

1.2 Restatements 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 (see note 6.8).

1.2.1 Impacts of restatement of the 2018 consolidated income statement

(€)	12.31.2018 Published	IFRS 16	12.31.2018 Restated
Sales	**32,279,021**	**-**	**32,279,021**
Cost of sales	(9,282,951)	87,596	(9,195,355)
Gross margin	**22,996,070**	**87,596**	**23,083,666**
as % of sales	***71,2,%***	***0,3,%***	***71,5,%***
Research & development costs	(3,066,690)	5,256	(3,061,434)
Sales & marketing expenses	(16,532,462)	9,251	(16,523,211)
Sales commissions	(3,716,778)	-	(3,716,778)
General and administrative expenses	(7,469,161)	158,928	(7,310,233)
Other operating income and expenses	(561,038)	-	(561,038)
Operating income before share-based payments	**(8,350,059)**	**261,031**	**(8,089,028)**
Share-based payments	(728,078)	-	(728,078)
Operating income after share-based payments	**(9,078,137)**	**261,031**	**(8,817,106)**
Cost of net financial debt	(2,428,171)	(507,435)	(2,935,606)
Other financial (expenses) / income	166,002	-	166,002
Tax (charge) / income	(469,822)	25,807	(444,015)
Consolidated net income/(loss)	**(11,810,128)**	**(220,597)**	**(12,030,725)**

1.2.2 Impacts of restatement of 2018 consolidated statement of comprehensive income

(€)	12.31.2018 Published	IFRS 16	12.31.2018 Restated
Consolidated net income/(loss)	**(11,810,128)**	**(220,597)**	**(12,030,725)**
Translation adjustment	80,818	(29,160)	51,658
Total comprehensive income	**(11,729,310)**	**(249,757)**	**(11,979,067)**

1.2.3 Impacts of restatement of 2018 balance sheet

(€)	12.31.2018 Published	IFRS 16	12.31.2018 Restated
Goodwill	12,131,603	-	12,131,603
Intangible assets	8,098,712	-	8,098,712
Property, plant and equipment	10,353,786	15,519,536	25,873,322
Non-current financial assets	650,629	-	650,629
Deferred tax assets	2,122,210	180,610	2,302,820
Total non-current assets	**33,356,940**	**15,700,146**	**49,057,086**
Inventories	9,662,145	-	9,662,145
Trade receivables	5,361,252	-	5,361,252
Other current assets	2,480,928	-	2,480,928
Cash and cash equivalents	10,802,725	-	10,802,725
Total current assets	**28,307,050**	**-**	**28,307,050**
Total assets	**61,663,990**	**15,700,146**	**77,364,136**

(€)	12.31.2018 Published	IFRS 16	12.31.2018 Restated
Share capital	2,595,176	-	2,595,176
Issue, merger and contribution premiums	26,450,274	-	26,450,274
Consolidated reserves	(2,308,227)	(684,567)	(2,992,794)
Net income/(loss) for the year	(11,810,128)	(220,597)	(12,030,725)
Total shareholders' equity	**14,927,095**	**(905,164)**	**14,021,931**
Conditional advances	100,000	-	100,000
Non-current provisions	621,868	-	621,868
Deferred tax assets	669,701	-	669,701
Long-term financial debt	31,730,339	14,821,785	46,552,124
Other non-current liabilities	174,672	-	174,672
Total non-current liabilities	**33,296,580**	**14,821,785**	**48,118,365**
Current provisions	122,299	-	122,299
Short-term financial debt	4,854,331	1,783,525	6,637,856
Trade payables	4,803,155	-	4,803,155
Other current liabilities	3,660,530	-	3,660,530
Total current liabilities	**13,440,315**	**1,783,525**	**15,223,840**
Total shareholders' equity and liabilities	**61,663,990**	**15,700,146**	**77,364,136**

1.2.4 Impacts of restatement of 2018 consolidated cash flow statement

€	12.31.2018 Published	IFRS 16	12.31.2018 Restated
Consolidated net income/(loss)	**(11,810,128)**	**(220,597)**	**(12,030,725)**
Non-cash expenses (income)	7,142,211	1,973,859	9,116,070
Tax expense (income) (current and deferred)	(542,017)	(25,807)	(567,824)
Cost of net financial debt	2,428,171	507,435	2,935,606
Cash flow from operating activites	**(2,781,763)**	**2,234,890**	**(546,873)**
Taxes paid / refunde	(267,424)	-	(267,424)
Change in working capital requirements	244,997	-	244,997
Net cash flow from operating activities	**(2,804,190)**	**2,234,890**	**(569,300)**
Acquisition of non-current assets	(5,604,295)	-	(5,604,295)
Disposal of non-current assets	220,097	-	220,097
Impact of changes in scope	106,836	-	106,836
Government grants received / (repaid)	,(96,250)	-	,(96,250)
Other movements	77,009	-	77,009
Net cash flow from investment activities	**(5,296,603)**	**-**	**(5,296,603)**
Distribution of dividends from subsidiaries			
Share capital increase	3,083,777	-	3,083,777
Proceeds from new borrowings	27,400,800	-	27,400,800
Repayment of borrowings	(20,185,922)	(1,721,673)	(21,907,595)
Interest paid	,(1,429,672),	,(507,435),	,(1,937,107),
Other movements	(1,797,153),	-,	(1,797,153),
Net cash flow from financing activities	**7,071,830**	**(2,229,108)**	**4,842,722**
Translation effect on cash and cash equivalents	(117,247)	16,219	(101,028)
Other movements	72,647	(22,001)	50,646
Change in cash and cash equivalents	**(1,073,563)**	**-**	**(1,073,563)**
Opening cash position	**11,092,231**	**-**	**11,092,231**
Closing cash position	**10,018,668**	**-**	**10,018,668**
of which cash and cash equivalents	*10,802,725*	-	*10,802,725*
of which short-term loans and banks	*(784,057)*	-	*(784,057)*

1.3 Preparation bases

The consolidated financial statements have been prepared in Euros in accordance with the going concern principle, as described in Note 8.6.1 “Liquidity risks”, assessed based on the Group’s capacity to meet, over the next 12 months preceding the date of preparation of the financial statements, cash flow requirements linked to its operations, its investments and the repayment of its short-term financial liabilities, thanks to a positive self-financing capacity and/or allocating sufficient financial resources.

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

Rapid changes in economic environments increase the difficulties of valuing and estimating certain assets and liabilities, as well as contingencies on business developments. The estimates made by management were made based on information available to it at December 31, 2019, after taking account of events subsequent to that period in accordance with IAS 10. These assumptions, estimates and judgments made on the basis of information or situations existing at the date of preparation of the financial statements, may prove different from subsequent actual events, in particular due to the Covid-19 health crisis and its consequences for the Group's business.

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

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

At December 31, 2019, the Group was not aware of any changes in estimates having a significant impact during the period. **The most likely estimated consequences at the reporting date on the Group's activity of the global health crisis linked to the Covid-19 pandemic are detailed in paragraph 2.6.**

NOTE 2: SCOPE OF CONSOLIDATION

2.1 Consolidation method

Consolidation is based on the statutory financial statements, prepared at December 31, 2019, of the various legal entities comprising the Group.

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

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

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

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

2.2 Foreign currency translation

2.2.1 Translation of financial statements expressed in foreign currencies

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

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

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

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

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

The main exchange rate used are as follows :

Average exchange rate:

1 euro =	USD	GBP	PLN	AUD
December 31, 2019	1,12125	0,87951	4,30270	1,60976
December 31, 2018	1,18384	0,88535	4,25803	1,58170
December 31, 2017	1,12493	0,87313	4,26218	1,47279

Year-end exchange rate:

1 euro =	USD	GBP	PLN	AUD
December 31, 2019	1,12340	0,85080	4,25680	1,59950
December 31, 2018	1,14500	0,89453	4,30140	1,62200
December 31, 2017	1,19930	0,88723	4,17700	1,53460

2.2.2 Foreign currency transactions

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

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

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

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

2.3 Business combinations

Business combinations are accounted for using the acquisition method:

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

Adjustments to the fair value of identifiable assets acquired and liabilities assumed that have been recorded on a provisional basis (due to ongoing expert assessments or additional analyses) are recognized as retrospective adjustments to goodwill if they take place within a period of one year from the acquisition date or if they result from facts and circumstances that were in existence at the acquisition date. Following this period, any effects are recognized directly through profit or loss, as with any other change in an estimate.

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

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

The costs directly related to the acquisition are recorded under “Other income and expenses” in the period they are incurred. Any contingent consideration in relation to a business combination is measured at fair value at the acquisition date, even if its realization is not considered probable.

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

2.4 Changes in consolidation scope

The consolidation scope includes the following entities:

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

With regard to MEDICREA BELGIUM, a public limited company under Belgian law created in February 2018 and of which MEDICREA INTERNATIONAL holds 63.25% as of December 31, 2019, a shareholders' pact frames the crossed commitments to buy and sell the residual stake of 36.75% owned by the minority shareholder and taking place in stages over the period 2020 - 2022 as follows:

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

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

At December 31, 2019, the fair value of the commitment to buy 36,75% of the capital of MEDICREA BELGIUM was measured at €6.3 million on the basis of the 2019 EBITDA (*), 2020 and 2021 EBITDA (*) forecasts available at that date.

With regard to MEDICREA AUSTRALIA, a company incorporated under Australian law in June 2018 and of which MEDICREA INTERNATIONAL holds 51% as of December 31, 2019, a shareholders' pact frames the crossed commitments to buy and sell the remaining 49% stake held by the minority shareholder and taking place in stages over the period 2021 - 2024 as follows:

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

At December 31, 2019, the fair value of the commitment to buy 49% of the capital of MEDICREA AUSTRALIA was measured at €0.8 million on the basis of 2020, 2021, 2022 and 2023 EBITDA (*) forecasts available at that date.

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

Control and interest percentages at December 31, 2019 are detailed in the table below:

		Registered office:	**% control**	**% interest**
MEDICREA INTERNATIONAL		Rillieux-la-Pape, FR	Parent company	
MEDICREA USA		New-York, USA	100%	100%
MEDICREA TECHNOLOGIES UK		Preston, GB	100%	100%
MEDICREA GMBH		Köln, DE	100%	100%
MEDICREA POLAND		Łódź, PL	100%	100%
MEDICREA BELGIUM		Houwaart, BE	63%	100%
MEDICREA AUSTRALIA		Brisbane, AU	51%	100%

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

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

Therefore, in the Group's annual financial statements at December 31, 2019, 100% of the companies MEDICREA BELGIUM and MEDICREA AUSTRALIA has been consolidated even though the control percentage of MEDICREA INTERNATIONAL in these subsidiaries is respectively 63% and 51%. Commitments to buy out non-controlling interests in MEDICREA BELGIUM and MEDICREA AUSTRALIA are recognized in other financial liabilities.

NOTE 3: SEGMENT REPORTING

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

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

The different geographic regions are:

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

The expenses of the Research and Development, Marketing, Export Distribution, Finance and General Administration departments incurred by the Group's head office are all presented under the "France" segment, without any analytical reallocation to other geographical areas (see point 3.2).

3.1 Breakdown of sales by geographic region

By geographic region, sales are analyzed as follows:

	12.31.2019		12.31.2018	
	(€)	(%)	(€)	(%)
	6,513,260	20 %	6,080,368	19 %
	17,886,721	55 %	15,566,697	48 %
	275,370	1 %	292,140	1 %
	3,730,638	11 %	5,064,349	16 %
	641,386	2 %	218,205	1 %
Rest of the world	3,674,030	11 %	5,057,262	15 %
of which Europe	*1,442,613*		*2,645,556*	
of which South America	*926,248*		*1,034,365*	
of which Asia	*896,862*		*864,468*	
of which Oceania	*67,109*		*172,097*	
of which Middle East and Africa	*341,198*		*340,776*	
Total	**32,721,405**	**100 %**	**32,279,021**	**100 %**

3.2 2019 Income statement by geographic region

(€)	(1)					Rest of the world	Total 12.31.2019
Sales	**6,513,260**	**17,886,721**	**275,370**	**3,730,638**	**641,386**	**3,674,030**	**32,721,405**
Cost of sales	(2,428,717)	(2,100,993)	(113,226)	(971,258)	(99,287)	(1,540,433)	(7,253,914)
Gross margin	**4,084,543**	**15,785,728**	**162,144**	**2,759,380**	**542,099**	**2,133,597**	**25,467,491**
% of sales	***62,7 %***	***88,3 %***	***58,9 %***	***74,0 %***	***84,5 %***	***58,1 %***	***77 ,8 %***
Research & development costs	(2,109,656)	(830,905)	(850)	(2,331)	(2,751)	(3,375)	(2,949,868)
Sales & marketing expenses	(4,835,403)	(8,650,273)	(391,633)	(871,235)	(443,723)	(995,255)	(16,187,522)
Sales commissions	(137,144)	(4,908,085)	-	-	-	-	(5,045,229)
General and administrative expenses	(4,671,626)	(2,262,945)	(33,134)	(130,911)	(79,180)	(139,555)	(7,317,351)
Other operating income and expenses	(192,335)	(496,910)	-	12,000	-	(778)	(678,023)
Operating income before share-based payments	**(7,861,621)**	**(1,363,390)**	**(263,473)**	**1,766,903,**	**16,445**	**994,634,**	**(6,710,502)**
Share-based payments	(1,696,612)	(303,038)	-	-	-	-	(1,999,650)
Operating income after share-based payments	**(9,558,233)**	**(1,666,428)**	**(263,473)**	**1,766,903**	**16,445**	**994,634**	**(8,710,152)**
Cost of net financial debt	(3,878,650)	(403,361)	(7,730)	(33,569)	-	(20,918)	(4,344,228)
Other financial (expenses) / income	(356,538)	-	(23)	-	-	649	(355,912)
Tax (charge) / income	-	(1,597,415)	5,245	(553,307)	5,378	-	(2,140,099)
Consolidated net income/(loss)	**(13,793,421)**	**(3,667,204)**	**(265,981)**	**1,180,027**	**21,823**	**974,365**	**(15,550,391)**

3.3 2018 Income statement restated by geographic region

(€)	(2)					Rest of the world	Total 12.31.2018 Restated (3)
Sales	**6,080,368**	**15,566,697**	**292,140**	**5,064,349**	**218,205**	**5,057,262**	**32,279,021**
Cost of sales	(2,412,330)	(2,769,024)	(122,613)	(1,721,398)	(29,592)	(2,140,398)	(9,195,355)
Gross margin	**3,668,038**	**12,797,673**	**169,527**	**3,342,951**	**188,613**	**2,916,864**	**23,083,666**
% of sales	***60,3 %***	***82,2 %***	***58,0 %***	***66,0 %***	***86,4 %***	***57,7 %***	***71,5 %***
Research & development costs	(2,514,090)	(542,323)	(760)	(1,928)	(945)	(1,388)	(3,061,434)
Sales & marketing expenses	(4,355,528)	(8,706,878)	(546,331)	(1,273,860)	(89,757)	(1,550,857)	(16,523,211)
Sales commissions	(97,485)	(3,532,228)	-	-	(87,065)	-	(3,716,778)
General and administrative expenses	(4,759,389)	(2,087,381)	(38,343)	(114,927)	(25,557)	(284,636)	(7,310,233)
Other operating income and expenses	(61,123)	(154,845)	-	(653)	-	(344,417)	(561,038)
Operating income before share-based payments	**(8,119,577)**	**(2,225,982)**	**(415,907)**	**1,951,583,**	**(14,711),**	**735,566,**	**(8,089,028)**
Share-based payments	(368,574)	(359,504)	-	-	-	-	(728,078)
Operating income after share-based payments	**(8,488,151)**	**(2,585,486)**	**(415,907)**	**1,951,583**	**(14,711)**	**735,566**	**(8,817,106)**
Cost of net financial debt	(2,470,883)	(393,339)	(6,281)	(41,534)	-	(23,569)	(2,935,606)
Other financial (expenses) / income	166,291	-	(29)	986	-	(1,246)	166,002
Tax (charge) / income	-	199,837	(3,191)	(645,161)	(1,653)	6,153	(444,015)
Consolidated net income/(loss)	**(10,792,743)**	**(2,778,988)**	**(425,408)**	**1,265,874**	**(16,364)**	**716,904**	**(12,030,725)**

(2) The general and support costs of the head office located in France are not reallocated in the above analysis to the various entities making up the Group

(3) Restated for the effects of the application of IFRS 16 - Leases (see note 6.8)

3.4 2019 Balance sheet by geographic region

(€)						Rest of the world	Total 12.31.2019
Goodwill	12,052,748	-	-	-	-	-	12,052,748
Intangible assets	7,422,825	966,568	-	-	-	-	8,389,393
Property, plant and equipment	16,294,821	6,630,654	114,095	417,544	164,117	235,221	23,856,452
Non-current financial assets	361,722	304,870	10,704	-	-	-	677,296
Deferred tax assets	560,955	134,522	-	(36,291)	5,231	-	664,417
Total non-current assets	**36,693,071**	**8,036,614**	**124,799**	**381,253**	**169,348**	**235,221**	**45,640,306**
Inventories	7,489,725	1,131,472	139,716	414,228	130,484	-	9,305,625
Trade receivables	1,081,676	2,302,762	67,244	707,286	262,055	476,692	4,897,715
Other current assets	2,292,407	296,653	7,058	5,408	45,876	1,492	2,648,894
Cash and cash equivalents	2,061,239	374,610	20,411	1,252,779	89,334	8,935	3,807,308
Total current assets	**12,925,047**	**4,105,497**	**234,429**	**2,379,701**	**527,749**	**487,119**	**20,659,542**
Total assets	**49,618,118**	**12,142,111**	**359,228**	**2,760,954**	**697,097**	**722,340**	**66,299,848**

(€)						Rest of the world	Total 12.31.2019
Share capital	2,706,536	-	-	-	-	-	2,706,536
Issue, merger and contribution premiums	20,206,582	-	-	-	-	-	20,206,582
Consolidated reserves	(15,779,832)	7,681,366	567,703	(279,936)	626,819	(297,664)	(7,481,544)
Group net income/(loss) for the period	(13,793,421)	(3,667,204)	(265,981)	1,180,027	21,823	974,365	(15,550,391)
Total shareholders' equity	**(6,660,135)**	**4,014,162**	**301,722**	**900,091**	**648,642**	**676,701**	**(118,817)**
Conditional advances	763,872	-	-	-	-	-	763,872
Non-current provisions	560,967	-	-	-	-	-	560,967
Deferred tax assets	44,603,838	5,166,577	2,593	138,668	-	-	49,911,676
Other non-current liabilities	-	89,015	-	-	-	-	89,015
Total non-current liabilities	**45,928,677**	**5,255,592**	**2,593**	**138,668**	**-**	**-**	**51,325,530**
Current provisions	128,542	-	-	-	-	-	128,542
Other current financial liabilities	5,289,069	778,726	9,386	568,957	-	-	6,646,138
Trade payables	2,772,433	1,865,799	2,768	353,849	404	45,639	5,040,892
Other current liabilities	2,159,532	227,832	42,759	799,389	48,051	-	3,277,563
Total current liabilities	**10,349,576**	**2,872,357**	**54,913**	**1,722,195**	**48,455**	**45,639**	**15,093,135**
Total shareholders' equity and liabilities	**49,618,118**	**12,142,111**	**359,228**	**2,760,954**	**697,097**	**722,340**	**66,299,848**

3.5 2018 Balance sheet restated by geographic region

(€)						Rest of the world	Total 12.31.2018 Restated (1)
Goodwill	12,131,603	-	-	-	-	-	12,131,603
Intangible assets	6,956,142	1,142,570	-	-	-	-	8,098,712
Property, plant and equipment	17,446,142	7,350,615	258,911	436,191	107,394	274,069	25,873,322
Non-current financial assets	342,921	299,119	8,589	-	-	-	650,629
Deferred tax assets	669,688	1,670,030	(5,244)	(30,238)	(1,416)	-	2,302,820
Total non-current assets	**37,546,496**	**10,462,334**	**262,256**	**405,953**	**105,978**	**274,069**	**49,057,086**
Inventories	7,798,134	1,341,624	133,830	295,126	80,713	12,718	9,662,145
Trade receivables	1,143,359	2,565,781	71,676	550,529	77,822	952,085	5,361,252
Other current assets	2,150,252	298,402	8,088	5,618	7,047	11,521	2,480,928
Cash and cash equivalents	8,157,588	574,234	28,803	1,983,138	27,021	31,941	10,802,725
Total current assets	**19,249,333**	**4,780,041**	**242,397**	**2,834,411**	**192,603**	**1,008,265**	**28,307,050**
Total assets	**56,795,829**	**15,242,375**	**504,653**	**3,240,364**	**298,581**	**1,282,334**	**77,364,136**

(€)						Rest of the world	Total 12.31.2018 Restated (1)
Share capital	2,595,176	-	-	-	-	-	2,595,176
Issue, merger and contribution premiums	26,450,274	-	-	-	-	-	26,450,274
Consolidated reserves	(14,383,597)	9,287,387	828,331	522,685	258,376	494,024	(2,992,794)
Group net income/(loss) for the period	(10,792,743)	(2,778,988)	(425,408)	1,265,874	(16,364)	716,904	(12,030,725)
Total shareholders' equity	**3,869,110**	**6,508,399**	**402,923**	**1,788,559**	**242,012**	**1,210,928**	**14,021,931**
Conditional advances	100,000	-	-	-	-	-	100,000
Non-current provisions	621,868	-	-	-	-	-	621,868
Deferred tax assets	669,701	-	-	-	-	-	669,701
Long-term financial debt	40,600,454	5,833,147	11,855	106,668	-	-	46,552,124
Other non-current liabilities	-	174,672	-	-	-	-	174,672
Total non-current liabilities	**41,992,023**	**6,007,819**	**11,855**	**106,668**	**-**	**-**	**48,118,365**
Current provisions	122,299	-	-	-	-	-	122,299
Other current financial liabilities	5,826,370	716,395	28,231	66,684	-	176	6,637,856
Trade payables	2,693,753	1,729,030	5,332	263,985	51,618	59,437	4,803,155
Other current liabilities	2,292,274	280,732	56,312	1,014,468	4,951	11,793	3,660,530
Total current liabilities	**10,934,696**	**2,726,157**	**89,875**	**1,345,137**	**56,569**	**71,406**	**15,223,840**
Total shareholders' equity and liabilities	**56,795,829**	**15,242,375**	**504,653**	**3,240,364**	**298,581**	**1,282,334**	**77,364,136**

(1) Restated for the effects of the application of IFRS 16 - Leases (see note 6.8)

NOTE 4: OPERATIONAL DATA

4.1 Key operating performance indicators

The performance indicators used by the Group are as follows:

- sales;
- gross margin rate on sales;
- operating income before depreciation, amortization and impairment;
- number of UNiD ® surgeries.

4.2 Sales

IFRS 15 "Revenue from contracts with customers" bases the recognition of turnover on the transfer of control. In the majority of cases within the Group, the transfer of control takes place at the same time as the transfer of risks, that is to say during the shipment of products. However, in certain cases, when the Group delivers healthcare establishments directly, implants and instruments are deposited. They are therefore not invoiced at the time of delivery and remain recognized in the Group's assets. Only implants that have been placed and / or possibly lost or broken instruments are subsequently billed.

Inventories of assets in custody are carried out on a regular basis, either directly in the field, or after the assets are returned to and examined in the Group's distribution centers and the necessary accounting adjustments are recorded in the financial statements.

Turnover is made up of the value, excluding taxes, of goods and services sold by integrated companies in the normal course of their business after elimination of intra-group sales.

The result of unwinding currency hedges on commercial transactions is presented in other operating income and expenses.

Sales by nature breaks down as follows :

(€)	12.31.2019	12.31.2018
Sales of implants and instruments	32,666,455	31,278,081
Motors reparing for surgical devices	-	982,796
Other product	54,950	18,144
Sales	**32,721,405**	**32,279,021**

In 2019, sales reached € 32.7 million and increased by + 11% compared to the same period of the previous year on a comparable basis, the Group having discontinued two non-strategic distribution activities that had contributed € 2.9 million to revenue in 2018. The US, Belgian and French markets are fueling this growth, complemented by the development of activity in Australia.

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.

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.

4.3 Inventories

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

Finished and semi-finished goods and work-in-progress inventories are valued at cost, excluding sales and marketing expenses.

Impairment is recognized when the probable realizable value of inventories is lower than book value.

Gross and net inventories are analyzed as follows:

	12.31.2019			12.31.2018		
(€)	**Gross values**	**Impairment**	**Net values**	**Gross values**	**Impairment**	**Net values**
Raw materials	397,319	(87,107)	310,212	378,569	(46,798)	331,771
Work-in-process	597,812	(67,968)	529,844	441,059	(51,948)	389,111
Semi-finished goods	1,603,404	(416,885)	1,186,519	1,651,784	(420,996)	1,230,788
Finished goods	11,385,512	(4,106,462)	7,279,050	10,762,121	(3,051,646)	7,710,475
Total	**13,984,047**	**(4,678,422)**	**9,305,625**	**13,233,533**	**(3,571,388)**	**9,662,145**

In gross value, inventory increased by 6% compared to December 31, 2018. The increase is mainly concentrated in the finished product category, following the launch of the new range of PASS TULIP ™ screws and pedicle fixations for spina degenerative surgeries.

At December 31, 2019, impairment charges represented on average 33% of gross values compared to 27% on December 31, 2018. The increase mainly concerns finished products and results from a detailed review of the sales outlook for a number of products including available stocks are high compared to future consumption, the planned cessation of aging ranges, as well as the planned scrapping of items becoming unsuitable for sale given expiration date exceeded or maximum sterilization cycles reached.

4.4 Trade receivables and other assets

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

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

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

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

Trade and other receivables are analyzed as follows:

	12.31.2019			12.31.2018		
(€)	**Gross values**	**Impairment**	**Net values**	**Gross values**	**Impairment**	**Net values**
Trade receivables	**5,107,833**	**(210,118)**	**4,897,715**	**5,464,975**	**(103,723)**	**5,361,252**
	112,210	-	*112,210*	*284,057*	-	*284,057*
Social security receivables	5,254	-	5,254	5,571	-	5,571
Tax receivables	1,592,872	-	1,592,872	1,537,202	-	1,537,202
Other receivables	234,008	-	234,008	160,460	-	160,460
Prepaid expenses	816,760	-	816,760	777,695	-	777,695
Other assets	**2,648,894**	**-**	**2,648,894**	**2,480,928**	**-**	**2,480,928**
Total	**7,756,727**	**(210,118)**	**7,546,609**	**7,945,903**	**(103,723)**	**7,842,180**
of which due in less than one year	*7,756,727*	*(210,118)*	*7,546,609*	*7,945,903*	*(103,723)*	*7,842,180*
Average days sales outstanding		**55 days**			**59 days**	

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. The €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.

Tax receivables mainly include the research tax credit (€1 million at December 31, 2019), and structural VAT credits to be recovered.

4.5 Trade payables and other liabilities

Changes in trade payables and other liabilities were as follows:

(€)	12.31.2019	12.31.2018
Trade payables	**5,040,892**	**4,803,155**
Social security liabilities	2,160,170	2,024,395
Tax liabilities	809,842	712,937
Other liabilities	396,566	1,097,870
Other liabilities	**3,366,578**	**3,835,202**
Total	**8,407,470**	**8,638,357**
of which due in less than one year	*8,318,456*	*8,463,685*

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

The decrease in other liabilities by €0.5 million is mainly explained by the repayment of a current account of associates within MEDICREA BELGIUM in the continuity of the discontinuation of a non-strategic activity of distribution of bone substitutes and other medical devices.

4.6 Research & development costs

4.6.1 Capitalized development costs

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

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

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

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

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

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

(€)	12.31.2019	12.31.2018
Research & development costs	1,549,045	1,471,093
Patent costs	410,270	219,004
Software	168,551	230,964
Total	**2,127,866**	**1,921,061**

4.6.2 Research and development costs recognized in the income statement

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

In France, the research tax credit, which is calculated on the basis of certain research expenses relating to projects considered as "eligible", is repaid by the State regardless of the entity's situation in terms of corporation tax: if the company that receives the research tax credit is liable for tax, this credit is deducted from the tax payable; otherwise, it is repaid by the State. Accordingly, the research tax credit, or any other similar tax arrangement that may exist in other foreign jurisdictions, does not fall within the scope of application of IAS 12 – Income Taxes, and is recognized as a deduction to the research and development costs taken to operating income at the rate at which the financed costs are recognized as expenses. The United States also has a research tax credit system; unlike in France, however, the resulting credit can only be applied to corporate income tax for which the company is liable. Given that the US operation has yet to report a profit, the research tax credit is not recognized in the financial statements of MEDICREA USA Corp.

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

(€)	12.31.2019	12.31.2018
Research & development costs	3,270,725	3,322,548
Capitalized research & development costs	(2,127,866)	(1,921,061)
Amortization charge of capitalized research and development costs	2,852,797	2,547,648
Research tax credit	(1,045,788)	(887,701)
Total	**2,949,868**	**3,061,434**

4.7 Amortization, depreciation and impairment charges

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

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

Amortization and depreciation	12.31.2019	12.31.2018
Industrial and commercial property rights	309,592	329,559
Other intangible assets	2,514,633	2,232,970
Buildings	1,802,128	1,739,160
Plant, machinery and tools, instruments	2,444,895	2,742,532
Other property, plant and equipment	923,589	963,294
Total	**7,994,837**	**8,007,515**

(1) Restated for the effects of the application of IFRS 16 - Leases (see note 6.8)

Impairment	12.31.2019	12.31.2018
Inventories	1,107,034	136,394
Trade receivables	106,611	73,577
Total	**1,213,645**	**209,971**

Amortization and depreciation charges are analyzed as follows:

(€)	Cost of sales	Research & development and patent costs	Sales & marketing expenses	General and administrative expenses	Other operating income and expenses	Total
Amortization	1,118,757	2,547,648	2,277,365	2,022,386	41,359	8,007,515
Depreciation	(60,514)	-	270,485	-	-	209,971
31.12.2018	**1,058,243**	**2,547,648**	**2,547,850**	**2,022,386**	**41,359**	**8,217,486**
Amortization	1,131,219	2,852,797	1,948,412	2,062,409	-	7,994,837
Depreciation	200,000	-	1,013,645	-	-	1,213,645
31.12.2019	**1,331,219**	**2,852,797**	**2,962,057**	**2,062,409**	**-**	**9,208,482**

4.8 Royalties

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

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

The total amount of royalties expensed for the fiscal year can be analyzed as follows :

(€)	12.31.2019	12.31.2018
Royalties paid to surgeons	535,636	494,626
% of sales	*1,6 %*	*1,5 %*

4.9 Operating income and other income and expenses from operations

4.9.1 Operating income

Operating income includes all income and expenses other than:

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

4.9.2 Other income and expenses

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

Other income and expenses are analyzed as follows:

(€)	12.31.2019	12.31.2018
Closure of subsidiaries	-	(395,051)
Legal fees	(384,990)	(112,685)
Fees	(294,927)	(50,000)
Disputes with employees	(20,000)	37,081
Other	21,894	(40,383)
Total	**(678,023)**	**(561,038)**

Legal fees are related to the defense costs as part of an investigation conducted by the US Department of Justice (DOJ) as explained in section 7.2.

Fees are related to the study of strategic partnerships and the identification of financing solutions that have not been completed.

4.10 Impact of exchange differences on sales and operating income

The impact of currency fluctuations on the comparability of the 2018 and 2019 financial statements is as follows:

(€)	12.31.2019 at the 12.31.2019 rate	12.31.2019 at the 12.31.2018 rate	Impact of exchange rates
Sales	32,721,405	31,788,883	932,522
Operating income after share-based payments	(8,710,152)	(9,144,226)	434,074

NOTE 5: EMPLOYEE COSTS AND BENEFITS

5.1 Workforce

The workforce can be analyzed by category, gender, and geographic region 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**
	*73*	*58*	*131*	*69*	*56*	*125*
	*24*	*14*	*38*	*20*	*17*	*37*
	-	-	-	-	-	-
	-	*3*	*3*	-	*5*	*5*
	*9*	*3*	*12*	*9*	*2*	*11*
	-	-	-	-	*1*	*1*

5.2 Employee benefits

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

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

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

Long-term benefits cover two categories of employee benefits:

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

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

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

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

(€)	**12.31.2019**	**12.31.2018**
Wages and salaries, and temporary staff	11,526,845	11,997,031
Social security costs	3,745,281	3,761,981
French tax credit for competitiveness and employment	-	(169,751)
Pension expenses for defined contribution schemes	97,341	103,343
Capitalized research and development costs (1)	(1,363,327)	(1,185,963)
Total	**14,006,140**	**14,506,641**

(1): for the salaries and expenses component only

In France, the Group benefited until December 31, 2018 from the tax credit for competitiveness and employment (CICE), the calculation of which was based on part of the remuneration paid to employees. This tax credit was reimbursed by the French State, regardless of the entity's corporate income tax position: it therefore did not fall within the scope of application of IAS 12 "Income Taxes". The CICE was recognized as a deduction from personnel expenses in operating income. It has not been renewed beyond the 2018 financial year.

Employee costs are broken down as follows:

(€)	**12.31.2019**	**12.31.2018**
Cost of sales	2,928,326	3,062,977
Research & development costs (1)	65,520	219,940
of which salaries and employer contributions	*1,811,602*	*1,746,644*
of which share of capitalized costs	*(1,363,327)*	*(1,185,963)*
of which research tax credit	*(382,755)*	*(340,741)*
Sales & marketing expenses	8,181,942	8,509,394
General and administrative expenses	2,830,352	2,714,330
Total	**14,006,140**	**14,506,641**

(1): corresponds to non-capitalized employee costs

The €0.5 million decrease in personnel expenses is mainly due to the closure in 2018 of the subsidiaries in England and Germany and therefore the elimination in 2019 of all the marketing expenses they generated.

5.3 Pension plans and similar benefits

Defined contribution plans (statutory and supplementary pension schemes) are characterized by payments to organizations that release the employer from any subsequent obligation, with the organization assuming responsibility for paying employees the amounts due to them.

By their nature, defined contribution plans do not give rise to the recognition of provisions, as contributions are recorded when they are due.

Defined benefit plans correspond to other plans and mainly for the Group to retirement indemnities.

Commitments in respect of defined benefit plans are estimated by actuaries in accordance with IAS 19 (revised). These commitments are determined using the "projected unit credit method". They take into account actuarial assumptions, in particular discount rates, rates of salary increases, employee turnover and mortality rates.
The retirement age is the age at which the employee obtains the number of quarters required to liquidate his social security pension without deduction, and the method of retirement is at the employee's initiative. The discount rate is based at the measurement date on the rates of long-term high-quality private sector bonds in euros (Corporate bonds AA10+) for a duration equivalent to the duration of the commitments, in application of the revised IAS19 standard and the ANC recommendation.

Retirement commitments are presented in the balance sheet for their total amount. The impact related to current service cost and interest cost is recognized in recurring operating income. The impact of actuarial gains and losses on pension obligations is recognized immediately in other comprehensive income, net of tax. They cannot be recycled in the income statement. The impacts of changes in the plan and liquidation are recognized immediately in consolidated income.

Members of the Board of Directors and senior executives do not benefit from any supplementary pension plans.

The Group does not finance its commitments through contributions to external funds. The coverage of end-of-career indemnities as provided for by the collective agreement on which MEDICREA INTERNATIONAL (Import / Export) depends is covered by a provision recorded under current liabilities for the portion due in less than one year and non-current liabilities for the remainder.

The main economic assumptions used are set out below:

	12.31.2019	**12.31.2018**
Expected rate of wage growth	2.00 %	2.00 %
Discount rate	0.70 %	1.60 %
Rate of social security charges for managers	47.50 %	44.50 %
Rate of social security charges for non-executives	36.00 %	37.00 %

The amount of vested rights provisioned at December 31, 2019 was € 777,614, compared to € 639,367 at December 31, 2018. The changes can be analyzed as follows

(€)	**12.31.2019**	**12.31.2018**
Actuarial liability at the start of the period	**639,367**	**600,328**
Service cost in operating income	*87,341*	*103,343*
Net financial expense	*10,090*	*7,637*
Charge for the year in respect of defined benefit plans	**97,431**	**110,980**
Actuarial gains and losses	40,816	(71,941)
Actuarial liability at the balance sheet date	**777,614**	**639,367**

Actuarial gains and losses are due to changes in assumptions and employee mobility.

For foreign subsidiaries, a detailed review of pension obligations is carried out on the basis of the rules applicable in each country and provisions are recorded if necessary.

5.4 Long-service awards

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

5.5 Share-based payments

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

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

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

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

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

The Shareholders' Meetings of March 10, 2006, June 25, 2009, June 14, 2012, June 25, 2014, June 3, 2015, December 18, 2015, June 7, 2016, June 15, 2017, November 8, 2017 and May 17, 2018 delegated to the Board of Directors the authority to grant stock options and free shares. The Boards of Directors of 5 June 2008, 25 June 2009, 25 June 2009, 17 December 2009, 17 June 2010, 16 June 2011, 17 December 2013, 27 March 2014, 3 September 2015, 25 July 2016, 19 September 2016, 14 September 2017, 22 December 2017, 8 February 2018, 27 July 2018 and 20 December 2018 granted stock options and/or free shares.

5.5.1 Share purchase option plans

The characteristic features of these share purchase plans authorized by the Shareholders' Meeting were as follows at December 31, 2019:

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

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

5.5.2 Free share plans

The characteristic features of these free share plans authorized by the Shareholders' Meeting were as follows at December 31, 2019:

Year the plan was arranged	Number of free shares authorized	Number of free shares canceled	Number of free shares vested	Number of shares to be allocated	Year vested (1)
2008	18,099	936	17,163	-	2010 / 2012
2009	45,800	8,100	37,700	-	2011 / 2013
2010	45,885	9,965	35,920	-	2012 / 2014
2011	3,500	-	3,500	-	2013
2016	72,990	31,000	41,990	-	2017 / 2018
2018	5,000	-	5,000	-	2019
2018	787,000	6,000	691,000	90,000	2019 / 2020
Total	**978,274**	**56,001**	**832,273**	**90,000**	

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

5.5.3 Change in stock purchase option and free share plans

Transactions in share-based payment instruments over the last two fiscal years are summarized as follows as at December 31, 2019:

	Subscription options			Free shares		
	Number of options	**Average residual contractual life**	**Average exercise price (€)**	**Number of shares**	**Average residual contractual life**	
					France	**United States**
Balance at 12.31.17	**706,592**	**6.58**	**3.67**	**31,000**	**-**	**0.72**
- allocated	735,000	3.40	2.93	792,000	0.97	1.97
- canceled	(75,000)	3.97	3.69	(22,000)	-	-
- lapsed	(16,592)	-	8.06	-	-	-
- exercised	-	-	-	(9,000)	-	0.72
Balance at 12.31.18	**1,350,000**	**6.01**	**3.16**	**792,000**	**0.97**	**1.97**
- allocated	-	-	-	-	-	-
- canceled	-	-	-	(6,000)	-	-
- lapsed	-	-	-	-	-	-
- exercised	-	-	-	(696,000)	-	-
Balance at 12.31.2019	**1,350,000**	**5.01**	**3.16**	**90,000**	**-**	**0.97**

5.5.4 Reflection of allocated instruments in the financial statements

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

Allocation date	Type	Number of outstanding securities	Exercise price (€)	Share price on the allocation date (€)	Dividend yield	Expected volatility	Risk-free rate	Fair value (€)	2019 accounting charge (€ K)	Cost of plans since inception (€K)
06.05.2008	Option	4,167	6.00	5.73	0%	40%	4.44%	2.74	-	69
06.05.2008	Share	17,163	Free	5.73	0%	-	-	5.73	-	97
25.06.2009	Option	7,480	6.16	6.55	0%	40%	2.89%	2.63	-	262
25.06.2009	Share	35,700	Free	6.55	0%	-	-	6.55	-	267
12.17.2009	Option	13,000	6.32	5.96	0%	40%	2.54%	2.31	-	33
12.17.2009	Share	2,000	Free	5.96	0%	-	-	5.96	-	12
06.17.2010	Option	12,874	6.14	6.22	0%	40%	1.83%	2.44	-	247
06.17.2010	Share	35,920	Free	6.22	0%	-	-	6.22	-	263
06.16.2011	Option	-	9.10	9.40	0%	33%	2.37%	3.06	-	244
06.16.2011	Share	3,500	Free	9.40	0%	-	-	9.40	-	33
12.17.2013	Option	-	8.77	8.88	0%	36%	2.69%	3.05	-	30
27.03.2014	Option	30,000	9.10	9.14	0%	35%	2.33%	3.01	-	91
09.03.2015	Option	-	6.67	6.48	0%	33%	0.37%	1.77	-	15
25.07.2016	Option	-	5.43	5.87	0%	35%	- 0.24%	1.85	-	160
08.22.2016	Share	-	Free	5.87	0%	-	-	5.87	-	83
09.19.2016	Option	-	5.74	5.71	0%	36%	- 0.25%	1.66	-	7
09.19.2016	Share	41,990	Free	5.85	0%	-	-	5.85	-	260
09.14.2017	Option	160,000	3.95	3.86	0%	34%	- 0.01%	1.07	40	154
09.14.2017	Option	-	4.11	4.61	0%	34%	- 0.01%	1.50	-	13
12.22.2017	Option	425,000	2.85	2.79	0%	35%	0.11%	0.78	93	299
02.08.2018	Option	410,000	2.96	3.19	0%	35%	0.37%	1.03	134	404
02.08.2018	Option	160,000	3.21	3.18	0%	35%	0.37%	0.93	48	128
27.07.2018	Share	5,000	Free	2.99	0%	-	-	2.99	9	14
27.07.2018	Option	100,000	2.73	2.56	0%	35%	0.19%	0.70	32	50
12.20.2018	Share	691,000	Free	2.26	0%	-	-	2.26	1,514	1,564
12.20.2018	Share	90,000	Free	2.26	0%	-	-	2.26	102	105
12.20.2018	Option	65,000	2.38	2.38	0%	37%	0.15%	0.74	28	29
Total		**2,309,794**							**2,000**	**4,931**

The above table does not take into account the 37,521 stock options (see paragraph 5.5.1) that were exercised in 2014 and 2015.

The number of instruments outstanding over the last two financial years breaks down as follows:

	12.31.2019	12.31.2018
Number of options remaining to be acquired	1,350,000	1,350,000
Number of options exercised	37,521	37,521
Number of free shares acquired	832,273	136,273
Number of free shares still to be issued	90,000	792,000
Total	**2,309,794**	**2,315,794**

5.6 US Employee Stock Purchase Plan (ESPP)

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

- Only employees who have worked for the company for at least three months at the time of the annual subscription (in December) may take part in the plan, by paying a fixed amount into a dedicated account on a monthly basis;
- The sums thus accumulated give them the right at the end of each year to purchase MEDICREA INTERNATIONAL shares at a price equal to 85% of the average share price on January 1 and November 30;
- These shares must be retained for 12 months before they can be sold or transferred.

Since the implementation of this plan, 62,279 shares have been subscribed by employees:

ESPP	2019	2018	2017	2016	2015
Number of shares subscribed by employees	26,651	18,147	3,303	7,879	6,299
Subscription price	3.25	2.67	3.45	4.32	6.41

The difference between the price actually paid by the company to acquire the shares and the price paid by the employees is expensed for the year ($29,883 in 2019). Expenses related to the administration of this plan ($12,750 in 2019) are borne by MEDICREA USA.

5.7 French Personal Training Account (PTA)

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

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

The Group's annual contribution in respect of the PTA (0.2% of French companies' payroll costs) is paid to *Organismes Paritaires Collecteurs Agréés* (OPCAs), which in turn finance the future training programs carried out under this framework.

5.8 Senior executives and corporate officers' compensation

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

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

5.8.1 Compensation paid or awarded in 2019

Compensation paid or awarded during 2019 is as follows:

Denys SOURNAC – Chairman and Chief Executive Officer

	2019		2018	
Compensation (€)	**Amount due**	**Amount paid**	**Amount due**	**Amount paid**
Gross fixed compensation (1)	300,000	300,000	300,000	300,000
Gross variable compensation	-	-	-	-
Directors' fees	8,000	8,000	8,000	7,000
Benefits in kind	-	-	-	-
Total	**308,000**	**308,000**	**308,000**	**307,000**

(1) Services invoiced by ORCHARD INTERNATIONAL

Fabrice KILFIGER – Deputy CEO and Chief Financial Officer

	2019		2018	
Compensation (€)	**Amount due**	**Amount paid**	**Amount due**	**Amount paid**
Gross fixed compensation	197,164	197,164	197,164	197,164
Gross variable compensation	-	-	-	15,000 (1)
Directors' fees	-	-	-	-
Benefits in kind (2)	11,801	11,801	11,460	11,460
Total	**208,965**	**223,624**	**208.624**	**223.624**

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

David RYAN – Deputy CEO and Chief Operating Officer

	2019		2018	
Compensation (€)	**Amount due**	**Amount paid**	**Amount due**	**Amount paid**
Gross fixed compensation	199,500	199,500	199,500	199,500
Gross variable compensation	-	-	-	30,000 (1)
Directors' fees	-	-	-	-
Benefits in kind (2)	7,398	7,398	8,004	8,004
Total	**206,898**	**206,898**	**207,504**	**237,504**

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

5.8.2 Options allocated and exercised in 2019

No options were granted in 2019.

Options allocated during 2018 are as follows:

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

No options were exercised during the 2018 and 2019 fiscal year by the executive corporate officers of the Company.

A history of options awarded as of December 31, 2019 is as follows:

Fabrice KILFIGER

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

David RYAN

Date of Board of Directors' meeting	06/05/2008	06/25/2009	06/17/2010	09/14/2017	02/08/2018
Number of options allocated	3,542	15,000	5,000	100,000	60,000
Year unexercised options will lapse	2018	2016	2017	2024	2025
Exercise price (€)	6.00	6.16	6.14	3.95	2.96
Number of options exercised	-	-	-	-	-
Number of options canceled / lapsed	3,542	15,000	5,000	-	-
Number of shares not yet vested	-	-	-	100,000	60,000

5.8.3 Free shares allocated in 2019

No free shares were granted in fiscal year 2019 to the Company's executive officers.

Free shares allocated during 2018 are as follows:

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

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

A history of free shares awarded as of December 31, 2019 is as follows:

Denys SOURNAC

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

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

Fabrice KILFIGER

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

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

David RYAN

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

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

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

6.1 Goodwill

Goodwill is initially recognized in a business combination as described in Note 2.3.

Subsequent to initial recognition, goodwill is not amortized but is tested for impairment whenever there is an indication of impairment and at least once a year. The methods of impairment testing are described in Note 6.2.

Goodwill is analyzed as follows:

(€)		12.31.2019			12.31.2018	
	Gross value	Depreciation	Net value	Gross value	Depreciation	Net value
Acquisition of MEDICREA BELGIUM	8,758,164	-	8,758,164	8,758,164	-	8,758,164
Acquisition of MEDICREA TECHNOLOGIES (1)	5,376,254	(3,011,977)	2,364,277	5,376,254	(3,011,977)	2,364,277
Acquisition of MEDICREA AUSTRALIA	665,833	-	665,833	747,226	-	747,226
Acquisition of MEDICREA EUROPE FRANCOPHONE (1)	212,573	-	212,573	212,573	-	212,573
Acquisition of MEDICREA TECHNOLGIES UK	52,615	(714)	51,901	50,043	(680)	49,363
Goodwill	**15,065,439,**	**(3,012,691)**	**12,052,748,**	**15,144,260,**	**(3,012,657)**	**12,131,603,**

(*): merged into MEDICREA INTERNATIONAL

Over a period of 2 years, the variations are as follows:

(€)	12.31.2019	12.31.2018
At the opening	**12,131,603**	**2,626,620**
Change in scope of consolidation	-	9,505,390
Re-evaluation	(91,318)	-
Change in exchange rates	12,463	(407)
At the closing	**12,052,748**	**12,131,603**

The revaluation of € 0.1 million corresponds to the release of the capital of the minority shareholders of MEDICREA AUSTRALIA.

6.2 Non-current assets impairment tests

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

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

The tests are carried out according to the following assumptions :

- the forecasts used are based on past experience, macro-economic data of the spine market and products in development;
- the growth rate to infinity is 2%. This rate, identical to that used for the 2018 financial year, is in line with the long-term average growth rate of the Group's business sector;
- the discount rate (WACC) calculated is 11% after tax, stable compared to 2018. The main components of the weighted average cost of capital are a market risk premium, a risk-free rate corresponding to an average of the interest rates on high-maturity government bonds, and a beta calculated on the basis of a sample of companies in the sector, which is 2.5 as in 2018.

With regard to the impairment tests carried out on goodwill described in note 6.1 and noting that at December 31, 2019 :

- the value in use identified by the calculation of DCF is €50 million;
- the market value represented by the market capitalization of MEDICREA INTERNATIONAL (ALMED) is €50 million;
- the consolidated net equity is - €0.1 million.

No additional depreciation has been recorded.

6.3 Intangible assets

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

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

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

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

6.4 Property, plant and equipment

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

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

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

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

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

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

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

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

6.5 Non-current financial assets

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

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

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

Non-current assets – €	12.31.2019	12.31.2018 Restated (1)
Research & development costs	15,752,192	14,086,800
Patents and similar rights	5,097,835	4,687,565
Computer licenses and software	4,324,861	3,274,269
Brands	,25,133	,25,133
Intangible assets	**25,200,021**	**22,073,767**
Buildings	19,953,937	19,603,930
Technical facilities and equipment	6,405,740	6,123,091
Demonstration equipment	906,173	836,436
Instrument sets	8,866,607	7,821,310
Computer hardware and office equipment	2,360,821	2,349,734
Other non-current assets	5,108,743	4,920,995
Property, plant and equipment	**43,602,021**	**41,655,496**
Guarantees and deposits	677,296	650,629
Non-current financial assets	**677,296**	**650,629**
Total gross values	**69,479,338**	**64,379,892**

(1) Restated for the effects of the application of IFRS 16 - Leases (see note 6.8)

Amortization, depreciation and provisions – €	12.31.2019	12.31.2018 Restated (1)
Intangible asset amortization	16,810,628	13,975,055
Property, plant and equipment depreciation	19,745,569	15,782,174
Total amortization, depreciation and provisions	**36,556,197**	**29,757,229**
Total net values	**32,923,141**	**34,622,663**

(1) Restated for the effects of the application of IFRS 16 - Leases (see note 6.8)

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

Net non-current assets – €	**12.31.2019**	**12.31.2018 Restated (1)**
At the start of the period	**34,622,663**	**36,036,621**
Investments during the period	6,090,033	6,350,511
Disposals during the period	(32,708)	(523,686)
Amortization, depreciation and provision charges	(7,994,837)	(8,007,515)
Change in consolidation scope	-	301,463
Translation adjustment	237,990	465,269
At the end of the period	**32,923,141**	**34,622,663**

(1) Restated for the effects of the application of IFRS 16 - Leases (see note 6.8)

6.7 Change in non-current assets, and depreciation and amortization in 2019

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

Gross values (€)	01.01.2019 Restated (1)	Translation adjustment	Acquisitions	Disposals	12.31.2019
Research & development costs	14,086,800	10,587	1,654,805	-	15,752,192
Patents and similar rights	4,687,565	-	410,270	-	5,097,835
Computer licenses and software	3,274,269	23,432	1,027,160	-	4,324,861
Brands	25,133	-	-	-	25,133
Intangible assets	**22,073,767**	**34,019**	**3,092,235**	**-**	**25,200,021**
Buildings	19,603,930	151,556	198,451	-	19,953,937
Technical facilities and equipment	6,123,091	141	284,417	1,909	6,405,740
Demonstration equipment	836,436	7,004	135,858	73,125	906,173
Instrument sets	7,821,310	76,353	1,697,066	728,122	8,866,607
Computer hardware and office equip.	2,349,734	4,749	41,065	34,727	2,360,821
Other non-current assets	4,920,995	22,349	607,763	442,364	5,108,743
Property, plant and equipment	**41,655,496**	**262,152**	**2,964,620**	**1,280,247**	**43,602,021**
Guarantees and deposits	650,629	5,841	33,178	12,352	677,296
Non-current financial assets	**650,629**	**5,841**	**33,178**	**12,352**	**677,296**
Total gross values	**64,379,892**	**302,012**	**6,090,033**	**1,292,599**	**69,479,338**

Amortization and depreciation (€)	01.01.2019 Restated (1)	Translation adjustment	Charges	Reversals	12.31.2019
Research & development costs	9,380,046	6,355	1,788,466	-	11,174,867
Patents and similar rights	3,472,521	-	309,592	-	3,782,113
Computer licenses and software	1,097,355	4,993	726,167	-	1,828,515
Brands	25,133	-	-	-	25,133
Intangible assets	**13,975,055**	**11,348**	**2,824,225**	**-**	**16,810,628**
Buildings	4,360,211	40,424	1,802,128	-	6,202,763
Technical facilities and equipment	2,946,895	141	675,560	165	3,622,431
Demonstration equipment	489,631	(108)	212,976	65,786	636,713
Instrument sets	5,048,687	557	1,556,359	716,339	5,889,264
Computer hardware and office equip.	1,417,825	3,112	312,523	34,547	1,698,913
Other non-current assets	1,518,925	8,548	611,066	443,054	1,695,485
Property, plant and equipment	**15,782,174**	**52,674**	**5,170,612**	**1,259,891**	**19,745,569**
Total amortization and depreciation	**29,757,229**	**64,022**	**7,994,837**	**1,259,891**	**36,556,197**

Net values (€)	01.01.2019 Restated	Translation adjustment	Increases	Decreases	12.31.2019
Intangible assets	8,098,712	22,671	268,010	-	8,389,393
Property, plant and equipment	25,873,322	209,478	(2,205,992)	20,356	23,856,452
Non-current financial assets	650,629	5,841	33,178	12,352	677,296
Total net values	**34,622,663**	**237,990**	**(1,904,804)**	**32,708**	**32,923,141**

(1) Restated for the effects of the application of IFRS 16 - Leases (see note 6.8)

The main changes in capital asset items are as follows :

1/ Research and development activity is structurally important and is a key differentiating factor for the Group. The main expenses incurred in 2019 relate to :

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

The amount of R&D costs thus capitalized for 2019 is €1,654,805 compared to €1,625,843 in 2018.

2/ Patent costs capitalized in 2019 amounted to €410,270, compared to €219,004 for the previous year. They mainly concern the protection of the intellectual property of patient-specific spinal osteosynthesis rods (UNiD® rods).

3/ The increase in the licenses and software item is primarily due to the development of the UNiD ™ HUB, a proprietary surgical planning software platform, based on data-driven technologies.

4/ Constructions relate to the application of the IFRS standard and the change of 198,451 corresponds to the annual contractual re-indexation of the rental income from the Vancia lease.

5/ The Group continues to expand its machine base with an investment of 284,417 euros in 2019, mainly for the acquisition of a new machine for 3D bending of patient-specific rods.

6/ Demonstration equipment is subject to an exhaustive inventory every year. It includes all the products, with their own serigraphy and not saleable in their current condition, used by the sales force to train customers to handle of implants and instruments. This material is regularly updated according to the entry/exit of new/old products.

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

8/ The increase in the computer and office equipment item is mainly due to the renewal of equipment under finance leases.

9/ The increase in other property, plant and equipment is related to the refurbishing of a room dedicated to control in Vancia and renewal of leased vehicles (effect of the application of IFRS 16).

6.8 Operating Leases

The Group is a lessee under a large number of lease agreements for various types of assets such as its head office, buildings used for the activity of its subsidiaries, vehicles and IT equipment.

Since January 1, 2019, the application of IFRS 16 has led the Group to account for all leases in accordance with the terms and conditions currently provided for finance leases under IAS 17. Thus, an asset representing the right to use a leased asset is recognised against a liability representing the obligation to pay this right. Rights of use are recognised in the balance sheet in the items where the underlying assets would be presented. Lease liabilities are recognized in the balance sheet, according to their maturity, either in current or non-current financial liabilities. In the income statement, interest on lease liabilities is a component of finance costs. Finally, in the cash flow statement, cash outflows related to the repayment of lease debts (nominal and interest) are presented in financing activities.

The Group has opted for exemptions for short-term contracts of 12 months or less, and those with a low value underlying asset (individual replacement value of less than 5,000 euros). The lease payments associated with these contracts are recorded directly as operating expenses in the income statement on a straight-line basis over the term of the lease.

The lease term corresponds to the period during which the contract is enforceable and takes into account termination and renewal options for which the Group is reasonably certain that the lease will not be used or will be used. The Group depreciates the fixtures and fittings and the right to use the underlying asset over the same period.

The discount rate applied at the date of application of IRFS 16 is based on the Group's marginal debt rate restated for bonds and those benefiting from a specific mechanism linked to innovation.

According to the full method and in accordance with IAS 8, the comparative period has been restated.

The restatements related to the application of IFRS 16 mainly concern buildings used in connection with the Group's operations and break down as follows:

Entities		Annual rent	Lease term
	MEDICREA INTERNATIONAL, Rillieux-la-Pape, FR	EUR 1,154,546	12 years from September 23, 2016
	MEDICREA USA, New-York, US	USD 1,028,742	10 years from April 1, 2016
	MEDICREA POLAND, Łódź, PL	PLN 49,705	3 years from March 1, 2017 (1)
	MEDICREA BELGIUM, Houwaart, BE	EUR 14,400	9 years from September 1, 2015

(1) MEDICREA POLAND's lease has not been renewed under the same conditions at the end of the three-year contractual period that ended at the end of February 2020.

6.8.1 Balance sheet information

The composition and changes in assets recognized for rights of use can be analyzed as follows:

€	Rights of use				
	Buildings	Technical facilities and equipment	Computer hardware and office equip.	Other non-current assets	Total
As of January 1, 2018, net value	**16,444,953**	**1,684,088**	**564,547**	**247,899**	**18,941,487**
Change in scope of consolidation	83,303	-	-	158,846	242,149
New assets under rights of use	-	449,241	83,241	79,924	612,406
Depreciation and amortization	(1,739,143)	(384,672)	(153,187)	(231,293)	(2,508,295)
Exits for the year	-	(16,230)	-	-	(16,230)
Change in exchange rates	267,242	-	-	(444)	266,798
Re-evaluation	187,367	-	-	18,865	206,232
As at December 31, 2018, net value	**15,243,722**	**1,732,427**	**494,601**	**273,797**	**17,744,547**
New assets under rights of use	-	-	8,529	298,324	306,853
Depreciation and amortization	(1,802,128)	(386,194)	(147,445)	(222,234)	(2,558,001)
Change in exchange rates	111,128	-	-	96	111,224
Re-evaluation	198,451	-	-	29,700	228,151
As at December 31, 2019, net value	**13,751,173**	**1,346,233**	**355,685**	**379,683**	**15,832,774**

The 2019 acquisitions financed through leases consist mainly of computer equipment and transportation equipment.

Lease liabilities recognized as consideration for the rights to use the assets break down as follows:

€	12.31.2019	12.31.2018
Current	2,293,811	2,339,312
Non current	13,957,032	15,660,830
Rental liabilities	**16,250,843**	**18,000,142**
of which construction-related	*15,019,798*	*16,323,950*
of which related to technical installations and equipment	*542,768*	*930,028*
of which hardware-related	*304,435*	*466,844*
of which related to other fixed assets	*383,842*	*279,320*

An analysis of the maturities of lease liabilities is presented in Note 8.1.2.

6.8.2 Profit & Loss information

The following amounts were recognized in the income statement during the year :

€	12.31.2019	12.31.2018 Restated (1)
Unrestated rental expense (2)	3,490	87,402
Depreciation and amortization	2,558,001	2,508,295
Financial interest on lease liabilities	506,139	553,683

(1) Restated for the effects of the application of IFRS 16 - Leases
(2) Contracts excluded from rental liabilities recorded in the balance sheet

6.8.3 Cash Flow information

The total amount disposed of in 2019 under lease contracts amounts to €2,917,885 compared to €2,790,994 in 2018.

NOTE 7: PROVISIONS AND CONTINGENT LIABILITIES

7.1 Provision charges

A provision is recorded as soon as:

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

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

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

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

(€)	**Provisions for pensions**	**Provisions for litigation**	**Other provisions**	**Total**
Provisions at January 1, 2019	**639,367**	**100,000**	**4,800**	**744,167**
Charges	97,431	30,000	-	127,431
Used during the year	-	(20,000)	-	(20,000)
Actuarial gains and losses	40,816	-	-	40,816
Provisions at December 31, 2019	**777,614**	**110,000**	**4,800**	**892,414**
of which due in less than one year	*13,742*	*110,000*	*4,800*	*128,542*
of which due between one and five years	*35,556*	*-*	*-*	*35,556*
of which due in more than five years	*728,316*	*-*	*-*	*728,316*

Provisions for litigation relate to wage disputes pending at December 31, 2019.

7.2 Contingent liabilities

A contingent liability is:

- a potential obligation resulting from a past event, the existence of which will only be confirmed by the occurrence or non-occurrence of an uncertain event that is not under the Group's control;

- a current obligation resulting from a past event, where either the amount of the obligation cannot be estimated reliably, or it is unlikely that an outflow of resources representing economic benefits will be required in order to settle the obligation.

These contingent liabilities were not recognized in the Group's financial statements as of December 31, 2019.

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

- As of November 2016 and exclusively for sales in the United States, the Group introduced a lifetime warranty relating to its patient-specific technology UNiD™. It covers all surgical procedures carried out using patient-specific 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, 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 2019, it will assess whether or not it is necessary to review this position at December 31, 2020.

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

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

- Since July 2017, MEDICREA USA has been the subject of a civil investigation conducted by the U.S. Department of Justice (DOJ) under the Sunshine Act, which defines the rules for declaring benefits granted to healthcare professionals, particularly 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 e-mails 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. The legal fees incurred by the Company in its defence strategy and to respond to the numerous requests from the DOJ are recorded as expenses for the year under other operating expenses and income.

NOTE 8: FINANCING AND FINANCIAL INSTRUMENTS

8.1 Net financial debt

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

In September 2019, the Group issued new bonds in the amount of $6 million to Perceptive Advisors, a leading US healthcare investment fund. This financing follows the November 2018 issue of $30 million.

This additional financing was put in place on the same terms as the November 2018 bond issue and consists of senior secured bonds subject to US law (New York) bearing interest at 8.5% plus the higher of 3-month USD 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 euros to finance innovative projects and various equipment.

As of December 31, 2019, the Group's net financial debt breaks down as follows :

		12.31.2019			12.31.2018	
€	**Non-current**	**Current**	**Non-current**	**Current**	**Non-current**	**Current**
Long-term financial debt	49,911,676	5,529,878	55,441,554	46,552,124	5,847,211	52,399,335
Short-term and bank loans	-	1,116,260	1,116,260	-	790,645	790,645
Gross financial debt	**49,911,676**	**6,646,138**	**56,557,814**	**46,552,124**	**6,637,856**	**53,189,980**
Cash and cash equivalents	-	(3,807,308)	(3,807,308)	-	(10,802,725)	(10,802,725)
Net financial debt	**49,911,676**	**2,838,830**	**52,750,506**	**46,552,124**	**(4,164,869)**	**42,387,525**

(1) Restated for the effects of the application of IFRS 16 - Leases (see note 6.8)

Net financial indebtedness by currency of repayment is as follows :

€	**12.31.2019**	**12.31.2018 Restated (1)**
EUR	18,530,095	13,564,176
USD	34,322,562	28,852,656
PLN	(8,432)	11,283
GBP	(4,385)	(13,839)
CAN	(89,334)	(27,021)
Net financial debt	**52,750,506**	**42,387,255**

(1) Restated for the effects of the application of IFRS 16 - Leases (see note 6.8)

8.1.1 Analysis of long-term financial debt

Long-term financial debt mainly includes bonds and other borrowings with an original maturity of more than one year.

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

At December 31, 2019, financial liabilities as a whole can be analyzed as follows:

€	12.31.2019	12.31.2018 Restated (1)
Bond issues	28,900,663	23,458,680
Loans from credit institutions	3,207,509	1,315,997
Leases	16,250,843	18,000,142
Accrued loan interest	2,698	591
Other financial debt	7,079,841	9,623,925
Long-term financial debts	**55,441,554**	**52,399,335**
of which fixed-rate financial debt	*26,689,685*	*29,521,989*
of which variable rate financial debt	*28,751,869*	*22,877,346*

(1) Restated for the effects of the application of IFRS 16 - Leases (see note 6.8)

At December 31, 2019, the main characteristics of the bonds are as follows :

Nominal (in foreign currency)	Term	12.31.2019 (in foreign currency)	123.31.2019 (statutory in €)	IFRS restatement	12.31.2019 (conso in euros)	Nominal insterest rate
USD 30,000,000	2022	USD 30,000,000	26,704,500	(3,054,911)	23,649,589	8.5 % + USD LIBOR 3 month - min at 2.5 %
USD 6,000,000	2022	USD 6,000,000	5,340,900	(238,620)	5,102,280	8,5 % + USD LIBOR 3 month - min at 2.5 %
EUR 2,000,000	2020	EUR 148,794	148,794	-	148,794	6 % + 1 % non-conversion premium
			32,194,194	**(3,293,531)**	**28,900,663**	

As of December 31, 2019, bonds in foreign currencies for a total amount of $36 million were not hedged against currency or interest rate risks, despite several attempts to set up "cross currency swap" type hedging instruments.

8.1.2 Maturity of long-term financial debts

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

(€)	12.31.2019	Within 1 year	1 to 5 years	More than 5 years
Loans from credit institutions	28,900,663	148,794	28,751,869	-
Operating leases	3,207,509	751,934	2,242,575	213,000
Finance leases	16,250,843	2,293,811	8,394,627	5,562,405
Accrued loan interest	2,698	2,698	-	-
Other	7,079,841	2,332,641	4,735,501	11,699
Total	**55,441,554**	**5,529,878**	**44,124,572**	**5,787,104**

Securities granted in relation to certain Group assets to guarantee borrowings, as well as early repayment clauses and covenants are detailed in Note 8.6.1 “Liquidity risks”.

8.1.3 Analysis of short-term financial debt

Long-term financial debt mainly includes bank overdrafts and factoring with an original maturity of less than one year.

A factoring contract relating to export receivables has been in place since 2016. In France, the Group finances its trade receivables by drawing on a short-term overdraft facility accounted for as bank overdrafts.

At December 31, 2019, all short-term financial debt was taken out in Euros and at fixed rates, and is analyzed as follows:

€	12.31.2019	12.31.2018
Bank overdrafts	999,300	500,000
Factoring	112,210	284,057
Accrued bank interest	4,750	6,588
Short-term financial debts	**1,116,260**	**790,645**

8.1.4 Change in long-term financial debt

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

En euros	01.01.2019 Restated (1)	Cash movements		Non-cash movements		12.31.2019
		Issues	Redeemed	Change in exchange rates	Others	
Bond issues	23,458,680	5,433,120	(432,540)	411,480	29,923	28,900,663
Loans from credit institutions	1,315,997	2,365,000	(473,488)	-	-	3,207,509
Leases	18,000,142	-	(2,385,386)	126,349	509,738	16,250,843
Accrued loan interest	591	-	-	-	2,107	2,698
Other	9,623,925	-	(2,766,916)	10,821	212,011	7,079,841
Long-term borrowings	**52,399,335**	**7,798,120**	**(6,058,330)**	**548,650**	**753,779**	**55,441,554**
Short-term borrowings (1)	**790,645**	**1,500,000**	**(1,002,538)**	**-**	**(171,847)**	**1,116,260**
Gross financial debt	**53,189,980**	**9,298,120**	**(7,060,868)**	**548,650**	**581,932**	**56,557,814**

(1) Restated for the effects of the application of IFRS 16 - Leases (see note 6.8)

The "cash" movements are related to the repayments made during 2019 under the existing amortization plans, the issue of bonds for $6 million and the subscription of new bank loans for a total of € 2.4 million.

The "non-cash" movements are due to changes in exchange rates and the application of IFRS, which can be analyzed as follows:

€	12.31.2019
Change in IFRS restatement on bonds	29,923
Capitalization of new leases according to IFRS 16	509,738
Change in the IFRS restatement on liabilities on buyout of minority interests	212,011
Change in IFRS restatement on factoring	(171,847)
Others	2,107
Total application of IFRS in non-cash changes	**581,932**

The changes in the IFRS restatements related to bonds are as follows:

En euros	12.31.2019	12.31.2018
At the beginning of the period	**(3,323,454)**	**-**
Restatement of warrants	-	(2,043,983)
Restatement of loan issue expenses	(296,723)	(1,301,596)
Amortization of the period of restatement of debt issuance costs	326,646	22,125
At the end of the period	**(3,293,531)**	**(3,323,454)**

Concerning other financial liabilities, the IFRS restatements mainly come from :

- the recognition of sold trade receivables for which the transfer of risks and benefits has not yet been completed;
- the capitalization of new finance leases, finance leases and operating leases;
- the revaluation as a retrospective goodwill adjustment of the commitment to buy back minority interests in MEDICREA AUSTRALIA.

8.1.5 Analysis of cash and cash equivalents

Cash and cash equivalents include cash and immediately available monetary investments whose value over time is subject to an insignificant risk of change.

An impairment loss is recognized when the probable realizable value of these investments is less than their purchase price. Unrealized or realized gains and losses are recognized in financial income. Fair value is determined by reference to the market price at the balance sheet date.

Cash and cash equivalents changed as follows:

(€)	12.31.2019	12.31.2018
Cash	3,807,308	10,802,725
Cash and cash equivalents	**3,807,308**	**10,802,725**

8.1.6 Cash flow statements

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

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

The cash flow statement for the past two years is included in Section 3.4 of the notes to the financial statements at December 31, 2019.

Expenses (income) without cash impact can be analyzed as follows:

€	12.31.2019	12.31.2018 Restated (1)
Depreciation and amortization of tangible and intangible assets	7,994,837	8,007,515
Additions to / (Reversals of) provisions	1,310,770	153,896
Gains and losses on disposals of fixed assets	(20,599)	226,581
Share-related personnel expenses	1,999,650	728,078
Deferred charges	(233,677)	-
Non-cash expenses (income)	**11,050,981**	**9,116,070**

(1) Restated for the effects of the application of IFRS 16 - Leases (see note 6.8)

Tax expenses (income) break down as follows:

€	12.31.2019	12.31.2018 Restated (1)
Current taxes	547,517	613,392
Research tax credit	(1,045,788)	(887,701)
Change in deferred taxes	1,529,669	(293,515)
Current and deferred tax expense (income)	**1,031,398**	**(567,824)**

(1) Restated for the effects of the application of IFRS 16 - Leases (see note 6.8)

Changes in working capital requirements can be analyzed as follows :

€	12.31.2019	12.31.2018 Restated (1)
Change in inventories and work in progress	(750,514)	14,161
Change in trade receivables	357,142	(1,461,694)
Change in trade payables	237,737	130,300
Change in other receivables and other payables	115,266	1,562,230
Change in working capital requirements	**(40,369)**	**244,997**

(1) Restated for the effects of the application of IFRS 16 - Leases (see note 6.8)

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

€	12.31.2019	12.31.2018
Issuance costs for the $30 million bond issue	-	(1,410,486)
Capital increase costs charged to additional paid-in capital	-	(391,973)
Debt issuance costs	-	5,306
Other financial borrowings	(2,675,598)	-
Other variations	**(2,675,598)**	**(1,797,153)**

The change in other financial borrowings is mainly due to the purchase from minority shareholders of 12.25% of MEDICREA BELGIUM shares in accordance with the shareholders' agreement, as explained in point 2.4.

8.1.7 Average debt rate

The average debt rate evolved as follows:

	12.31.2019	12.31.2018
Euro (EUR)	8.14%	6.86%

The high level of the average interest rate on the debt is due to interest on the bond loans, for which the interest rates are significantly higher than those of conventional bank financing. The average interest rate on the debt worked out at 2.68% excluding the bond loans.

8.2 Conditional advances

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

Their change compared with the previous year resulted from ongoing repayment plans. No new grants were awarded during the 2019 fiscal year.

8.3 Financial income and expenses

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

8.3.1 Cost of net financial debt

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

These items are analyzed as follows:

€	12.31.2019	12.31.2018 Restated (1)
Bond interest	(3,572,413)	(2,280,850)
Loan interest	(65,837)	(118,417)
Interest capitalization	63,046	67,391
Interest on leases	(506,139)	(553,683)
Interest on factoring	(13,469)	(2,871)
BPI loan guarantee	(3,815)	(26,238)
Overdraft interest	(49)	(11,160)
Revaluation of other financial liabilities	(212,012)	-
Other	(33,540)	(9,778)
Cost of net financial debt	**(4,344,228)**	**(2,935,606)**

(1) Restated for the effects of the application of IFRS 16 - Leases (see note 6.8)

8.3.2 Other financial income and expenses

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

These items are analyzed as follows:

(€)	12.31.2019	12.31.2018
Foreign exchange gains / (losses)	(414,801)	166,002
Financial ncome on cash investments	58,117	-
Proceeds from the sale of marketable securities	772	-
Other financial income / (expenses)	**(355,912)**	**166,002**

(1) Restated for the effects of the application of IFRS 16 - Leases (see note 6.8)

Foreign exchange gains and losses in 2019 are broken down as follows:

€	12.31.2019	12.31.2018 Restated (1)
Revaluation of bonds at closing price	(390,720)	230,956
Foreign exchange gains / (losses) on interest on bonds	(8,557)	-
Dollar Term Deposits	,(26,990)	(33,055)
Revaluation of bank accounts at the closing rate	11,466	(31,899)
Foreign exchange gains / (losses)	**(414,801)**	**166,002**

8.4 Fair value of financial instruments

Headings	12.31.2019 Amortized cost	Fair value through equity	Fair value through profit or loss	12.31.2018 Restated (1) Amortized cost	Fair value through equity	Fair value through profit or loss
Assets in €						
Accounts receivable and related accounts	4,897,715	-	-	5,361,252	-	-
Other current assets (2)	234,008	-	-	160,460	-	-
Cash and cash equivalents	-	-	3,807,308	-	-	10,802,725
Liabilities in €						
Cash and cash equivalents (3)	-	-	1,116,260	-	-	790,645
Bond issues	28,900,663	-	-	23,458,680	-	-
Other borrowings	19,472,748	-	-	19,328,429	-	-
Debts on purchase of minority interests	-	-	7,068,143	-	-	9,612,226
Trade payables and related accounts	5,040,892	-	-	4,803,155	-	-
Other current and non-current liabilities (4)	396,566	-	-	1,097,870	-	-

(1) Restated for the effects of the application of IFRS 16 - Leases (see note 6.8)
(2) Excluding tax and social security receivables and accruals and deferred income
(3) Including current bank loans and factoring
(4) Excluding tax and social security liabilities and accruals and deferred income

8.4.1 Balance sheet disclosures

IFRS 13 requires the prioritization of the different valuation techniques for each financial instrument. The categories are defined as follows:

- level 1: direct reference to quoted prices (unadjusted) available in active markets for identical assets or liabilities ;
- level 2: valuation technique based on inputs for the asset or liability other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly;
- level 3: valuation technique based on unobservable inputs; level 4: valuation technique based on unobservable inputs.

The fair value of the bonds is calculated using quoted prices on the active market for bonds. This valuation technique is level 1.

The fair value of the other components of the debt, as well as that of trade payables and trade receivables, is equal to the carrying amount.

The following table shows the breakdown of assets and liabilities according to the categories provided for in IFRS 13.

	12.31.2019			12.31.2018 Restated (1)		
Headings	**Level**	**Book value**	**Fair market value**	**Level**	**Book value**	**Fair market value**
Assets in €						
Cash and cash equivalents	**1**	3,807,308	3,807,308	**1**	10,802,725	10,802,725
Liabilities in €						
Passive cash flow	**1**	1,116,260	1,116,260	**1**	790,645	790,645
Bond issues	**1**	28,900,663	28,900,663	**1**	23,458,680	23,458,680
Other borrowings	**1**	19,452,748	19,452,748	**1**	42,787,109	42,787,109
Debts on purchase of minority interests	**2**	7,088,143	7,088,143	**2**	9,612,226	9,612,226

(1) Restated for the effects of the application of IFRS 16 - Leases (see note 6.8)

8.4.2 Income statement disclosures

The following table presents the impacts on the income statement for 2019 and 2018 of financial assets and liabilities, and the breakdown of these impacts according to the categories provided for in IFRS 9.

	Designation of financial instruments	12.31.2019	12.31.2018 Restated (1)
Investment products		**58,889**	**-**
Interest income on term deposits	**A**	58,117	-
Proceeds from sales of marketable securities	**A**	772	-
Financing expenses		**(4,118,107)**	**(2,935,606)**
Interest expenses	**B**	(4,118,107)	(2,935,606)
Other financial income		**12,778**	**248,181**
Foreign exchange gains	**A**	12,778	248,181
Other financial expenses		**(427,579)**	**(82,179)**
Foreign exchange losses	**A**	(427,579)	(82,179)

(1) Restated for the effects of the application of IFRS 16 - Leases (see note 6.8)
A: assets and liabilities at fair value through profit or loss
B: assets and liabilities measured at amortized cost

8.5 Risk management policy

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

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

8.5.1 Liquidity risks

In previous years, the Group was able to cope with temporary liquidity crises that slowed down the progress of its development.

Financial resources obtained through fund-raising operations totaled a total of €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 initiatives have significantly reduced this liquidity risk and have given the Group the opportunity to implement its expansion strategy characterized by the creation of new subsidiaries, the launch of new products and the development of innovative technologies, particularly in the area of personalized medicine.

8.5.2 Risk of changes in exchange rates

In 2019, 55% of the Group's consolidated sales were generated in US 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 at MEDICREA BELGIUM of related low-margin trading activities.

The American, Polish and Australian subsidiaries are invoiced in their functional currency and as soon as they are able to honor their trade receivables, currency hedges are opportunistically put in place to cover the risk of fluctuations in the corresponding currencies (mainly US dollars).

Intrinsically, fluctuations in the dollar against the euro, whether upward or downward, are therefore likely to significantly modify the Group's performance indicators, particularly in terms of revenue growth.

In 2019, the average rate of the US dollar strengthened by more than 5% compared to the average rate in 2018, generating a positive impact of €0.9 million on 2019 sales and €0.4 million on operating income. An analysis of these variations is described in note 4.10.

A 15% appreciation of the US dollar against the euro, applied to 2019 data, would result in an increase in the Group's revenue of €2.8 million and an increase in operating profit of €1.2 million.

Conversely, a 15% depreciation of the US dollar against the euro applied to 2019 data would result in a decrease in the Group's revenue and a decrease in its operating income in the same proportions as those indicated above.

8.5.3 Foreign exchange risks

Most of the Group's supplies are denominated in euros. Sales to the American, Australian and Polish subsidiaries are made in foreign currencies, and products are then sold on these markets in the functional currency of the country. Subsidiaries are therefore not exposed to exchange rate risks on their purchases, but MEDICREA INTERNATIONAL is exposed to exchange rate risks on its sales in foreign currencies through annual hedging arrangements.

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

8.5.4 Interests rate risks

As of December 31, 2019, all borrowings are fixed rate except for the $36 million bond 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%.

8.5.5 Risks on the evolution of raw material prices

The manufacture of implants requires the purchase of materials, titanium and chrome-cobalt and polymers tolerated by the human body, mainly Peek (PolyEtherEtherKetone). As there are few suppliers of these raw materials, the Group is subject to market price variations that are difficult to predict and control, which could have a negative impact on its results. Purchases of these materials are not hedged. They account for a small portion of the cost price of manufactured products (between 5 and 10%).

8.5.6 Credit risks

The Group monitors its customers' average payment period on a monthly basis. This ratio was 59 days at December 31, 2019. For international customers other than healthcare institutions not paying in advance or likely to present a risk of non-payment, the Group puts in place hedging mechanisms such as the following:

- an application for guarantee from Coface. At the end of December 2019, the maximum amount of trade receivables that may be guaranteed by Coface was €583,000;
- documentary credits (no such arrangement was in place at December 31, 2019)

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

(€)	12.31.2019	12.31.2018
Gross trade receivables	5,107,833	5,464,975
Outstanding for more than 6 months	229,835	107,981
% of trade receivables	4.50 %	1.98 %
Total provision for doubtful receivables	210,118	103,723
% of trade receivables	4.11 %	1.90 %
Bad debt 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.

8.5.7 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 United Kingdom's exit from the European Union, with or without agreements, will have only extremely limited impacts for the Group.

8.6 Off-balance sheet commitments related to Group financing

8.6.1 Commitments given in relation to medium-term borrowings

(€)	12.31.2019	12.31.2018
Pledges of business goodwill (1)	33,937,039	26,483,051
Pledge of equipment	1,077,674	1,098,976
Cash collateral (2)	67,500	55,000

(1) Goodwill pledged as collateral for the $36 million bond issued in November 2018 and September 2019 and other medium term bank loans

(2) Holdbacks retained by BPI as a cash collateral when setting up loans for a total of €1,350,000

The agreement associated with the $36 million note issue subscribed by Perceptive Advisors in November 2018 stipulates that the Group must ensure that it always has available cash of at least $2.5 million and that, at the end of each calendar quarter, revenue for the previous 12 months must meet the minimum revenue criteria (€32.1 million at December 31, 2019). Both these conditions were fulfilled at December 31, 2019. During the second half of 2019, Perceptive Advisors granted a "waiver" to the minimum liquidity requirement, which relieves the Group of the minimum available cash constraint until March 31, 2020. In addition, in anticipation of the effects of the Covid-19 health crisis on its capacity to meet the minimum revenue thresholds calculated on a rolling 12-month basis over the coming quarters, the Group obtained the agreement of Perceptive Advisors not to take into account the application of this covenant when publishing the quarterly financial statements at 30 June and 30 September 2020. In the event that the Group is unable to meet the covenant at 31 December 2020 and/or 31 March 2021, new minimum quarterly revenue targets calculated on a rolling 12-month basis would be determined by mutual agreement between the Group and its creditor.

In addition to these commitments, Perceptive Advisors is the beneficiary of pledges on the goodwill of MEDICREA INTERNATIONAL in the amount of €31,924,539 as well as on certain assets of MEDICREA INTERNATIONAL and its subsidiary MEDICREA USA, broken down as follows:

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

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

(€)	12.31.2019	12.31.2018
Assignment of trade receivables	500,000	500,000
BPI counter guarantee (1)	875,000	-

The total amount of overdrafts authorized but unconfirmed at December 31, 2019 was €245,000.

NOTE 9: CORPORATE TAX

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

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

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

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

The research tax credit is recognized as a €1,045,788 reduction in research and development costs for 2019 (€887,701 in 2018).

9.1 Analysis of the corporate tax rate

€	12.31.2019	12.31.2018 Restated (1)
Current tax	(547,517)	(613,392)
Deferred tax	(1,592,582)	169,377
Corporate income tax (expense)/income	**(2,140,099)**	**(444,015)**

(1) Restated for the effects of the application of IFRS 16 - Leases (see note 6.8)

9.2 Analysis of the corporate tax rate

The Group's corporate tax charge for the year to December 31, 2019 is analyzed as follows:

€	12.31.2019	12.31.2018 Restated (1)
Consolidated net income/(loss)	**(15,550,391)**	**(12,030,725)**
Corporate tax	(2,140,099)	(444,015)
Income before tax	**(13,410,292)**	**(11,586,710)**
Share-based payments	(1,999,650)	(728,078)
Taxable income	**(11,410,642)**	**(10,858,632)**
Adjustment to the research and employment and competitiveness tax credit	(1,045,788)	(1,057,452)
Taxable income excluding adjustments	**(12,456,430)**	**(11,916,084)**
Theoretical tax income / (charge) @28%	**3,487,800**	**3,336,504**
Difference in tax rates of other countries	(445,911)	(560,041)
Tax on permanent differences	(151,379)	6,049
Uncapitalized tax losses carried forward	(2,873,989)	(2,872,947)
Prior losses capitalized and written off	(1,626,746)	-
Correction of previous tax charges	(121,532)	(24,624)
Capping of deferred tax assets	(403,153)	(278,972)
Other	(5,189)	(49,984)
Recognized corporate tax income/ (charge)	**(2,140,099)**	**(444,015)**

(1) Restated for the effects of the application of IFRS 16 - Leases (see note 6.8)

Differences related to tax rates that differ from the standard tax rate can be broken down as follows :

€	Taux d'impôt local	31.12.2019	31.12.2018 Retraité (1)
MEDICREA UK	19.00 %	(5,555)	(43,085)
MEDICREA USA	21.00 %	(360,158)	(344,122)
MEDICREA GMBH	32.75 %	606	1,219
MEDICREA POLAND	9.00 %	(54,469)	(84,961)
MEDICREA BELGIUM	29.58 %	(25,349)	(89,122)
MEDICREA AUSTRALIA	27.50 %	(986)	30
Interest rate differentials of foreign companies		**(445,911)**	**(560,041)**

(1) Restated for the effects of the application of IFRS 16 - Leases (see note 6.8)

9.3 Analysis of deferred taxation

Deferred tax assets and liabilities are analyzed as follows:

€	12.31.2019	12.31.2018 Restated (1)
Tax losses carried forward	15,460	1,593,004
Temporary tax differences	42,300	74,121
Consolidation restatements	606,657	635,695
Total deferred tax assets	**664,417**	**2,302,820**
Temporary tax differences	94,367	163,828
Consolidation restatements	466,600	505,873
Total deferred tax liabilities	**560,967**	**669,701**
Net deferred tax	**103,450**	**1,633,119**

(1) Restated for the effects of the application of IFRS 16 - Leases (see note 6.8)

The amount of deferred taxes not recognized as assets in the balance sheet amounted to 19.4 million euros at December 31, 2019, including €17.9 million in unrecognized losses carried forward and €1.5 million related to consolidation adjustments (deferred tax assets related to consolidation adjustments are limited to deferred tax liabilities).

The changes in deferred taxes result mainly from consolidation adjustments and the mechanisms for capping deferred tax assets and can be analyzed as follows:

€	Tax loss carry-forwards	Temporary differences	Consolidation adjustments	Total
Net deferred taxes at December 31, 2017 restated (1)	**1,475,985**	**(199,082)**	**52,835**	**1,329,738**
Change through profit or loss	45,479	101,244	22,654	169,377
Other comprehensive income	-	-	1,763	1,763
Change in exchange rates	71,540	8,131	52,570	132,241
Net deferred taxes as of December 31, 2018 restated (1)	**1,593,004**	**(89,707)**	**129,822**	**1,633,119**
Change through profit or loss	(1,608,173)	33,445	(14,741)	(1,589,469)
Other comprehensive income	-	-	(262)	(262)
Change in exchange rates	30,629	4,196	25,237	60,062
Net deferred taxes at December 31, 2019	**15,460**	**(52,066)**	**140,056**	**103,450**

(1) Restated for the effects of the application of IFRS 16 - Leases (see note 6.8)

The Group has recognized the following tax losses:

(€)	12.31.2018	of which capitalized	Corresponding deferred tax
MEDICREA INTERNATIONAL	47,995,282	-	-
MEDICREA UK	2,715,803	-	-
MEDICREA USA	16,455,567	-	-
MEDICREA GMBH	1,360,047	-	-
MEDICREA POLAND	868,657	-	-
MEDICREA AUSTRALIA	56,218	56,218	15,460
Total available tax losses	**69,451,574**	**56,218**	**16,460**

Tax losses acquired by the Group can be carried forward indefinitely.

Tax loss carryforward recovery tests carried out on a subsidiary-by-subsidiary basis have led to the capitalization of tax losses in 2019 only for MEDICREA AUSTRALIA and to write off all tax losses capitalized by MEDICREA USA until 2017, resulting in a tax charge of $1.6 million recognized in the 2019 financial statements.

9.4 Tax audits

Since December 2019, MEDICREA USA has been subject to a tax audit conducted by the US Internal Revenue Service (IRS), covering the 2017 financial year, for which a certain amount of information and documents have been provided at the request of the tax authorities. At the date of closing of accoubts, these documents are still being examined and it is therefore not possible to know what action the tax authorities intend to take in response to their investigations.

NOTE 10: SHAREHOLDERS' EQUITY AND EARNINGS PER SHARE

10.1 Shareholders' equity

10.1.1 Changes in share capital

Following equity transactions carried out during the year, share capital at December 31, 2019 totaled €2,706,535.52 and was comprised of 16,915,847 shares with par value of €0.16 each. The number of authorized shares outstanding is as follows:

(€)	12.31.2019	12.31.2018
Number of authorized shares	16,915,847	16,219,847
Number of shares issued and fully paid up	16,915,847	16,219,847
Par value (€)	0.16	0.16
Number of shares outstanding at end of period	16,915,847	16,219,847
Number of shares with double voting rights	2,867,308	2,785,108
Number of treasury shares held by the parent company	4,282	4,756

Transactions in the share capital of MEDICREA INTERNATIONAL over the 2019 fiscal year are summarized as follows:

- At January 1, 2019, the share capital was €2,595,175.52, represented by 16,219,847 ordinary shares.
- 5,000 new shares were issued on July 29, 2019, and corresponded to the delivery to employee of the free shares allocated by the Board of Directors' meeting of July 27, 2018.
- 691,000 new shares were issued on December 20, 2019, and corresponded to the delivery to employees of the free shares allocated by the Board of Directors' meeting of December 20, 2018.
- At December 31, 2019, the share capital was therefore €2,706,532.52, represented by 16,915,847 ordinary shares.

10.1.2 Share warrants (BSAs)

The characteristics of warrants exercisable at December 31, 2019 are summarized as follows:

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

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

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

At the balance sheet date, the American investment fund Stonepine had exercised all of the 683,232 share subscription warrants acquired during the December 2017 capital increase, resulting in the issue of 341,616 new shares at an exercise price of €3.15 per share.

10.1.3 Treasury shares

The parent company has entered into an agreement with an investment service provider to monitor the liquidity of the market for its shares. In this context, it purchases, holds and sells small quantities of its own shares.

Treasury shares held in order to regulate the share price are deducted from consolidated reserves; accordingly, the impact of all corresponding transactions recorded in the individual financial statements is charged directly in equity (gains and losses on disposals, impairment, etc.).

10.1.4 Change in shareholders' equity

The change in shareholders' equity for the past two years is detailed in Note 3.5 to the financial statements at December 31, 2019. Translation adjustments related to the consolidation of foreign subsidiaries' financial statements in Euros are included in the "Reserves" column, since their values have no material impact on the financial statements at December 31, 2019.

Other movements at December 31, 2019 are analyzed as follows:

€	12.31.2019	12.31.2018 Restated (1)
Warrant whose underlying security is the $30 million note issue	-	2,043,983
Issue costs for the €30 million bond loan	-	(108,890)
Unwinding of IFRS restatement linked to August 2016 convertible note issue	-	(560,728)
Actuarial gains and losses relating to retirement allowances	-	71,941
IFRS 16 – changes in scope of consolidation	-	(3,422)
Treasury shares	6,626	669
Other	(279)	37
Total	**6,347**	**1,443,590**

(1) Restated for the effects of the application of IFRS 16 - Leases (see note 6.8)

10.1.5 Issue, buyback and redemption of debt and equity securities

Convertible bond loan – April 2015

Over the year to December 31, 2019 the Group redeemed 185 of the 200 convertible bonds subscribed by an institutional investor in April 2015, i.e. an amount of €1.9 million on the initial loan of €2 million maturing in April 2020.

Bond loan – September 2019

In September 2019, the Group issued new bonds in the amount of $6 million to Perceptive Advisors, a leading US healthcare investment fund. This financing complements a first amount of bonds issued in November 2018 for $30 million.

This additional financing, put in place on the same terms as the initial November 2018 issue, consists of senior secured bonds subject to US law (New York) bearing interest at 8.5% plus the higher of 3-month USD LIBOR and 2.5%. The bonds will mature on November 27, 2022. They are accompanied by guarantees given on the shares of MEDICREA USA Corp, a wholly-owned subsidiary of MEDICREA INTERNATIONAL, and pledges on certain assets and receivables of the Group in favor of the investor.

10.1.6 Dividends paid during the fiscal year

In fiscal year 2019, MEDICREA BELGIUM paid €1 million in dividends in respect of fiscal year 2018, including €0.5 million to its minority shareholders excluding MEDICREA INTERNATIONAL.

10.2 Earnings per share

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

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

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

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

In accordance with IAS 33, and in order to avoid an accretive effect, the potential ordinary shares resulting from the allotted stock option and free share plans (1,442,000 shares) and the share warrants (2,732,138 shares) were not taken into consideration at December 31, 2019 when determining the dilutive effect.

NOTE 11: OTHER INFORMATION

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

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

	12.31.2019			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

11.2 Related-party disclosures

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

(€)	2019 amount invoiced, excl. VAT	2018 amount invoiced, excl. VAT
Management services	300,000	300,000
Rebilling of employee costs	-	47,490
Share of expenses	6,000	6,780
Rent and rental costs	34,819	37,407
Total	**340,819**	**391,677**

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

11.3 Statutory Auditors' fees

The fees paid to the Group's Statutory Auditors for the 2019 fiscal year and shown in the consolidated income statement are as follows:

	EY		ODICÉO	
Amount (excl. VAT)	**2019**	2018	**2019**	2018
Audit				
Audit, certification, review of individual and parent company financial statements	81,105	77,644	30,200	24,154
Services other than the certification of the financial statements	1,508	11,061	1,000	5,500
Total fees	**82,613**	**88,705**	**31,200**	**29,654**

11.4 Post balance sheet events

Fundraising

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

This fund 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 2.6 of this document.