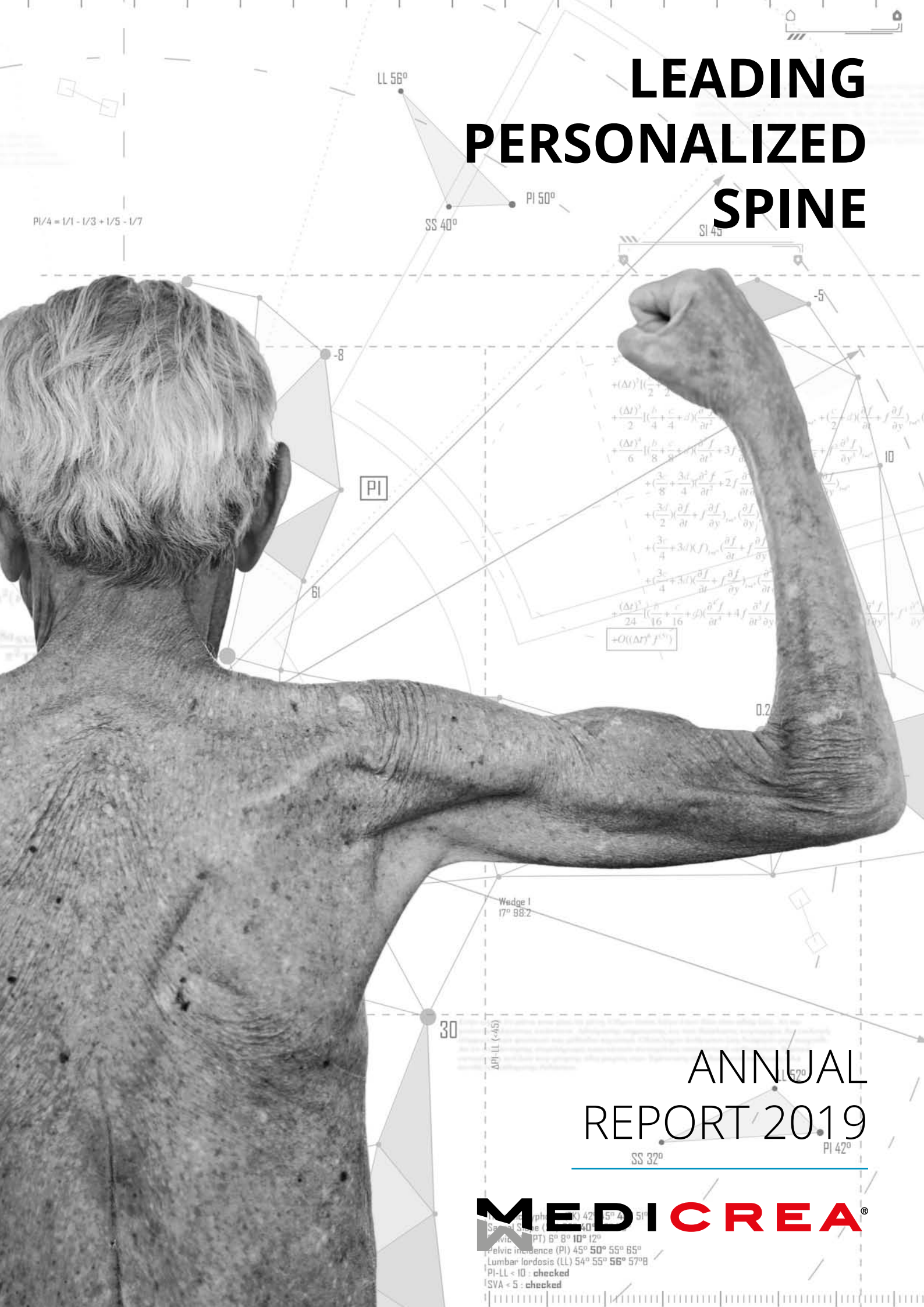
LEADING PERSONALIZED SPINE



ANNUAL REPORT 2019

MEDICREA®

MEDICREA®

ANNUAL REPORT 2019

WARNING

On the date of publication of the Annual Report, the spread of COVID-19 virus leads to a major global health crisis that affects many sectors including orthopedics, on which MEDICREA operates. The economic impacts of the COVID-19 on the Group's activity and the measures taken to deal with them are detailed in paragraphs 2.6. of Consolidated accounts and Company accounts as well as paragraph 1.2.6. of the Management Report.

CONTENTS

APPENDICES

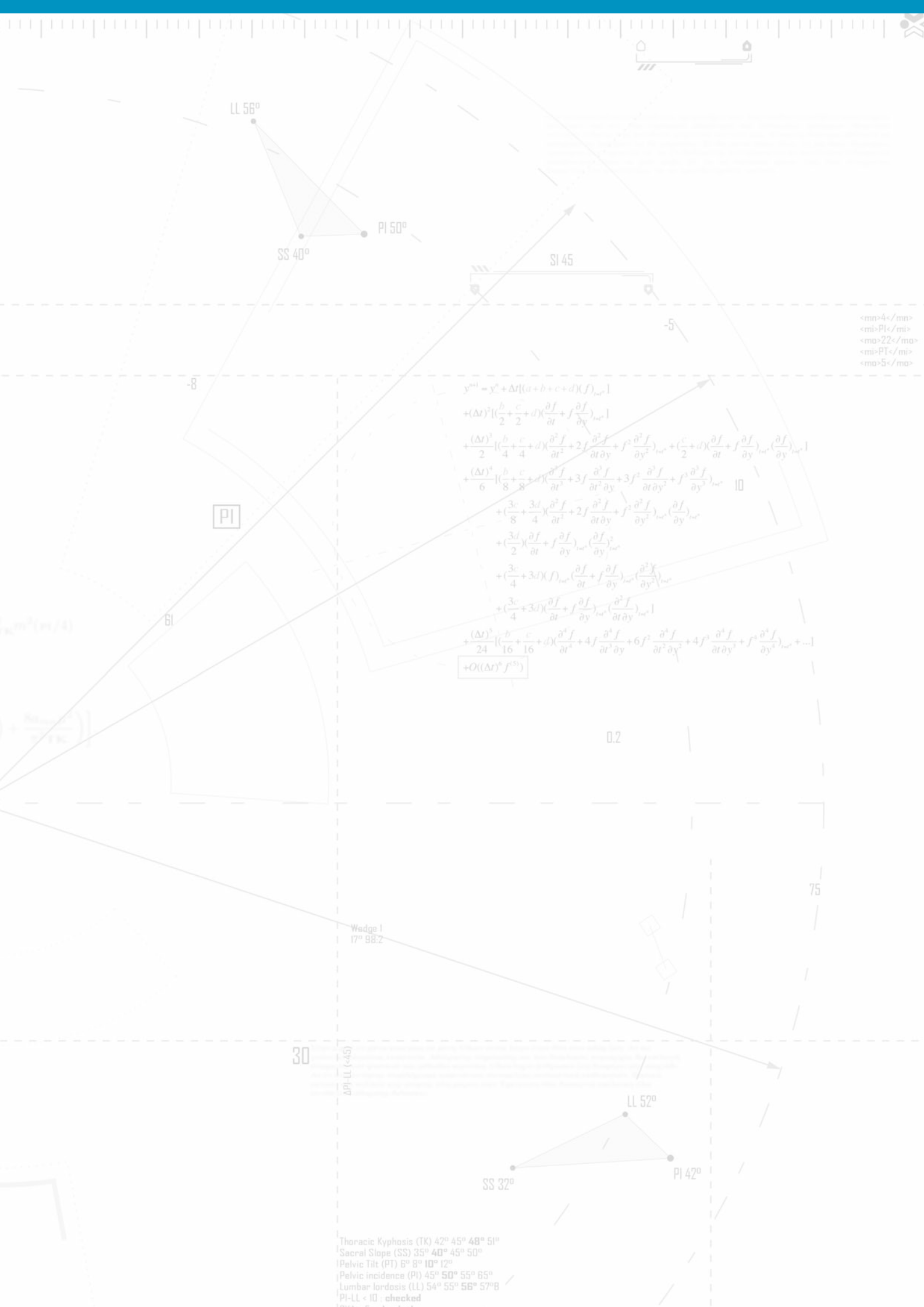

LL 56°
PI 50°
SS 40°
SI 45
-5
-8
PI
61
10
0.2
75
Wedge I
17° 98.2
30
ΔPI-LL (<45)
LL 52°
PI 42°
SS 32°
Thoracic Kyphosis (TK) 42° 45° 48° 51°
Sacral Slope (SS) 35° 40° 45° 50°
Pelvic Tilt (PT) 6° 8° 10° 12°
Pelvic incidence (PI) 45° 50° 55° 65°
Lumbar lordosis (LL) 54° 55° 56° 57°8
PI-LL < 10 : checked

photo Stéphane de Bourgies

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

CEO'S MESSAGE

"A shift in the healthcare system affecting the orthopedic world is currently taking place at global level, meaning that the sector is now less focused on the implant itself and more concentrated on the outcome of the surgery, for a value-based approach to treatments in comparison with traditional treatments.

This shift is particularly important for spine, with aging populations causing a significant increase in degenerative spinal pathologies, often accompanied by multiple interventions. Spinal implants are therefore becoming a real public health issue and personalized treatment is therefore taking on its full meaning.

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

The development of patient-specific medicine is primarily related to the scientific advances made possible by modern calculation software and technologies. Personalized medicine will transform the practice, firstly with the personalization of treatment and subsequently by progressing toward better prevention. Against this backdrop, the role of manufacturers of therapeutic solutions is changing, and they are becoming genuine partners in the research of products and services that will be tailored to the personalized care of each patient.

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

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

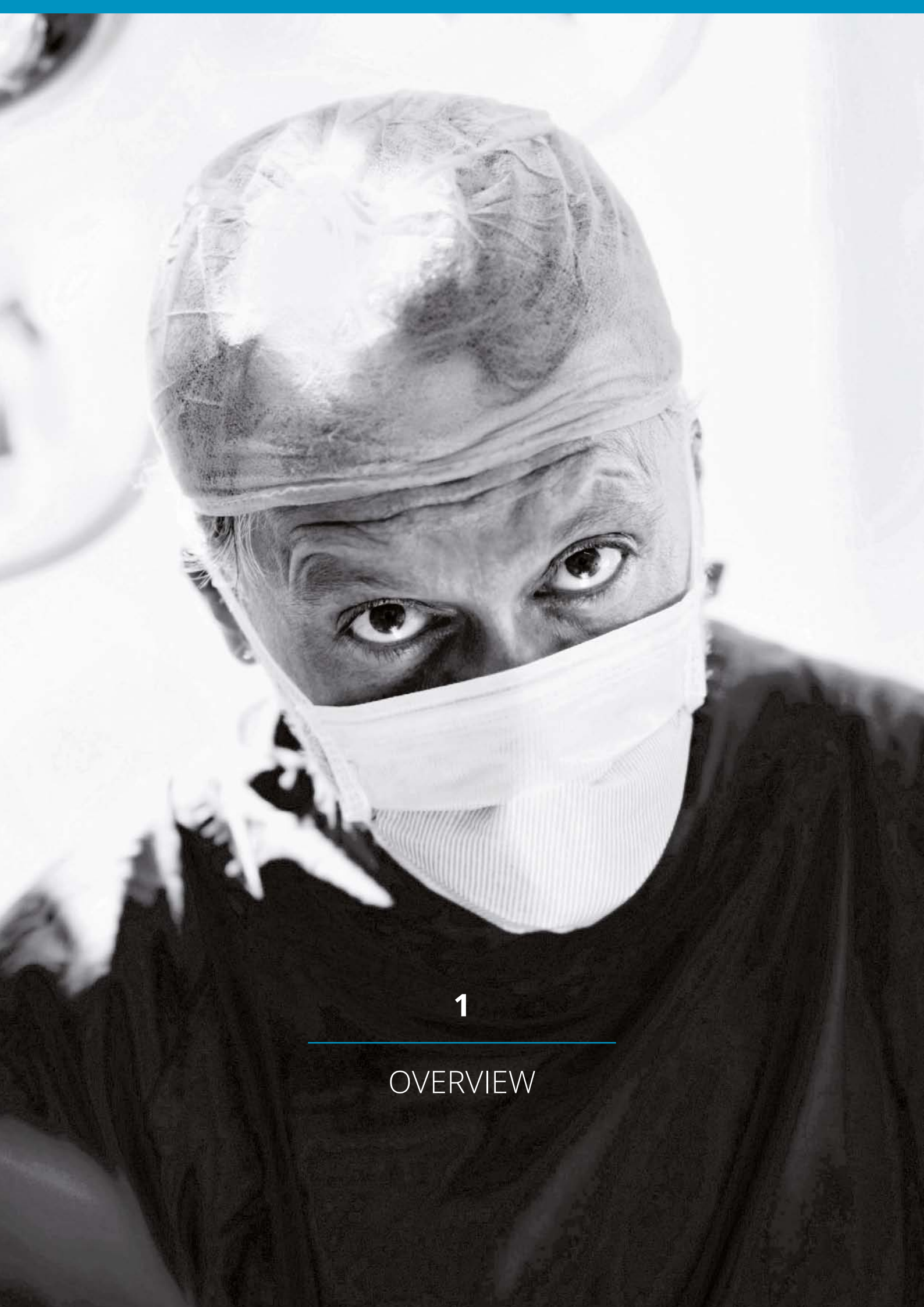
Denys SOURNAC

LEADING PERSONALIZED SPINE

PATIENT-SPECIFIC IMPLANTS
ARE A REALITY

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

MEDICREA is pioneering the transformation of spinal surgery through Artificial Intelligence, predictive modeling and patient specific implants with its UNiD™ ASI (Adaptive Spine Intelligence) technology.



1

OVERVIEW

MEDICREA Group specializes in bringing preoperative digital planning and pre and post-operative analytical services to the world of complex spine. Through the lens of predictive medicine, it leads the design, integrated manufacture, and distribution of 30+ FDA approved implant technologies, utilized in over 175k spinal surgeries to date. The Group has an ultra-modern manufacturing facility in Lyon, France housing the development and machining of 3D-printed patient-specific implants, as well as distribution subsidiaries in France, in the United States, Poland, and since 2018 in Belgium and Australia.

MEDICREA operates on a spinal surgery market worth approximately $10 billion. This market has been heavily affected by healthcare policy reforms in Europe as well as in the United States, aimed in particular at reducing the budgets of both state -run and private healthcare facilities. Pressure on prices orchestrated by hospitals, reductions of basic reimbursement rates made by governments, social security bodies, health insurance companies and funds, and the tightening up of certification procedures for medical devices particularly in Europe with the new MDR regulation applicable from May 2021, all impact the development of the market.

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

- changing demographics: aging populations, sedentary lifestyles, and an increase in the number of people who are overweight or obese, all of which favor the development of spinal pathologies;

- access to a similar level of healthcare in emerging countries to that seen in western nations;

- the development of surgical procedures thanks to the reduction in operating times, the growth of less invasive operating techniques and the advent of personalized medicine.

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

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

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

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

2

THE GROUP AT A GLANCE

1. Organization

MEDICREA INTERNATIONAL
Société mère
Rillieux-la-Pape, FRANCE

- MEDICREA USA
  New York, USA
- MEDICREA Belgium
  Houwaart, BELGIUM
- MEDICREA Australia
  Brisbane, AUSTRALIA
- MEDICREA Poland Sp. Z.o.o.
  Lodz, POLAND
- MEDICREA TECHNOLOGIES UK
  Preston, UK
- MEDICREA GmbH
  Cologne, GERMANY

ADMINISTRATION & FINANCE | HUMAN RESOURCES & LEGAL | R&D | MARKETING | SUPPLY CHAIN | QUALITY | EXPORT | IT | PRODUCTION

2. History

MEDICREA® TODAY

2019 **5000+** surgeries performed using UNiD™ patient-specific rods

2018 FDA approval for 3D-printed **patient-specific** titanium interbody devices

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

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

2015 MEDICREA reaches 30 product ranges with FDA clearances

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

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

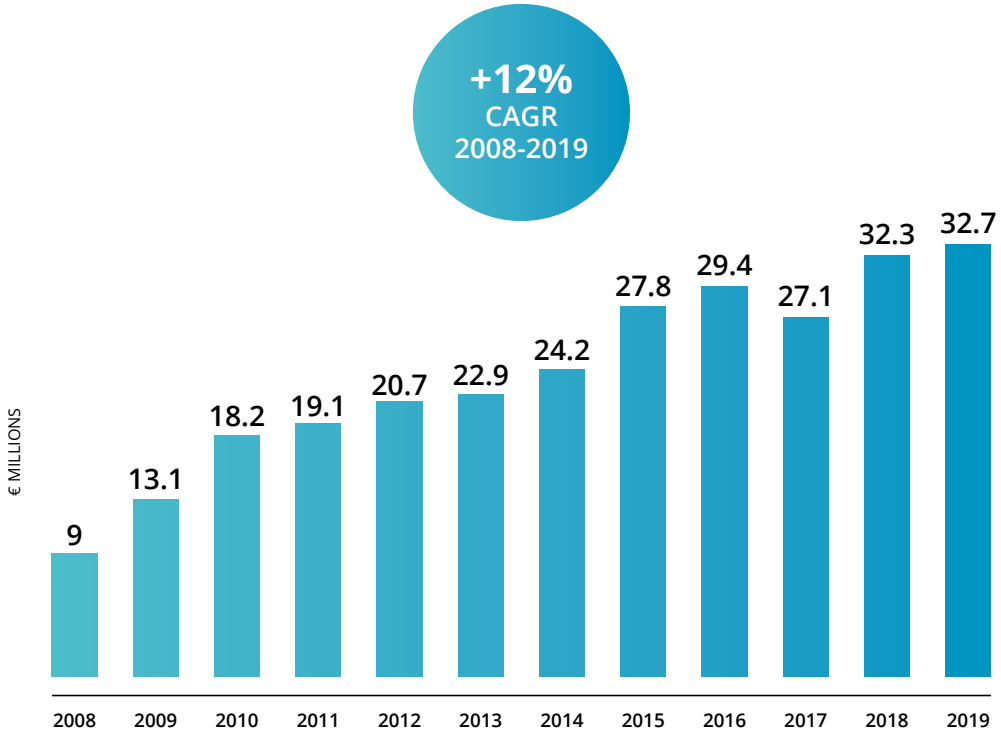
2008 PASS LP® posterior thoracolumbar system is FDA cleared

2007 MEDICREA USA direct sales subsidiary is founded

2006 MEDICREA IPO on Euronext Paris

2002 MEDICREA is founded by Denys SOURNAC

3. Evolution of revenue



4. Achievements

UNiD®:
- Range of implants and services for personalized spinal surgery
- 5,000 surgical procedures carried out to the end of December 2019
- Unid Hub software platform available to surgeons
- Lifetime warranty for UNiD customized implantable devices in the United States
- Pre operative device planning and selection service (screw planning)

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

International presence:
- 80% of sales are for export
- 4 sales subsidiaries: in the United Sates, Belgium, Australia and Poland
- Distribution in 25 countries

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

R&D:
- R&D effort (cash basis) represents almost 15% of sales
- 13 development engineers
- Healthy portfolio of patents

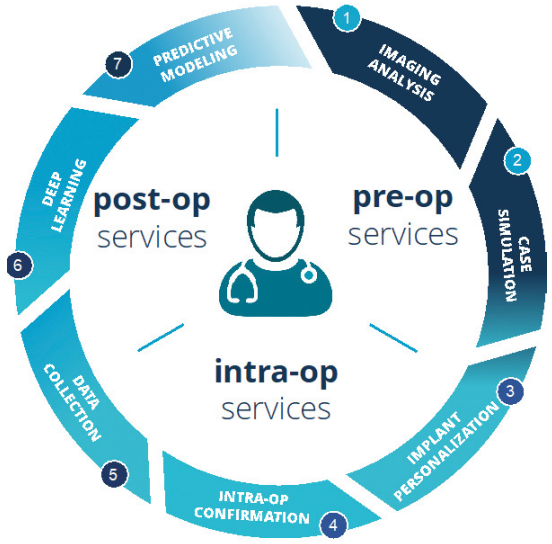
5. Innovations

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

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

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

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

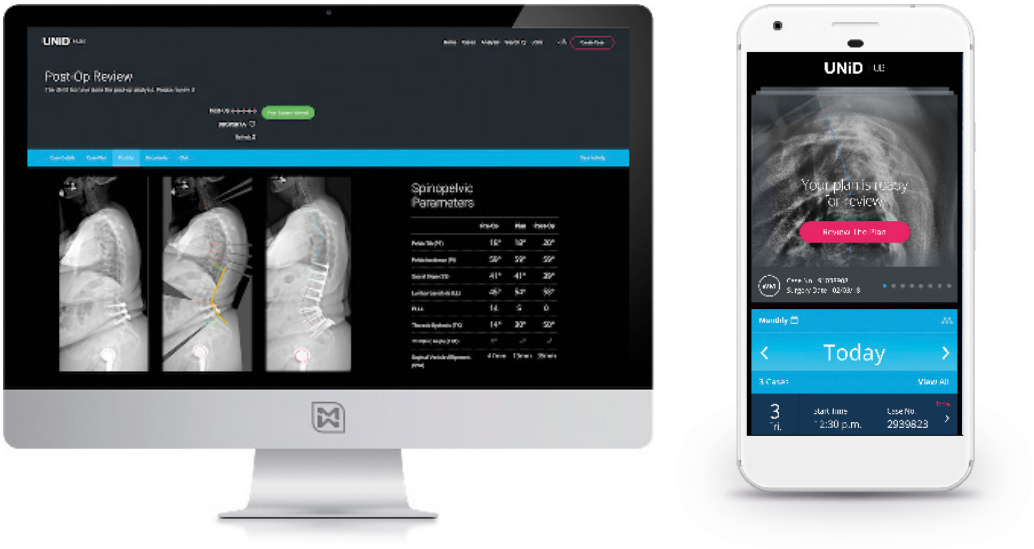


The UNiD Lab and its highly-trained Bio-Medical engineers work collaboratively with the Surgeons and Health Care Providers to preoperatively simulate a wide range of surgical strategies and technologies. This science and collaboration materializes in the physical form of personalized implant solutions.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

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

UNiD™ makes it possible to examine the most difficult clinical questions, deploy sophisticated IT technologies, design methods and proprietary manufacturing all in pursuit of cost reducing better outcomes.

MEDICREA believes each surgeon and patient is innately different. Thoughtful deep learning science must account for all of these variances. MEDICREA provides each unique surgeon with personalized 21st Century Scientific Intelligence, enabling them to treat each patient individually with optimized, comprehensive, personalized procedural and implant solutions every day.



6. Product ranges

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

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

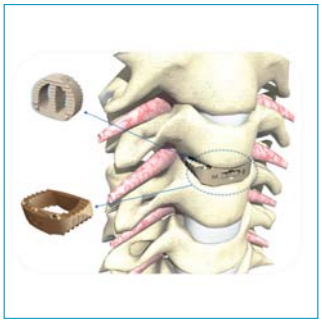
In addition to its range of services and UNiD® personalized implants, MEDICREA has an extensive range of spinal implants designed to treat spinal pathologies at every level and offers both fusion and non-fusion spinal implants, across several ranges, as follows:

CERVICAL

CERVICAL range

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

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



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

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

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

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

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

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

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

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

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

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

GRANVIA® C is CE-marked.

LUMBAR AND THORACO-LUMBAR

PASS® range

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

a. PASS LP®: MEDICREA's flagship product

The PASS LP® range represented 67% of the Group's sales in 2019.

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

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

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

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

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

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

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

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

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



c. LigaPASS®

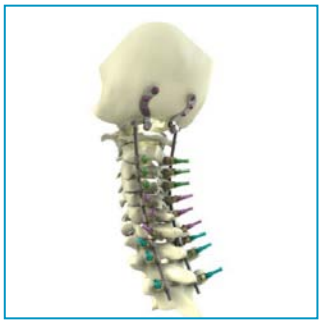
The LigaPASS® 2.0 range provides fixation systems using flexible bands in thoraco-lumbar posterior position, with a wide variety of connectors specifically tailored to meet clinical requirements.

LigaPASS® offers the assurance of secure fixation no matter how complex the surgical case with the following benefits:
- stability comparable to that offered by a pedicle screw;
- capacity to perform derotation / translation by following the ST2R technique;
- optimum bone/implant contact surface;
- secure technique with single and dual band options;
- additional fixation point on existing constructs;
- ideal component for cases of deformity and revision.

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

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

d. PASS OCT®



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

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

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

e. PASS MIS®

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

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

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

f. PASS Antérieur®

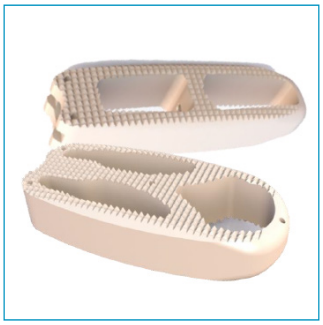
As an extension of the PASS LP® system, MEDICREA has also developed a range of specific implants enabling surgery using an anterior approach. In this way, PASS Antérieur® offers all the advantages of PASS LP®, high quality anchoring and polyaxiality, minimal profile and connection of the rod at distance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

PASS Antérieur® is CE-marked and FDA-approved.

THORACO-LOMBAR range

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

a. IMPIX® Lumbar Cages

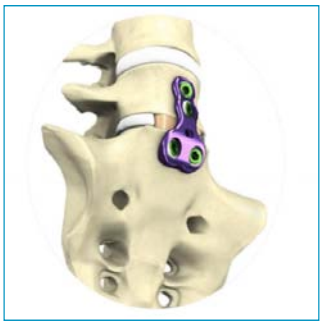


The role of these interbody cages is to replace damaged intervertebral discs in the lumbar region. Their purpose is to perform interbody fusion and restore disc height. MEDICREA offers a range of lumbar cages that enable compatibility with patients' different anatomies as well as the various surgical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

The types of IMPIX® cages include:
- ALIF (Anterior Lumbar Interbody Fusion), lumbar interbody fusion cage for anterior approach
- TLIF (Trans Lumbar Interbody Fusion), lumbar interbody fusion cage for transforaminal approach
- DLIF/OLIF (Direct lateral/Oblique Lumbar Interbody Fusion), lumbar interbody fusion cage for lateral / oblique approach
- PLIF (Posterior Lumbar Interbody Fusion), lumbar interbody fusion cage for lateral / oblique approach.

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

b. STABOLT® anterior lumbosacral plate



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

The implant is CE-marked and FDA-approved

c. Osmosys®

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

Osmosys® is CE-marked.

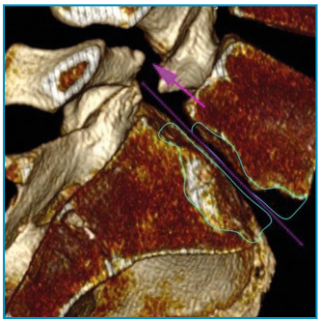
d. IB3D lumbar cages

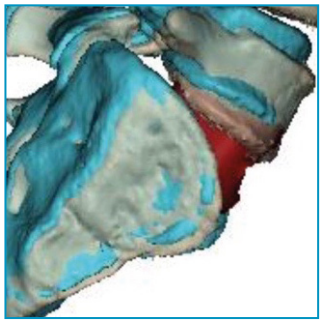
MEDICREA has designed and manufactures in-house a range of 3D printed interbody devices standard (IB3D) and patient specific (UNID IB3D).

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 perfect 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.

UNiD® IB3D Patient-Matched interbody cages allow the surgeon to accommodate geometrical inconsistencies (such as an asymmetric anatomy) of endplates and vertebral bodies, thus improving surgical and clinical outcomes.



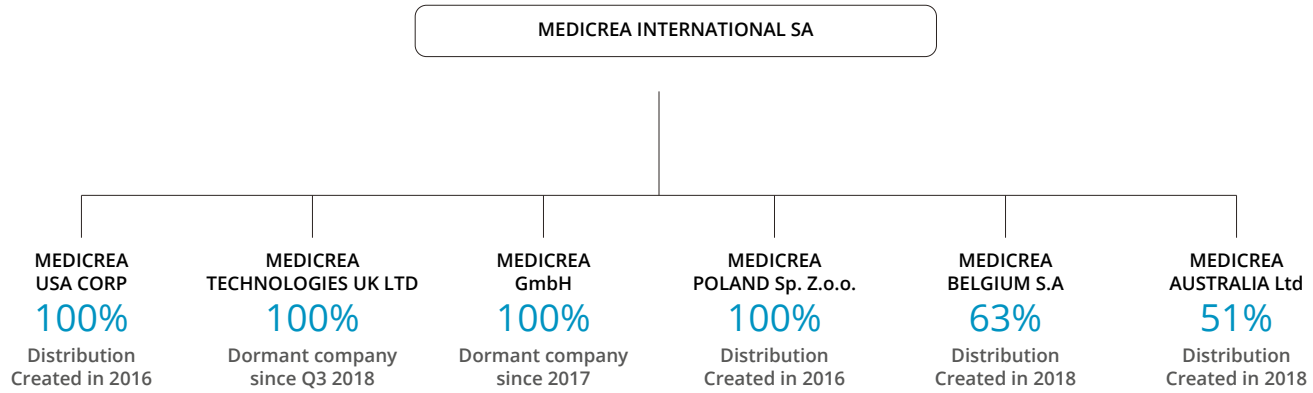


3

GOVERNANCE

1. Legal structure

At December 31, 2019, MEDICREA Group was structured as follows:



MEDICREA INTERNATIONAL, the parent company, is now based in Rillieux-la-Pape near Lyon.
MEDICREA INTERNATIONAL houses production activities, the research and development center and all commercial and administrative functions present in France.

MEDICREA USA, based in New York, distributes the Group's products in the United States. It is wholly owned by MEDICREA INTERNATIONAL.

MEDICREA POLAND, based in Lodz, has been marketing the Group's products in Poland since November 2016. It is wholly owned by MEDICREA INTERNATIONAL.

MEDICREA BELGIUM, based near Brussels, has been marketing the Group's products in Belgium since February 2018 and other products for spine surgery. It is owned by MEDICREA INTERNATIONAL at 63%.

MEDICREA AUSTRALIA, based in Brisbane, has been marketing the Group's products in Australia and New-Zealand since May 2018.

2. Management bodies

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

Board of Directors

It safeguards the interests of the Company and its shareholders and ensures that the decisions taken are implemented by the leadership team. The guiding principles for the Board's operation are set by rules adopted in October 2006. It met 6 times during the 2019 financial year, with an 72% attendance rate among its directors.

At December 31, 2019, the Board was made up of the following members:

- Denys SOURNAC, Chairman and Chief Executive Officer
- Jean Philippe CAFFIERO, Deputy Chief Executive Officer
- Patrick BERTRAND, Director
- Christophe BONNET, Director
- Pierre BUREL, Director
- Rick KIENZLE, Director
- Jean Joseph MORENO, Director
- Pierre OLIVIER, Director
- François Régis ORY, Director
- Marc RECTON, Director

The total attendance fees paid to members of the Board of Directors in 2019, in respect of 2018, stood at €72,000 excluding the €11,200 «forfait social» (corporate social contribution) paid directly by the Company.

Ad Hoc Committee

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

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

Strategic Committee

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

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

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

Management Committee

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

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

4

STOCK MARKET INFORMATION AND SHAREHOLDING STRUCTURE

1. Stock market information

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

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

	12.31.2019	12.31.2018	12.31.2017
Number of shares at December 31	16 915 847	16 219 847	15 082 811
High price	3,50	3,46	6,37
Low price	2,08	1,65	2,86
Average price for the period	2,67	2,67	4,51
Price at December 31	2,94	2,29	3,00
Market capitalization at December 31	50 M€	37 M€	45 M€
Trading volume	3 854 335	7 544 505	3 000 160
Capital turnover rate	23,76 %	46,5 %	19,9 %

Changes in the share price during 2019 were as follows:

2. Shareholding structure

The shareholding of the Company is characterized by the following factors:

- 2,500 shareholders in total;
- The leading shareholder is made up of the founding executives who together hold 14,5% of the share capital;
- The second largest shareholder, represented by an investment fund, holds 11% of the share capital;
- The 10 leading shareholders together hold approximately 55% of the share capital. 80% of the share capital is held by 30 shareholders.

3. Liquidity contract and listing sponsor

In order to stimulate trading, the security has been covered by a market-making contract entered into with the brokerage firm Kepler Chevreux since January 1, 2019. This contract is renewable annually by tacit agreement and and compliant with the French Financial Markets Association (AMAFI).

Aether Financial Services acts as Listing Sponsor.

4. Financial analysis

The brokerage firms Euroland and Kepler Cheuvreux track the share.

5. 2020 Financial communication calendar

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

2020 First Quarter Sales	April 9, 2020
2020 First Quarter Results	May 19, 2020
Annual Shareholders' Meeting	June 25, 2020
2020 Half-Year Sales	July 8, 2020
2020 Half-Year Results	September 14, 2020
2020 Third Quarter Sales	October 8, 2020
2020 Third Quarter Results	November 19, 2020
2020 Annual Sales	January 13, 2020

6. Information and documentation sources

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

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

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

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

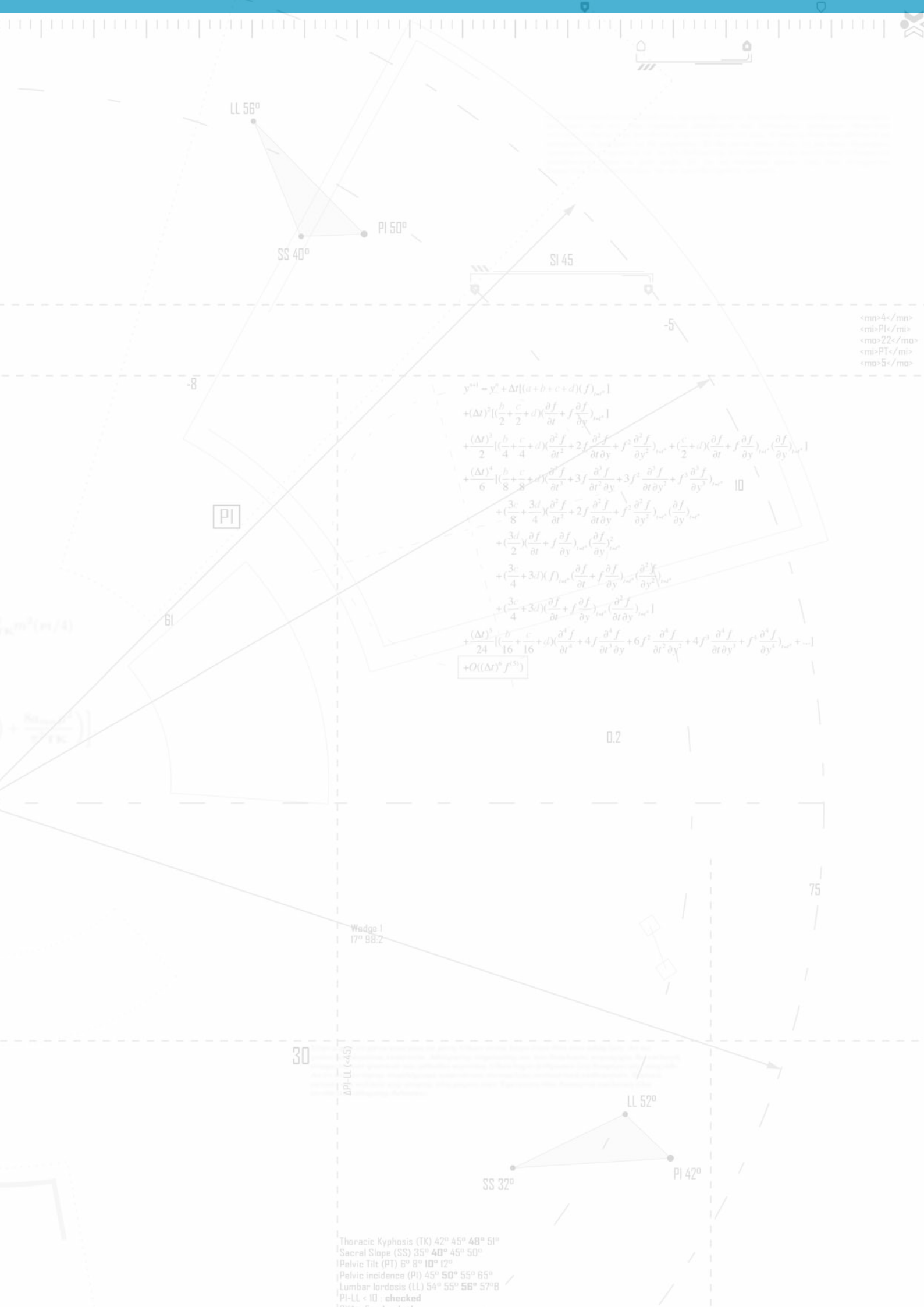
Person responsible for information

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

Tel: + 33 (0)4 72 01 87 87

dsournac@medicrea.com
fkilfiger@medicrea.com

APPENDICES


LL 56°
PI 50°
SS 40°
SI 45
-5
-8
PI
61
0.2
75
Wedge 1
17° 98.2
30
ΔPI-LL (<45)
LL 52°
PI 42°
SS 32°
Thoracic Kyphosis (TK) 42° 45° 48° 51°
Sacral Slope (SS) 35° 40° 45° 50°
Pelvic Tilt (PT) 6° 8° 10° 12°
Pelvic incidence (PI) 45° 50° 55° 65°
Lumbar lordosis (LL) 54° 55° 56° 57°8
PI-LL < 10 : checked

Person responsible for the Annual Financial Report

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

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

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

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

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 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	3,083,777	-	3,083,777
Share capital increase	27,400,800	-	27,400,800
Proceeds from new borrowings	(20,185,922)	(1,721,673)	(21,907,595)
Repayment of borrowings	,(1,429,672),	,(507,435),	,(1,937,107),
Interest paid	(1,797,153),	-,	(1,797,153),
Other movements			
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			12.31.2018 Restated (1)		
	Amortized cost	Fair value through equity	Fair value through profit or loss	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.

Headings	12.31.2019 Level	12.31.2019 Book value	12.31.2019 Fair market value	12.31.2018 Restated (1) Level	12.31.2018 Restated (1) Book value	12.31.2018 Restated (1) 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.

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2019

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ODICEO ERNST & YOUNG et Autres

Medicrea International

Fiscal year ended December 31, 2019

Statutory Auditors' report on the consolidated financial statements

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

Statutory Auditor
Member of Compagnie
régionale de Lyon

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

Statutory Auditor
Member of Compagnie
régionale de Versailles

Medicrea International

Fiscal year ended December 31, 2019

Statutory Auditors' report on the consolidated financial statements

To the Shareholders' Meeting of Medicrea International,

Opinion

In compliance with the engagement entrusted to us by your Shareholders' Meeting, we have audited the accompanying consolidated financial statements of Medicrea International for the year ended December 31, 2019. These financial statements were approved by the Board of Directors on April 7, 2020 on the basis of the information available at that date in the evolving context of the health crisis related to Covid-19.

In our opinion, the consolidated financial statements provide a true and fair view of the assets and liabilities and of the financial position of the Group at 31 December 2019 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

Audit framework

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

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

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2019 to the date of our report and specifically we did not provide any services prohibited by the French Code of Ethics for Statutory Auditors.

Observation

Without qualifying the opinion expressed above, we draw your attention to the points set out in the following paragraphs of the notes to the consolidated financial statements:

- Paragraph "Basis of preparation" of the note "Accounting principles" to the financial statements which explains the justification of the going concern principle.

- Paragraph « 1.2 Restatements of comparative periods » of the note "Accounting principles" to the financial statements which sets out the application methods and impacts relating to the first-time application of the IFRS 16 "Leases".

Justification of assessments

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

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

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

Specific verifications

We have also performed the specific verifications required by law and regulations on information in the management report of the Board of Directors dated April 29, 2020, in accordance with professional standards applicable in France. With regard to the events that occurred and the elements known after the closing date of the financial statements relating to the effects of the Covid-19 crisis, the management has informed us that they will be the subject of a communication to the general meeting called to decide on the accounts.

We have no comment to make on the fair presentation and the conformity with the consolidated financial statements.

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

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

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

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

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

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

As specified in Article L. 823-10-1 of the French Commercial Code, our statutory audit does not include assurance on the viability of the Company or the quality of management of the Company.

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

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

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

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

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

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

- Concerning the financial information of the persons or entities included in the scope of consolidation, gathers the information it deems sufficient and appropriate to express an opinion on the consolidated financial statements. The Statutory Auditor is responsible for directing, supervising and carrying out the audit of the consolidated financial statements and for the opinion expressed on these accounts

Villeurbanne and Lyon, April 29, 2020

The Statutory Auditors

ODICEO	ERNST & YOUNG et Autres
Agnès Lamoine	Lionel Denjean

MEDICREA INTERNATIONAL
PARENT COMPANY FINANCIAL STATEMENTS

AT DECEMBER 31, 2019

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CONTENTS

1. BUSINESS ACTIVITY

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

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

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

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

2. FISCAL YEAR HIGHLIGHTS

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

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

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

MEDICREA INTERNATIONAL has made tremendous progress in recent years in pioneering a personalized outcome-focused approach to spinal care with the analytical services of UNiD™ LAB and UNiD™ TEK patient-specific implants, to the point that 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 €19.9 million, an increase of 6% on a pro forma basis (excluding the surgical motor repair business) compared to the previous year. Revenues from the Company's sales to subsidiaries increased by 9%, i.e. + €0.8 million in additional billings, including + €0.7 million relating to MEDICREA USA. This growth is in line with the growth in the Group's revenue.

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

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

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

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

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

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

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

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

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

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 PARENT COMPANY FINANCIAL STATEMENTS AT DECEMBER 31, 2019

3.1 INCOME STATEMENT

(€)	Notes	12.31.2019	12.31.2018
Sales	**2.4**	19,930,473	19,750,159
Finished products and work-in-progress	**2.5**	639,897	(721,536)
Own work capitalized	**2.6**	1,959,315	1,680,837
Operating grants		-	33,048
Provision reversals and transfers of charges	**2.7**	113,117	211,203
Other revenue		590	3,670
Operating revenues		**22,643,392**	**20,957,381**
Purchases consumed, subcontracting and other supplies		(3,775,836)	(4,585,532)
Purchases and other external expenses		(6,900,231)	(6,954,402)
Taxes and duties		(808,824)	(752,450)
Wages and salaries		(6,268,626)	(6,695,330)
Social security costs		(2,930,308)	(2,807,518)
Amortization and depreciation charges		(4,449,302)	(4,607,196)
Provision charges		(1,038,880)	(139,620)
Other expenses		(681,692)	(649,910)
Operating expenses		**(26,853,699)**	**(27,191,958)**
Operating income		**(4,210,307)**	**(6,234,577)**
Financial income		3,709,418	1,100,883
Financial expenses		(7,496,840)	(2,014,335)
Net financial income / (expense)	**6.3**	**(3,787,422)**	**(913,452)**
Income/(loss) before tax		**(7,997,729)**	**(7,148,029)**
Exceptional income		118,390	671,681
Exceptional expenses		(23,788)	(655,045)
Net exceptional income/(expense)	**2.9**	**94,602**	**16,636**
Corporate tax	**7**	1,045,788	887,701
Net income/(loss)		**(6,857,339)**	**(6,243,692)**

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

3.2 BALANCE SHEET

(€)	Notes	12.31.2019 Gross	12.31.2019 Amort. & prov.	12.31.2019 Net	12.31.2018 Net
Intangible assets	**4.6**	22,768,438	15,472,754	7,295,684	6,838,880
Property, plant and equipment	**4.6**	11,752,287	5,770,693	5,981,594	5,894,054
Non-current financial assets	**4.6**	35,279,356	4,646,708	30,632,648	8,012,857
Non-current assets		**69,800,081**	**25,890,155**	**43,909,926**	**20,745,791**
Inventories	**2.1**	12,106,715	4,293,271	7,813,444	8,105,466
Trade receivables	**2.2**	2,259,476	97,513	2,161,963	10,866,251
Other receivables	**2.2**	5,250,809	1,371,764	3,879,045	10,727,323
Cash and cash equivalents	**6.1.5**	2,061,239	-	2,061,239	8,157,588
Current assets		**21,678,239**	**5,762,548**	**15,915,691**	**37,856,628**
Total assets		**91,478,320**	**31,652,703**	**59,825,617**	**58,602,419**

(€)	Notes	12.31.2019 Net	12.31.2018 Net
Share capital		2,706,536	2,595,176
Reserves		20,807,144	27,162,196
Net income for the year		(6,857,339)	(6,243,692)
Shareholders' equity	**8.3**	**16,656,341**	**23,513,680**
Conditional advances	**6.2**	-	100,000
Other equity		**-**	**100,000**
Long-term financial debt	**6.1**	34,512,674	27,314,523
Non-current liabilities		**34,512,674**	**27,314,523**
Provisions for liabilities and charges	**5.1**	402,698	126,518
Short-term financial debt	**6.1**	1,407,475	1,302,311
Group and associates	**6.1.1**	283,161	94,328
Trade payables	**2.3**	4,063,030	3,611,414
Other liabilities	**2.3**	2,500,238	2,539,645
Current liabilities		**8,656,602**	**7,674,216**
Total shareholders' equity and liabilities		**59,825,617**	**58,602,419**

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

3.3 CASH FLOW STATEMENT

(€)	12.31.2019	12.31.2018
Net income/(loss)	**(6,857,339)**	**(6,243,692)**
Property, plant and equipment depreciation, intangible asset amortization, and loan issue costs	4,152,579	4,607,196
Provision charges	2,745,622	176,486
Proceeds from sale of non-current assets	6,355	62,839
Merger premium		
Self-financing capacity	**47,217**	**(1,397,171)**
Change in inventories and work in progress	(716,858)	894,579
Change in trade receivables	(4,667,588)	(7,579,338)
Change in trade payables	601,202	(344,945)
Change in other receivables and payables	(28,367)	146,519
Cash flow from working capital requirement	**(4,811,611)**	**(6,883,185)**
Net cash flow from operating activities	**(4,764,394)**	**(8,280,356)**
Acquisition of non-current assets	(7,429,116)	(3,984,118)
Disposal of non-current assets	22,483	213,559
Conditional advances received (repaid)	(100,000)	(96,250)
Other movements	1,710	56,040
Net cash flow from investment activities	**(7,504,923)**	**(3,810,769)**
Share capital increase	-	3,083,777
Proceeds from new borrowings	7,798,120	27,400,800
Repayment of borrowings	(910,336)	(19,675,131)
Increase / (decrease) in subsidiaries' current accounts	(718,866)	(435,120)
Other movements	-	(1,802,459)
Net cash flow from financing activities	**6,168,918**	**8,571,867**
Change in cash and cash equivalents	**(6,100,399)**	**(3,519,258)**
Cash and cash equivalents - beginning of year	**7,657,588**	**11,176,846**
Cash and cash equivalents - end of year	**1,557,189**	**7,657,588**
Positive cash balances - beginning of year	8,157,588	11,676,846
Positive cash balances - end of year	2,061,239	8,157,588
Change in positive cash balances	**(6,096,349)**	**(3,519,258)**
Negative cash balances - beginning of year	500,000	500,000
Negative cash balances - end of year	504,050	500,000
Change in negative cash balances	**4,050**	**-**
Change in cash and cash equivalents	**(6,100,399)**	**(3,519,258)**

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

3.4 NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS AT DECEMBER 31, 2019

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

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

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

NOTE 1: ACCOUNTING PRINCIPLES

1.1 Preparation bases

MEDICREA INTERNATIONAL's financial statements are prepared in euros, in compliance with ANC Regulation No. 2014-03 of 5 June 2014, and in accordance with the going concern principle, as set out in Note 6.4.4. "Covenants" are assessed in light of the Company's capacity to meet – over the 12 months following the date of preparation of the financial statements – its cash flow requirements linked to its operations, its investments and the repayment of its short-term financial liabilities, while generating positive self-financing capacity and allocating sufficient financial resources. Depending on the case, the basic method used for the valuation of items recognized in the balance sheet is the historical cost, the contribution cost or the revalued amount. The accounting principles used in the preparation of the parent company financial statements for the year 2019 are identical to those applied the previous year.

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

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

At December 31, 2019, the Company was not aware of any changes in estimates having a significant impact during the period. **The consequences for the Company's business of the global health crisis linked to the COVID-19 pandemic, which are estimated to be the most probable at the closing date of the financial statements, are detailed in paragraph 2.6** of the highlights of the financial year.

1.2 Conversion of foreign currency-denominated items

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

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

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

NOTE 2: OPERATIONAL DATA

2.1 Inventories

Raw material inventories are measured at their weighted average cost, including sourcing costs. Finished and semi-finished goods inventories are valued at cost, excluding sales and marketing expenses.

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

Gross and net inventories are analyzed as follows:

	12.31.2019			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	9,508,180	(3,721,311)	5,786,869	8,918,445	(2,764,649)	6,153,796
Total	**12,106,715**	**(4,293,271)**	**7,813,444**	**11,389,857**	**(3,284,391)**	**8,105,466**

In gross value terms, inventories increased by 6% compared to 2018, i.e. €0.7 million of additional inventory. The increase is mainly concentrated in the finished products category, following the launch of the new PASS TULIP ™ range of screws and pedicle fixations for degenerative spinal surgery.

At December 31, 2019, impairment represented on average 35% of gross values compared to 29% at December 31, 2018. The increase relates mainly to finished products and results from a detailed review of sales prospects for items with high levels of available inventory compared to future consumption, the planned discontinuation of aging product lines, and the planned disposal of products that become unfit for sale due to expiration dates that have passed or maximum sterilization cycles that have been reached.

2.2 Trade and other receivables

Trade and other receivables are recorded at their nominal value.

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

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

Trade and other receivables are analyzed as follows:

	12.31.2019			12.31.2018		
(€)	**Gross values**	**Impairment**	**Net values**	**Gross values**	**Impairment**	**Net values**
Trade receivables	**2,259,476**	**(97,513)**	**2,161,963**	**10,969,974**	**(103,723)**	**10,866,251**
Social security receivables	2,200	-	2,200	2,200	-	2,200
Tax receivables	1,568,423	-	1,568,423	1,469,687	-	1,469,687
Intra-Group current accounts	1,371,764	(1,371,764)	-	9,153,038	(1,986,683)	7,166,355
Other receivables	1,521,639	-	1,521,639	1,532,110	-	1,532,110
Advances and prepayments to suppliers	7,740	-	7,740	5,381	-	5,381
Prepaid expenses	491,145	-	491,145	529,872	-	529,872
Asset translation adjustment	287,898	-	287,898	21,718	-	21,718
Other receivables	**5,250,809**	**(1,371,764)**	**3,879,045**	**12,714,006**	**(1,986,683)**	**10,727,323**
Total current assets	**7,510,285**	**(1,469,277)**	**6,041,008**	**23,683,980**	**(2,090,406)**	**21,593,574**
Average days sales outstanding		**52 jours**			**61 jours**	

The change in trade receivables between 2019 and 2018 is analyzed as follows:

(€)	**12.31.2019**	**12.31.2018**
MEDICREA USA	6,295	7,620,408
MEDICREA BELGIUM	417	643,441
MEDICREA AUSTRALIA	708,416	357,235
MEDICREA POLAND	677	420,463
MEDICREA TECHNOLOGIES UK	-	-
Intra-Group receivables	**715,805**	**9,041,547**
Non-Group receivables	1,543,671	1,928,427
Total trade receivables	**2,259,476**	**10,969,974**

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

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

Tax receivables include the research tax credit of €1 million. Other tax receivables primarily include VAT to be recovered.

At December 31, 2019, intra-Group current accounts were broken down as follows:

	12.31.2019			12.31.2018		
(€)	**Gross values**	**Impairment**	**Net values**	**Gross values**	**Impairment**	**Net values**
MEDICREA USA current account	-	-	-	6,427,965	-	6,427,965
MEDICREA GMBH current account	1,371,764	1,371,764	-	1,254,720	1,254,720	-
MEDICREA POLAND current account	-	-	-	738,390	-	738,390
MEDICREA TECHNOLOGIES UK current account	-	-	-	731,963	731,963	-
Total intra-Group current accounts	**1,371,764**	**1,371,764**	**-**	**9,153,038**	**1,986,683**	**7,166,355**

The maturity dates of receivables are broken down as follows:

(€)	**12.31.2019**	**Within 1 year**	**1 to 5 years,**	**More than 5 years**
Other non-current financial assets	370,782	-	40,000	330,782
Trade receivables	2,259,476	2,259,476	**-**	**-**
Social security receivables	2,200	2,200	**-**	-
Tax receivables	1,568,423	1,568,423	**-**	**-**
Intra-Group current accounts	1,371,764	-	1,371,764	**-**
Other receivables	1,521,639	1,521,639	**-**	**-**
Advances and prepayments to suppliers	7,740	7,740	-	**-**
Prepaid expenses	491,145	491,145	**-**	**-**
Total	**7,593,169**	**5,850,623**	**1,411,764**	**330,782**

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

(€)	**12.31.2019**	**12.31.2018**
Trade receivables	27,010	366,418
Other receivables	8,823	19,925
Total	**35,833**	**386,343**

2.3 Trade payables and other liabilities

Trade payables and other liabilities are analyzed as follows:

(€)	**12.31.2019**	**12.31.2018**
Trade payables	**4,063,030**	**3,611,414**
Social security liabilities	1,812,605	1,698,472
Tax liabilities	160,338	261,287
Other liabilities	386,200	321,613
Customer advances and prepayments	20,061	22,161
Translation adjustment liability	121,034	236,112
Total other liabilities	**2,500,238**	**2,539,645**
Total current liabilities	**6,563,268**	**6,151,059**
of which due in less than one year	*6,474,253*	*5,976,387*

The change in trade payables between 2019 and 2018 is analyzed as follows:

(€)	12.31.2019	12.31.2018
MEDICREA USA	14,148	85,012
Intra-Group liabilities	**14,148**	**85,012**
Non-Group liabilities	4,048,882	3,526,402
Total	**4,063,030**	**3,611,414**

The 0.5 million increase in trade payables is mainly due to a temporary postponement of payments from the end of December 2019 to January 2020.

The liability translation adjustment at December 31, 2019 mainly comprised the translation of Group receivables denominated in foreign currencies (see section 2.2).

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

(€)	12.31.2019	12.31.2018
Financial debt	7,447	7,004
Trade payables	539,285	471,931
Social security liabilities	1,050,344	1,272,970
Tax liabilities	175,979	352,317
Other liabilities	359,800	284,413
Total	**2,132,855**	**2,388,635**

2.4 Sales

Sales are recognized on the date the significant risks and rewards of ownership are transferred, which most frequently takes place when the products are shipped. In certain specific cases, when the Company delivers directly to healthcare institutions (e.g. in the French market), implants and instruments are held on consignment. They are not invoiced on delivery and remain recognized as assets. Only implants that have been placed and/or broken or lost instruments are subsequently invoiced.

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

Sales are analyzed as follows:

	12.31.2019			12.31.2018		
(€)	France	Exports	Total	France	Exports	Total
Merchandise sales	6,466,148	13,320,420	19,786,568	6,021,264	12,566,165	18,587,429
Provision of services	68,999	74,906	143,905	72,975	1,089,755	1,162,730
Total sales	**6,535,147**	**13,395,326**	**19,930,473**	**6,094,239**	**13,655,920**	**19,750,159**

The change in sales between 2019 and 2018 is analyzed as follows:

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

Sales for the year ended 31 December 2019 amounted to €19.9 million, an increase of 6% on a proforma basis (excluding the surgical repair business) compared with the previous year. Revenues from the Company's commercial subsidiaries increased by 9%, up to €0.8 million in additional billings, including +€0.7 million relating to MEDICREA USA. This growth is in line with the growth in the Group's revenue.

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

The surgical repair business was discontinued by the Company as of December 31, 2018, as it had generated 1 million euros in revenues for the year ended December 31, 2018.

2.5 Finished products and work-in-progress

The €1.4 million increase in finished products and work-in-progress compared to the previous year reflects the growth in the subsidiaries' business, which accelerated at the end of the 2019 financial year, and the launch of a complete new range of screws, known as "tulip", mainly used for degenerative spine surgery.

2.6 Own work capitalized

Own word capitalized amounted to €2.0 million, versus €1.7 million in 2018. It includes the capitalization of R&D expenses and of expenditure on patents, and reflects the Company’s sustained innovation efforts.

2.7 Provision reversals and transfers of charges

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

(€)	12.31.2019	12.31.2018
Provision for liabilities and charges	20,000	22,000
Inventory impairment	-	68,455
Provision for bad debts	6,210	29,546
Transfers of charges	86,907	91,202
Provision reversals and transfers of charges	**113,117**	**211,203**

2.8 Distinction between exceptional income and income from recurring operations

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

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

Exceptional income in 2019 mainly includes accruals for unclaimed liabilities.

2.9 Impact of exchange differences on sales and operating income

Average exchange rates evolved as follows:

Average conversion rates	12.31.2019	12.31.2018
USD / EUR	1.12125	1.18384
GBP / EUR	0.87951	0.88535
PLN / EUR	4.30270	4.25803
AUD / EUR	1.60976	1.58170

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

(€)	12.31.2019 at 2019 rates	12.31.2019 at 2018 rates	Impact of exchange rates
Sales	19,930,473	19,508,496	421,977
Operating income	(4,210,307)	(4,566,843)	356,536

NOTE 3: EMPLOYEE COSTS AND BENEFITS

3.1 Workforce

The workforce can be analyzed by category as follows:

	31.12.2019			31.12.2018		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Executives	44	28	72	39	29	68
Supervisors - Employees	29	30	59	30	27	57
Total	**73**	**58**	**131**	**69**	**56**	**125**

3.2 Pension plans and post-employment benefits

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

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

- retirement age: age at which an employee has acquired sufficient entitlements to obtain a full pension;
- social security rates: adjusted based on the employee and company status. On average, rates are 47.5% for executives and 36% for non-executives;
- rate of salary increase: 2%;
- departure mode: at the employee's initiative;
- life table: INSEE 2012-2014 by gender;
- annual mobility: based on category (executive and non-executive) and age, with a turnover rate of 0 after 50 years old;
- discount rate: 0.70%, based on the long-term yields of private sector euro-denominated AA-rated bonds (Corporate bonds AA10+) over a period equivalent to that of commitments, in accordance with the ANC's recommendation.

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

The value of acquired rights was €777,614 at December 31, 2019, compared with €639,367 at December 31, 2018. Movements are 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 end of the period	**777,614**	**639,367**

Actuarial gains and losses arose from changes in the assumptions used and employee transfers.

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

3.3 Seniority awards

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

3.4 Share-based payments

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

At the Shareholders' Meetings of March 10, 2006, June 25, 2009, June 14, 2012, June 25, 2014, June 3, 2015, December 18, 2015, June 7, 2016, June 15, 2017, November 8, 2017, and May 17, 2018, the authority to allocate share subscription or purchase options and to allocate free shares was delegated to the Board of Directors. At the Board of Directors' meetings of June 5, 2008, June 25, 2009, December 17, 2009, June 17, 2010, June 16, 2011, December 17, 2013, March 27, 2014, September 3, 2015, July 25, 2016, September 19, 2016, September 14, 2017, December 22, 2017, February 8, 2018, July 27, 2018 and December 20, 2018 share subscription options and/or free shares were allocated.

3.4.1 Share purchase option plans

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

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

3.4.2 Free share plans

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

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

3.4.3 Change in stock purchase option and free share plans

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

3.5 French Personal Training Account (PTA)

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

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

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

3.6 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. Since January 1, 2018, Mr. CAFFIERO no longer exercises operational duties within the Company 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 INTERNATIONAL by Mr. SOURNAC. These fees are paid via a service agreement between ORCHARD INTERNATIONAL and MEDICREA INTERNATIONAL.

3.6.1 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	187,780	187,780
Gross variable compensation	-	-	-	15,000 (1)
Directors' fees	-	-	-	-
Benefits in kind (2)	11,801	11,801	11,460	11,460
Total	**208,965**	**208,965**	**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	175,370	175,370
Gross variable compensation	-	-	-	30,000 (1)
Directors' fees	-	-	-	-
Benefits in kind (2)	7,798	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

3.6.2 Options allocated and exercised in 2019

Options allocated during 2019 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 2019 and 2018 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	**06/5/2008**	**06/25/2009**	**06/17/2010**	**09/14/2017**	**02/08/2018**
Number of options allocated	3,542	15,000	5,000	100,000	60,000
Year unexercised options will lapse	2018	2016	2017	2024	2025
Exercise price (€)	6.00	6.16	6.14	3.95	2.96
Number of options exercised	-	-	-	-	-
Number of options canceled / lapsed	3,542	15,000	5,000	-	-
Number of shares not yet vested	-	-	-	100,000	60,000

3.6.3 Free shares allocated in 2019

In 2019, no free shares were granted to executive corporate officers of the Company.

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

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

David RYAN

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

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

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

4.1 Impairment testing of amortizable assets

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

4.2 Intangible assets

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

4.3 Property, plant and equipment

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

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

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

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

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

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

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

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

4.4 Non-current financial assets and current accounts

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

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

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

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

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

		Registered office	% control
MEDICREA USA		New-York, USA	100%
MEDICREA TECHNOLOGIES UK		Preston, UK	100%
MEDICREA GMBH		Köln, DE	100%
MEDICREA POLAND		Łódź, PL	100%
MEDICREA BELGIUM		Houwaart, BE	63%
MEDICREA AUSTRALIA		Brisbane, AU	51%

Equity securities are broken down as follows:

	12.31.2019			12.31.2018		
(€)	**Gross value**	**Impairment**	**Net value**	**Gross value**	**Impairment**	**Net value**
MEDICREA USA	27,277,959	-	27,277,959	7,395,058	-	7,395,058
MEDICREA TECHNOLOGIES UK	3,236,917	(3,236,917)	-	2,465,018	(2,465,018)	-
MEDICREA BELGIUM	2,886,992	-	2,886,992	120,076	-	120,076
MEDICREA GMBH	1,362,673	(1,362,673)	-	100,000	(100,000)	-
MEDICREA AUSTRALIA	96,915	-	96,915	96,915	-	96,915
MEDICREA POLAND	47,118	(47,118)	-	47,118	-	47,118
Total	**34,908,574**	**(4,646,708)**	**30,261,866**	**10,224,185**	**(2,565,018)**	**7,659,167**

In February 2018 the Company created MEDICREA BELGIUM, a limited company under Belgian law with capital of €200,000 and its registered office in Houwaart, in partnership with the company Motion Medical, which up until that time had distributed MEDICREA INTERNATIONAL 's products in Belgium. The Company holds a 63.25% majority stake in MEDICREA BELGIUM and will gradually transition the entity to a fully-owned Medicrea subsidiary over the next years. A shareholders' agreement was signed to this effect containing corresponding purchase and sale commitments for the 36.75% stake held by Motion Medical at December 31, 2019 to take 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;

In June 2018, the Company created MEDICREA AUSTRALIA, an Australian company with capital of A$300,000 and its registered office in Brisbane, in a joint venture with the company National Surgical, a distributor of medical devices in Australia. The Company holds a 51% majority stake in MEDICREA AUSTRALIA and will gradually transition the entity to a fully-owned Medicrea subsidiary over the next years. A shareholders' agreement was signed to this effect containing corresponding purchase and sale commitments for the 49% stake held by National Surgical at December 31, 2019 to take place in stages over the period 2021-2024 as follows:

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

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

In December 2019, the Company also recapitalized MEDICREA TECHNOLOGIES UK, MEDICREA USA and MEDICREA GMBH by waiving current accounts as explained in 2.4. of the characteristic facts of the year.

Treasury shares

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

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

At December 31, 2019, treasury shares were analyzed as follows:

	12.31.2019		12.31.2018	
(€)	**Number**	**Amount**	**Number**	**Amount**
Liquidity contract	4,282	9,060	4,756	10,770
Total number of MEDICREA INTERNATIONAL shares	**4,282**	**9,060**	**4,756**	**10,770**

4.5 Change in non-current assets, and depreciation and amortization during fiscal year 2019

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

Gross values (€)	**01.01.2019**	Acquisitions	Disposals	**12.31.2019**
Research & development costs	13,171,999	1,549,046	-	14,721,045
Patents and similar rights	4,687,564	410,270	-	5,097,834
Computer licenses and software	2,022,780	901,645	-	2,924,425
Brands Domain name	25,134	-	-	25,134
Intangible assets	**19,907,477**	**2,860,961**	**-**	**22,768,438**
Technical facilities and equipment	2,178,501	267,612	1,909	2,444,204
Demonstration equipment	531,789	88,167	18,875	601,081
Instrument sets	3,595,689	1,105,737	332,698	4,368,728
Computer hardware and office equipment	1,118,484	15,916	-	1,134,400
Other non-current assets	2,959,847	305,006	60,979	3,203,874
Property, plant and equipment	**10,384,310**	**1,782,438**	**414,461**	**11,752,287**
Equity securities	10,224,185	24,684,389	-	34,908,574
Treasury shares (1)	10,770	-	1,710	9,060
Guarantees and deposits	342,920	18,802	-	361,722
Non-current financial assets	**10,577,875**	**24,703,191**	**1,710**	**35,279,356**
Total gross values	**40,869,662**	**29,346,590**	**416,171**	**69,800,081**

Amortization and depreciation (€)	**01.01.2019**	Charges	Reversals	**12.31.2019**
Research & development costs	8,789,814	1,629,926	-	10,419,740
Patents and similar rights	3,472,521	309,592	-	3,782,113
Computer licenses and software	781,128	464,639	-	1,245,767
Brands Domain name	25,134	-	-	25,134
Intangible assets	**13,068,597**	**2,404,157**	**-**	**15,472,754**
Technical facilities and equipment	697,549	276,163	164	973,548
Demonstration equipment	289,931	148,261	11,817	426,375
Instrument sets	2,199,472	839,933	332,673	2,706,732
Computer hardware and office equipment	769,849	125,375	-	895,224
Other non-current assets	533,455	276,328	40,969	768,814
Property, plant and equipment	**4,490,256**	**1,666,060**	**385,623**	**5,770,693**
Equity securities	2,565,018	2,081,690	-	4,646,708
Non-current financial assets	**2,565,018**	**2,081,690**	**-**	**4,646,708**
Total amortization, depreciation and impairment	**20,123,871**	**6,151,907**	**385,623**	**25,890,155**

Net values (€)	**01.01.2019**	Increases	Decreases	**12.31.2019**
Intangible assets	6,838,880	456,804	-	7,295,684
Tangible assets	5,894,054	116,378	28,838	5,981,594
Financial assets	8,012,857	22,621,501	1,710	30,632,648
Total net values	**20,745,791**	**23,194,683**	**30,548**	**43,909,926**

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

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

1 / Research and development activity is structurally important and is a key differentiating factor for the Group. The main costs incurred in the 2019 fiscal year include:

- The continued development of the UNiD platform and service offering ™, including new services and an assistance and surgical planning unit that allows to offer patient-specific implants;
- The development of patient-specific corporectomy implants and interbody cages using 3D printing;
- The improvement of the manufacturing process for 3D printing with titanium additive layers;
- The integration of new pre-, per- and post-operative data mining and analytical learning services.

R&D costs capitalized for the fiscal year 2019 amounted to €1,549,046 compared with €1,503,692 in 2018.

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

3/ The increase in the licenses and software item is primarily due to the continued development of new services concerning the UNiD ™ HUB, a proprietary surgical planning software package, based on big data technologies.

4/ The Company is continuing to expand its manufacturing equipment with an investment of 267,612 euros over the 2019 financial year, which mainly concerns the acquisition of a new machine for 3D bending of patient-specific rods.

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

6/ To carry out the surgical procedures, the Company offers its customers sets comprising instruments and implants. This equipment is stored at healthcare facilities or is available on loan. The instruments are recorded under property, plant and equipment and depreciated over a period of 3 years. Business development leads the Company to increase and renew the assets used by its customers, particularly in France. Fully-depreciated instruments are taken off the books on a regular basis.

7/ The increase in other non-current assets is mainly due to the fitting-out of a control room at the Vancia site and the acquisition of a vehicle.

8/ Non-current financial assets include equity securities, treasury shares held as part of a liquidity contract and guarantees paid. The increase in equity investments results from the recapitalization by waiving of current accounts of MEDICREA TECHNOLOGIES UK, MEDICREA USA and MEDICREA GMBH and by the purchase of a new tranche of 12.25% of the capital of MEDICREA BELGIUM.

4.6 Leases

4.6.1 Finance leases

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

(€)	12.31.2019 Gross values	12.31.2018 Gross values
Software	21,700	21,700
Technical facilities and equipment	3,374,252	3,374,252
Computer hardware	892,119	883,590
Total	**4,288,071**	**4,279,542**

Acquisitions in 2019 financed through finance leases or operating leases mainly consisted of IT equipment.

Lease-financed commitments are analyzed as follows:

(€)	12.31.2019	12.31.2018
Lease payments		
Total payments from previous years (1)	1,720,233	1,164,129
Lease payments for the year (1)	588,418	556,104
Total	**2,308,651**	**1,720,233**
Future minimum lease payments		
Within 1 year	420,500	586,675
1 to 5 years	437,480	822,581
More than 5 years	-	-
Total	**857,980**	**1,409,256**
Residual values	**21,848**	**21,846**

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

4.6.2 Operating leases

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

Operating leases mainly relate to annual lease payments of €1,154,546 for business premises under a 12-year lease entered into on September 23, 2016.

Operating lease commitments can be summarized as follows:

(€)	12.31.2019	12.31.2018
Within 1 year	1,031,867	972,213
1 to 5 years	4,060,002	3,802,735
5 to 10 years	4,148,015	5,067,380
Total	**9,239,884**	**9,842,328**

NOTE 5: PROVISIONS AND CONTINGENT LIABILITIES

5.1 Provision charges

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

Provisions are broken down as follows:

(€)	Provisions for salary disputes	Provisions for charges	Provisions for currency risk	Total
Provisions at January 1, 2019	**100,000**	**4,800**	**21,718**	**126,518**
Charges	30,000	-	287,898	317,898
Used during the year	(20,000)	-	(21,718)	(41,718)
Reversals	**110,000**	**4,800**	**287,898**	**402,698**
Provisions at December 31, 2019	*110,000*	*4,800*	*287,898*	*402,698*
of which due in less than one year	**100,000**	**4,800**	**287,898**	**402,698**

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

5.2 Contingent liabilities

A contingent liability is:

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

The contingent liabilities identified at December 31, 2019 were as follows:

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

  Since the launch of this warranty, no activation request has been recorded. On this basis, the Company did not recognize any provision in its financial statements at December 31, 2019 and, depending on all the data collected in 2020, it will assess whether or not it is necessary to review this position at December 31, 2020.

- 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.

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

NOTE 6: FINANCING AND FINANCIAL INSTRUMENTS

6.1 Net financial debt

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

The Company's net financial debt at December 31, 2019 is analyzed as follows:

	12.31.2019			12.31.2018		
(€)	**Non-current**	**Current**	**Total**	**Non-current**	**Current**	**Total**
Long-term financial debt	34,512,674	903,425	35,416,099	27,314,523	795,899	28,110,422
Short-term and bank loans	-	504,050	504,050	-	506,412	506,412
Gross financial debt	**34,512,674**	**1,407,475**	**35,920,149**	**27,314,523**	**1,302,311**	**28,616,834**
Cash and cash equivalents	-	(2,061,239)	(2,061,239)	-	(8,157,588)	(8,157,588)
Net financial debt	**34,512,674**	**(653,764)**	**33,858,910**	**27,314,523**	**(6,855,277)**	**20,459,246**

6.1.1 Analysis of long-term financial debt

Financial debt is recognized at its face value.

The net financial debt by currency of reimbursement is as follows :

En euros	**31.12.2019**	**31.12.2018**
Euro	1,813,510	(5,741,554)
Dollar américain	32,045,400	26,200,800
Endettement financier net	**33,858,910**	**20,459,246**

At December 31, 2019, long-term financial debt is analyzed as follows:

(€)	**12.31.2019**	**12.31.2018**
Bond issues	32,194,194	26,782,134
Loans from credit institutions	3,207,509	1,315,998
Accrued loan interest	2,697	591
Other financial debt	11,699	11,699
Non-Group financial debt	**35,416,099**	**28,110,422**
Group and associates	283,161	94,328
Total	**35,699,260**	**28,204,750**
of which fixed-rate financial debt	*3,653,860*	*2,003,950*
of which variable rate financial debt	*32,045,400*	*26,200,800*

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

(€)	**12.31.2019**	**12.31.2018**
Bond loan – September 2019	5,340,900	-
Bond loan – November 2018	26,704,500	26,200,800
Bond loan – April 2015	148,794	581,334
Total	**32,194,194**	**26,782,134**

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.

6.1.2 Change in financial debt

Changes in financial liabilities can be analyzed as follows:

		Cash movements		Change in exchange rates	
€	**12.31.2018**	**Redeemed**	**Remboursements**		**12.31.2019**
Bond issues	26,782,134	5,433,120	(432,540)	411,480	32,194,194
Loans from credit institutions	1,315,998	2,365,000	(473,489)	-	3,207,509
Accrued loan interest	591	-	2,106	-	2,697
Other financial debt	11,699	-	-	-	11,699
Group and associates	94,328	188,833	-	-	283,161
Long-term borrowings	**28,204,750**	**7,986,953**	**(903,923)**	**411,480**	**35,699,260**
Short-term borrowings	**506,412**	**-**	**(2,362)**	**-**	**504,050**
Total	**28,711,162**	**7,986,953**	**(906,285)**	**411,480**	**36,203,310**

This change is due to repayments made during the 2019 fiscal year in accordance with existing repayment schedules, the $6 million note issue and the subscription of one new bank loans totaling €2.4 million.

6.1.3 Maturity of long-term financial debt

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

(€)	**12.31.2019**	**Within 1 year**	**1 to 5 years**	**More than 5 years**
Bond issues	32,194,194	148,794	32,045,400	-
Loans from credit institutions	3,207,509	751,934	2,242,575	213,000
Accrued loan interest	2,697	2,697	-	-
Other financial debt	11,699	-	-	11,699
Group and associates	283,161	-	283,161	-
Total	**35,699,260**	**903,425**	**34,571,136**	**224,699**

6.1.4 Analysis of short-term financial debt

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

At December 31, 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	499,300	500,000
Accrued bank interest	4,750	6,412
Total	**504,050**	**506,412**

Bank overdrafts of €499,300 correspond to a cash facility guaranteed by amounts invoiced to French healthcare facilities.

6.1.5 Analysis of cash and cash equivalents

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

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

Cash and cash equivalents changed as follows:

(€)	12.31.2019	12.31.2018
Cash	2,061,239	8,157,588
Cash and cash equivalents	**2,061,239**	**8,157,588**

The cash flow statement for the period January 1, 2019 to December 31, 2019 highlights cash usage over the fiscal year.

6.1.6 Average debt rate

The average debt rate evolved as follows:

	12.31.2019	12.31.2018
Euro (EUR)	10.63%	9.45%

The high level of the average interest rate on the debt is primarily explained by the payments on the bond loans, for which the rates are higher than those charged in the case of conventional bank financing. The average interest rate on the debt worked out at 2.68% excluding the bond loans.

6.1.7 Hedge instruments

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

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

6.2 Conditional advances

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

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

6.3 Net financial income / (expense)

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

€	12.31.2019	12.31.2018
Cost of net financial debt	(3,066,341)	(1,173,416)
Dividends received from MEDICREA BELGIUM	487,521	-
Net exchange gain / (loss)	472,970	419,702
Interest received on term deposits	57,136	-
Capital gain / (loss) on disposal of marketable securities	5,688	(2,871)
Other	(11,445)	-
(Charges) / reversal to provisions for exchange losses	(266,180)	5,376
(Charges)/reversals of impairment losses on equity investments	(2,081,691)	-
(Charges)/reversals of impairment of current accounts	614,920	(162,243)
Net financial income / (expense)	**(3,787,422)**	**(913,452)**

The net exchange gain of €0.5 million was primarily due to the exchange rate differences recorded when payments were made by MEDICREA USA.

The shares of MEDICREA GMBH and MEDICREA TECHNOLOGIES UK LTD, which are mothballed companies, are fully depreciated.

The discounting at December 31, 2019 of the future cash flows generated by the other subsidiaries resulted in the recognition of a 100% write-down of the shares and a 100% write-down of the current account of MEDICREA POLAND.

Finally, the recapitalization of the MEDICREA GMBH and MEDICREA TECHNOLOGIES UK LTD subsidiaries, as explained in paragraph 2.3, led to the reversal of all current account write-downs and the allocation of an equivalent amount to the equity interests.

6.4 Off-balance sheet commitments related to financing

6.4.1 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) Pledges on goodwill to secure the $36 million note issue completed in November 2018 and September 2019 and other medium-term bank loan

(2) Holdbacks retained by BPI as cash collateral for loans totaling €1,350,000

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

(€)	12.31.2019	12.31.2018
Assignment of trade receivables – Dailly	500,000	500,000
BPI counter guarantees	875,000	-

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

6.4.3 Other commitments

The following table sums up the Company's other commitments:

(€)	12.31.2019	12.31.2018
Assignment of trade receivables	112,210	284,057

6.4.4 Covenants

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.

NOTE 7: CORPORATE TAX

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

(€)	12.31.2019	12.31.2018
Research tax credit	(1,045,788)	(887,701)
Corporate tax charge / (income)	**(1,045,788)**	**(887,701)**

Temporarily non-deductible income and expenses totaled €113,647 for the year to December 31, 2019, compared with €(229,236) for the year to December 31, 2018.

MEDICREA INTERNATIONAL's tax losses available to be carried forward totaled €47,995,282 at December 31, 2019.

NOTE 8: SHAREHOLDERS' EQUITY

8.1 Share capital

Following equity transactions carried out during the fiscal 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.

8.2 Share warrants (BSAs)

Warrants were granted to holders of shares and bonds during capital transactions that took place in 2017 and 2018. Their characteristics are summarized in the following table:

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 are not accounted for in the statutory accounts.

8.3 Change in shareholders' equity

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

(€)	**01.01.2019**	**Increase**	**Decrease**	**12.31.2019**
Share capital	2,595,176	111,360	-	2,706,536
Merger premium	2,738,619	-	-	2,738,619
Issue premium	28,347,430	-	(6,243,692)	22,103,738
Allocation of share capital increase-related costs	(4,635,775)	-	-	(4,635,775)
Legal reserve	19,360	-	-	19,360
Reserve for own shares	800	125,920	(112,320)	14,400
Statutory reserves	208,270	-	-	208,270
Other reserves	483,492	960	(125,920)	358,532
Retained earnings	-	6,243,692	(6,243,692)	-
Net loss for fiscal year 2019	-	-	,(6,857,339)	(6,857,339)
Net loss for fiscal year 2018	(6,243,692)	6,243,692	-	-
Shareholders' equity	**23,513,680**	**12,725,624**	**(19,582,963)**	**16,656,341**

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

(€)	**12.31.2019**	**12.31.2018**
Balance at January 1	**23,711,655**	**57,828,734**
Share capital increase in cash	-	2,903,306
Sub-total	**23,711,655**	**60,732,040**
Allocation of share capital increase-related costs	-	(391,973)
Clearance of accumulated deficit	(6,243,692)	(36,628,412)
Balance at December 31	**17,467,963**	**23,711,655**

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

At the shareholders' meeting of June 3, 2019, the shareholders approved a proposal to clear the accumulated deficit of €6.2 million by offsetting it against share premiums.

8.4 Dividends paid during the fiscal year

Nil

8.5 Issue, buyback and redemption of debt and equity securities

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 a new stake of bonds in the amount of $6 million to Perceptive Advisors, a leading US healthcare investment fund. This financing complements a first tranche 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.

NOTE 9: OTHER INFORMATION

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

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

	12.31.2019			**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

9.2 Related-party disclosures

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

(€)	**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.

9.3 Statutory Auditors' fees

The fees paid to the Company's Statutory Auditors shown in the parent company income statement are as follows:

	EY		ODICÉO	
Amount (excl. VAT)	**2019**	2018	**2019**	2018
Audit				
Audit, certification, review of individual and parent company financial statements	47,000	42,018	30,200	24,154
Services other than the certification of the financial statements	1,507	11,061	1,000	5,500
Total fees	**48,507**	**53,079**	**31,200**	**29,654**

9.4 Post balance sheet events

Fundraising

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

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

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

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

This information is described in section 2.6 of this document.

9.5 Five-year financial summary

See the management report.

9.6 List of subsidiaries and equity investments

The amounts below are expressed in Euros.

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

STATUTORY AUDITORS' REPORT

ON THE PARENT COMPANY FINANCIAL STATEMENTS

AT DECEMBER 31, 2019

ODICEO ERNST & YOUNG et Autres

Medicrea International

Fiscal year ended December 31, 2019

Statutory Auditors' report on the parent company financial statements

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

Statutory Auditor
Member of Compagnie
régionale de Lyon

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

Statutory Auditor
Member of Compagnie
régionale de Versailles

Medicrea International

Fiscal year ended December 31, 2019

Statutory Auditors' report on the consolidated financial statements

To the Shareholders' Meeting of Medicrea International,

Opinion

In compliance with the engagement entrusted to us by your Shareholders' Meeting, we have audited the accompanying consolidated financial statements of Medicrea International for the year ended December 31, 2019. These financial statements were approved by the Board of Directors on April 7, 2020 on the basis of the information available at that date in the evolving context of the health crisis related to Covid-19.

In our opinion, the consolidated financial statements provide a true and fair view of the assets and liabilities and of the financial position of the Group at 31 December 2019 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

Audit framework

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

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

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2019 to the date of our report and specifically we did not provide any services prohibited by the French Code of Ethics for Statutory Auditors.

Observation

Without qualifying the opinion expressed above, we draw your attention to the paragraph "Basis of preparation" of the note "Accounting principles" to the financial statements which explains the justification of the going concern principle.

Justification of assessments

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

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

Note 4.4 to the consolidated financial statements describe the valuation, recognition and impairment rules applied to goodwill, intangible assets and deferred tax. As part of our assessment of the accounting principles adopted by your Group, we have verified the appropriateness of the above-specified accounting methods and information disclosed in the notes to the consolidated financial statements and we have assured ourselves of their correct application.

Specific verifications

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

- **Information given in the management report and in the other documents on the financial situation and the annual accounts sent to the shareholders**

We have no comment to make on the fair presentation and the conformity with the financial statements of the information given in the management report of the Board of Directors dated April 29, 2020 and in the other documents addressed to the shareholders with respect to the financial position and the financial statements. With respect to events that occurred and information known subsequent to the date of closing of the financial statements relating to the effects of the Covid-19 crisis, management has informed us that they will be communicated to the General Meeting called to approve the financial statements.

We certify that the information relating to the payment periods mentioned in Article D. 441 4 of the French Commercial Code is true and consistent with the financial statements.

- **Corporate Governance Report**

We certify that the information required by Article L. 225-37-4 of the French Commercial Code (Code de commerce) has been included in the Board of Directors' report on corporate governance..

- **Other information**

As required by law, we have ensured that the required information concerning the identity of shareholders and holders of voting rights has been properly disclosed in the management report.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as Management

determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

As specified in Article L. 823-10-1 of the French Commercial Code, our statutory audit does not include assurance on the viability of the Company or the quality of management of the Company.

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

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

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

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

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

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

Villeurbanne and Lyon, April 29, 2020

The Statutory AuditorsODICEO Agnès Lamoine	ERNST & YOUNG et Autres Lionel Denjean

BOARD OF DIRECTORS' MANAGEMENT REPORT

AT DECEMBER 31, 2019

Leading personalized spine | medicrea.com

MEDICREA INTERNATIONAL

A French corporation *(société anonyme)* with share capital of €3,171,058.08
Registered office: 5389, route de Strasbourg – 69140 RILLIEUX-LA-PAPE
393 175 807 RCS LYON

BOARD OF DIRECTORS' REPORT ON THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019 SUBMITTED TO THE COMBINED SHAREHOLDERS' MEETING OF JUNE 25, 2020

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

MEDICREA leads the design, integrated manufacture, and distribution of 30+ FDA approved implant technologies, utilized in over 175k spinal surgeries worldwide to date. Operating in a $10 billion marketplace, MEDICREA is an SME with 180 employees worldwide, which includes 40 at its USA Corp. subsidiary in NYC.

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

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

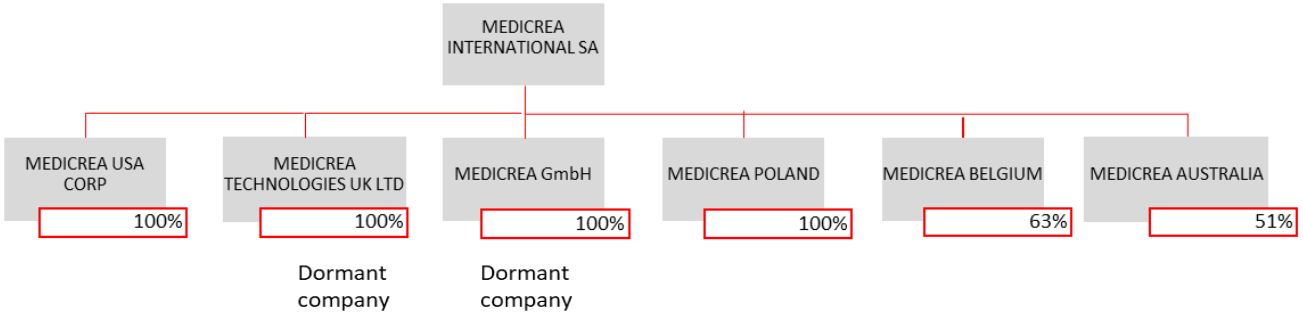
In accordance with the Law and the Bylaws, this Report contains a summary of the position and activity of MEDICREA Group and of the company MEDICREA INTERNATIONAL during the fiscal year ended December 31, 2019. The annual consolidated and parent company financial statements for the fiscal year are subject to the approval of the Shareholders' Meeting.

1. INFORMATION ABOUT THE GROUP

1.1 Group scope

The Group distributes its products in more than 25 countries via marketing subsidiaries and a network of independent distributors.

At December 31, 2019, MEDICREA Group was structured as follows:



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

1.2 Situation and development of activity over the fiscal year just ended

The following are the highlights of the 2019 fiscal year:

1.2.1 Market and environment

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

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

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

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

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

1.2.2 Results and performance

Sales for 2019 amounted to €32.7 million, a growth of 11% at constant exchange rates compared to 2018 on a pro-forma basis. Medicrea discontinued non-strategic activities on 2019, which represented sales of €2.9 million euros on 2018. All historical markets (United States, France, Belgium) grew versus the previous year and the Australian subsidiary is now contributing significantly to Group revenue.

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

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

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

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

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

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

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

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

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

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

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

1.2.3 Product portfolio and research and development

MEDICREA is the first company in the spinal industry to offer a complete set of surgical planning services implementing artificial intelligence, predictive modelling and patient-specific implants. The 2019 financial year enabled the Group to consolidate this position by strengthening its UNiD® range while simultaneously continuing to develop its portfolio of standard products.

UNiD ASI™ range of patient-specific implants and services

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

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

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

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

3D-printed titanium interbody cages

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

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

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

1.2.4 Organization

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

1.2.5 Financing

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. REVIEW OF THE FINANCIAL STATEMENTS

The financial statements of MEDICREA Group at December 31, 2018 have been prepared in accordance with IFRS (International Financial Reporting Standards) in force within the European Union, pursuant to European Regulation n° 1606/2002 of July 19, 2002, and available at http://ec.europa.eu/internal_market/accounting/ias/index_en.htm.

The summarized financial statements are as follows:

2.1 Consolidated income statements (IFRS)

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

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

2.2 IFRS consolidated balance sheet

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

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

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

2.3 Restatement of comparative periods

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

2.3.1 Impact of the restatement of the 2018 consolidated income statement

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

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

2.3.2 Impact of the restatement of the 2018 consolidated balance sheet

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

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

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

2.4 Comments on the consolidated income statement

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

2.5 Comments on the consolidated balance sheet

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

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

Intangible assets increased €0.3 million due to continued research and development efforts in general and, more specifically, the development of UNiD™ HUB, proprietary surgical planning software powered by Big Data technology.

The €2 million reduction in property, plant and equipment was mainly the result of existing depreciation schedules.

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

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

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

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

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

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

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

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

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

3. DEVELOPMENT AND FUTURE PROSPECTS

Pioneer and leader in the treatment of spinal pathologies through personalized solutions, MEDICREA is becoming a key player in a rapidly changing sector where pre- and post-operative patient data analysis combined with in-situ use of robotics and navigation techniques, will quickly and radically transform the traditional approach of spine surgery.

MEDICREA 's UNiD ASI ™ technology perfectly matches this trend and this led to the sharp increase quarter over quarter, especially in the USA in the number of personalized surgeries that have exceeded 5,000 procedures to date. Over 50 new surgeons adopted the technology in the United States in 2019.

The UNiD® service offering will be enriched in 2020 thanks to the increasingly systematic use of artificial intelligence, which through predictive modeling techniques enables to anticipate compensatory anatomical mechanisms of the spine and take them into account when planning surgeries and manufacturing implants.

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

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

4. INFORMATION RELATING TO SUBSIDIARIES AND INVESTMENTS

The corporate results of the subsidiaries and significant comments on activity over the 2019 fiscal year are presented below:

4.1 MEDICREA INTERNATIONAL SA

Information about the company MEDICREA INTERNATIONAL SA is identical to that provided in Paragraph 9 of this Report.

4.2 MEDICREA USA CORP

(€ K)	2019	2018	2017
EUR/USD exchange rate	1.121	1.184	1.125
Sales	17,887	15,564	16,001
Operating income	(4,964)	(4,702)	(4,080)
Net financial income / (expense)	(217)	(198)	(121)
Net income/(loss)	(5,182)	(4,900)	(4,201)
Workforce size (excluding trainees)	38	37	37

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

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

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

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

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

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

4.3 MEDICREA TECHNOLOGIES UK LTD

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

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

4.4 MEDICREA GMBH

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

The Group wound up its German operations in 2017 and mothballed its subsidiary MEDICREA GMBH. The Group is now represented in Germany by an independent distributor.

4.5 MEDICREA POLAND

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

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

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

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

4.6 MEDICREA BELGIUM

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

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

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

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

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

4.7 MEDICREA AUSTRALIA

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

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

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

In this context of start-up of a subsidiary, the operating income is at break-even and bears all of the structure's fixed costs.

5. RESEARCH AND DEVELOPMENT ACTIVITIES

R&D is at the heart of the value creation strategy. The Group has made extending its range of products and developing innovative solutions a key priority and for several years has dedicated a significant amount of its financial resources to research and development activities. Spending, excluding patents and similar rights, has progressed as follows over the last 5 years:

(€ K)	2019	2018 Restated (2)	2017 Restated (2)	2016	2015
Capitalized R&D costs	1,655	1,626	1,892	2,281	1,886
Expensed R&D costs (1)	3,996	3,949	2,909	2,055	1,960
- of which amortization charge of R&D costs	(1,788)	(1,691)	(1,492)	(1,284)	(993)

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

The major strategic research and development focus for the Group is personalized medicine which has become the basis for the medical model of the 21st century. The Group's aim is to make the products and services allowing treatment that is perfectly tailored, and therefore specific and customized for each patient, available to surgeons, by committing to a complex process combining research and development with the industrial dimension and by using innovative technologies and processes such as additive manufacturing via 3D printing.

Utilizing scientific knowledge of the sagittal balance, the understanding of spinal deformities, progress in imaging, increased analysis capabilities in relation to each patient and the advent of new manufacturing technologies based on digital files, the Group has become a pioneer in the field of patient-specific implants for the treatment of spinal column pathologies. The teams are working every day to assist surgeons in their strategy of personalized treatment for each patient by sharing their expertise and their support in technical, clinical and logistical fields and by giving them access to new technologies.

During the 2019 fiscal year, MEDICREA continued to invest in the development of its comprehensive UNID ASI™ platform, which offers patient-specific implants for spinal surgery as well as related applications and services, in particular the development of UNiD HUB™ (digital platform made available to surgeons).

6. SOCIAL AND ENVIRONMENTAL INFORMATION

6.1 Corporate information

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

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

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

The gender breakdown by staff category is as follows:

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

6.1.1 Training

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

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

6.1.2 Safety

The very recent, spacious and modern Rillieux-la-Pape site houses the production and support functions, providing infrastructure with optimal operating conditions. Production and logistics activities occupy dedicated spaces, ensuring high levels of safety and providing satisfactory safeguards against the risk of workplace accidents.

A comprehensive risk management assessment has been prepared and is updated annually.

By virtue of its medical device design and manufacturing operations, the Group is also subject to Public Health Code regulations.

6.1.3 Staff retention

Since MEDICREA INTERNATIONAL is in a tax loss situation, mechanisms for legal employee profit-sharing do not apply.

6.1.4 Subcontracting

The Group uses a network of screened subcontractors for manufacturing purposes. Since the Group currently has no environmentally controlled facilities such as clean rooms, it contracts the associated services out to third parties. The ultra-clean processing and the sterilization using gamma irradiation of sterile products are also subcontracted.

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

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

6.2 Environmental information

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

Moreover, the legislative and regulatory provisions defined by ANSM (French National Drug Safety Authority), the European Commission, the FDA and regulatory and health authorities in the other countries where the Group markets its products, provide a very strict framework for activities involving the design and manufacture of medical devices. They set the essential safety requirements and define the assessment and compliance procedures that are integrated into the quality management system. These very strict rules have implications at every level of the Group and help to strengthen the measures taken to keep the industrial assets in optimum condition for use and in compliance with the applicable standards.

7. RISKS

7.1 Risk mapping

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

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

7.2 Operating risks

7.2.1 Risks associated with the Company's business

The spinal surgery market is highly competitive. It is dominated by powerful players with extensive distribution networks, enabling them to sell their standard product ranges and restrict access to more modest-sized companies seeking to bring innovative solutions to market.

This market is also highly concentrated, for the most part localized to the US, with 10 leading players who share approximately 80% of the global market, and who enjoy considerable financial resources to conduct ambitious research and development programs for new products and ensure their future commercialization, as well as firmly established relations with both surgeons and healthcare facilities.

7.2.2 Risks associated with changes to medical device reimbursement policies

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

7.2.3 Regulatory environment risks

The products manufactured and distributed by the Group are subject to strict and increasingly stringent regulations. Medical devices can only be marketed in Europe if they bear the CE mark which guarantees compliance with the essential health and safety requirements defined by regulations.

Marketing of the products in countries other than those in the European Union also necessarily involves specific procedures for obtaining the authorizations required, notably in the United States, a priority country for the development of the Group's operations. In this way, the US market is governed by the regulations laid down by the Food and Drug Administration (FDA). The marketing of medical devices on this market may, according to device class, be subject to 510K procedures or pre-authorization applications required by the FDA (PMA). These authorization application processes can be long and costly. FDA authorizations may also be subsequently suspended, and the FDA may require product recalls, prohibit sales or seize products. These draconian measures are often related to serious problems identified when the products are used (case of vigilance) or following inspections of companies.

The departments in charge of quality assurance have been continually strengthened since 2012, notably in relation to the monitoring of international standards and to regulatory requirements.

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

More stringent conditions for the marketing authorization of products are being observed with a view to improving safety and transparency, with a number of initially class IIb spinal medical devices due to move to class III following the application of European Regulation MDR2017/745, which involves tighter requirements for manufacturers in terms of checks, traceability and regulatory monitoring. The European Regulation will also involve changes in clinical studies: obtaining the CE marking will be subject to pre-market clinical studies, whereas today reference to an equivalent product is sufficient, and post-market monitoring will be stepped up. This change in regulations detailed below also impacts products that already have CE marking.

- Before June 2016:
    - Clinical evaluation could consist of demonstrating equivalence with a CE-marked product and research findings;
    - Post-market monitoring was conducted by regular updating of clinical evaluation reports and the implementation of post-market clinical studies.

- Since June 2016:
    - Clinical evaluation can still be based on the principle of equivalence but is more complex;
    - Post-market monitoring must be updated annually and includes the implementation of post-market clinical studies.

As of 26/05/2020 (excluding the exceptional postponement measure related to the Covid-19 health crisis), the European Regulation will be enforced for new products:

- Equivalence will no longer be sufficient, and clinical evaluation will require clinical studies to be conducted before receiving CE marking (meaning a 3- to 4-year interval);

- A consultation procedure will be initiated. A group of experts will issue a scientific opinion, and will have the ability to restrict the product's marketing: limited numbers of patients and validity period of the certificate, etc.;
- Post-market monitoring will have to be updated annually, throughout the product's life cycle, and post-market clinical trials will systematically be conducted to confirm product performance and safety.

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

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

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

Concerning the PASS LP thoraco-lumbar fixation system, including UNiD® patient-specific implants, which currently accounts for 70% of the Company's sales, MEDICREA already has all the clinical data for deformity surgery (complex scoliosis surgery). Data relevant to degenerative surgery has been compiled since May 2018 through a clinical study that will require two years of monitoring once all patients have been included (late 2019). For the specific case of LigaPASS the Company already has clinical data regarding the most frequent pediatric indications, and is not necessarily seeking to extend collection of data to degenerative or trauma-induced indications, which account for an extremely small or even non-existent portion of sales.

As a result, the risk of losing CE marking on products that represent a major part of the Company's sales can be considered very low.

All these regulatory changes have a significant effect on resources to be allocated to regulatory and clinical product monitoring, i.e. human and financial resources to conduct pre-market clinical studies and post-market monitoring. In addition, the timeframe required to obtain CE marking for any new product will also increase for all new products, and the CE marking process will be free in the case of a pre-marking clinical trial.

7.2.4 Intellectual property risks

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

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

Thus, the granting of a patent guarantees neither validity nor applicability, which can both be challenged by third parties.

As a result, the Group cannot guarantee:

- that pending patent applications will actually result in patents being issued,
- that patents delivered or licensed out to the Group or its partners will not be challenged by others or invalidated,
- that the extent of the protection conferred by patents is sufficient to protect it from its competitors,
- that its products are not infringing patents owned by others.

Moreover, the trend in the medical and surgical equipment industry is towards an increase in disputes and litigation in the field of industrial and intellectual property. Consequently, any action brought against the Group could result in substantial costs and have a significant impact on the development of its business.

7.2.5 Risks associated with the malfunction of industrial processes

MEDICREA's quality system includes procedures to detect any non-compliant products, internally or externally, in accordance with its own requirements, those of its customers or those imposed by regulations. These procedures are embedded in the "Manage quality" process within MEDICREA's quality management system, allowing for the following:

- identification and notification of product non-conformities;
- recording of all investigations: root cause analysis and risk assessment;
- implementation and monitoring of action plans;
- measurement of the effectiveness of actions taken.

Non-conformities can be identified internally throughout design and manufacturing processes, as well as during inspections before a medical device is released, but also during (external or internal) audits or regulatory inspections, or even by clients.

Any incidents affecting patients and/or users are stipulated in the regulatory framework of medical device vigilance (the various regulations are listed in the Quality Manual), which describes how to report an incident to the competent authorities.

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

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

7.2.6 Warranties on UNiD products

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

Since the launch of this warranty, no activation request has been recorded. On this basis, the Group did not recognize any provision in its financial statements at December 31, 2019 and, depending on all the data collected in 2020, it will assess whether or not it is necessary to review this position at December 31, 2020.

7.2.7 Risks related to changes in raw material prices

Implant manufacture requires purchasing specific materials such as titanium, cobalt chromium and PEEK. As suppliers of these raw materials are few in number, the Group is subject to changes in market price which are difficult to predict or control, and which could have a negative impact on its financial performance.

Purchases of these materials are not the subject of hedging contracts. They account for a relatively small part of the cost price of products manufactured (less than 10%). As such, fluctuations, both upward and downward, in the price of these raw materials would only have a limited impact on the competitiveness of the Group's manufacturing prices.

7.2.8 Risks related to BREXIT

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

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

7.3 Risks to the environment

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

7.4 Legal risks

7.4.1 Litigation risks

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

The Group believes that the provisions allocated to cover the disputes or litigation known at the year-end are sufficient to avoid its consolidated net worth being materially affected in the event of an unfavorable outcome.

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

7.5 Financial risks

7.5.1 Liquidity risks

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

The financial resources secured following fundraising transactions total approximately €76 million and $36 million, as detailed in the table below:

Date	Nature	Amount (€)	Amount (USD)
June 2006	Share capital increase by means of a public offering	11,587,604	-
December 2007	Share capital increase	7,000,002	-
November 2008	Share capital increase	1,155,928	-
April 2009	Issue of new shares with share warrants	1,176,000	-
May 2009	Issue of new shares with share warrants	767,621	-
June 2009	Share capital increase	621,942	-
December 2009	Share capital increase	1,395,608	-
December 2009	Exercise of share warrants	582,831	-
May 2010	Issue of bonds redeemable in new shares	1,928,624	-
June 2010	Share capital increase	594,740	-
November 2011	Issue of new shares with share warrants	1,534,500	-
August 2012	Share capital increase	762,000	-
June 2015	Share capital increase through private placement	3,543,697	-
August 2016	Issue of bonds convertible into new shares	15,000,000	-
August 2016	Share capital increase through private placement	4,999,983	-
June 2017	Share capital increase through private placement	13,000,003	-
December 2017	Issue of new shares with share warrants	7,216,957	-
July 2018	Issue of new shares with share warrants	3,083,777	-
November 2018	Issue of bonds and share warrants	-	30,000,000
September 2019	Issue of bonds	-	6,000,000
Total		**75,951,817**	**36,000,000**

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

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

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

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

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

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

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

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

7.5.3 Foreign exchange risks

Most of the Group's supplies are denominated in Euros. Sales to US, Australian and Polish subsidiaries are made in local currencies, the products then being sold in these markets in the country's functional currency. As a result, subsidiaries are not exposed to an exchange rate risk on purchases but MEDICREA INTERNATIONAL, the Group's parent company, is exposed to an exchange risk on part of its foreign currency-denominated sales, which it hedges against as opportunities arise, mostly by setting up forward sales transactions covered by annual hedging budgets.

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

7.5.4 Interest rate risks

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

7.5.5 Share risks

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

7.5.6 Inflation risks

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

7.5.7 Credit risks

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

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

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

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

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

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

Fundraising

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

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

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

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

This information is described in section 1.2.6 of this document.

9 INFORMATION ON THE PARENT COMPANY

9.1 Situation and development of activity over the fiscal year just ended

Details pertaining to the overall background and economic context are provided in paragraph 1 of the Board of Directors' report on the Group.

MEDICREA INTERNATIONAL's financial statements at December 31, 2019 have been prepared pursuant to French generally accepted accounting principles.

The summarized financial statements are as follows:

9.1.1 Income statement

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

9.1.2 Balance sheet

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

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

9.1.3 Comments on the income statement

MEDICREA INTERNATIONAL is the parent company of MEDICREA Group. It markets its products through a network of distribution subsidiaries and via independent distributors in more than thirty countries.

The distribution subsidiaries are supplied directly by MEDICREA INTERNATIONAL.

The change in sales between 2019 and 2018 is analyzed as follows:

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

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

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

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

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

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

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

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

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

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

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

9.1.4 Comments on the balance sheet

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

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

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

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

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

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

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

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

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

In accordance with the provisions of Articles L. 441-6-1 and D. 441-4 of the French Commercial Code, information on supplier and customer payment terms is as follows:

	Article D. 441 I. – 1°: Invoices received, unpaid at December 31, 2019					
Trade payables	**0 days**	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 days or more**	**Total 1 day or more**
(A) Late payment ranges						
Number of invoices concerned	**301**					**383**
Total value of invoices concerned exc. VAT	**€2,126,842**	€421,820	€160,392	€91,768	€117,787	**€791,768**
% of total value of purchases exc. VAT over the fiscal year	**73%**	**14%**	**5%**	**3%**	**5%**	**27%**
(B) Invoices excluded from (A) relating to contested or unrecorded trade payables						
Number of invoices excluded	**0**					**0**
Total value of invoices excluded exc. VAT	**0**					**0**
(C) Payment terms used						
Payment terms used for calculating late payments	**Contractual terms**					

	Article D. 441 I. – 2°: Invoices issued, unpaid at December 31, 2019					
Trade receivables	**0 days**	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**91 days or more**	**Total 1 day or more**
(A) Late payment ranges						
Number of invoices concerned	**347**					**906**
Total value of invoices concerned exc. VAT	**€197,474**	€752,353	€505,437	€111,386	€560,963	**€1,930,138**
% of sales exc. VAT for the year	**9%**	**35%**	**24%**	**5%**	**27%**	**91%**
(B) Invoices excluded from (A) relating to contested or unrecorded trade receivables						
Number of invoices excluded	**1**					
Total value of invoices excluded exc. VAT	**€97,513**					
(C) Payment terms used						
Payment terms used for calculating late payments	**Contractual terms**					

9.2 Development and future prospects

Company growth is directly related to that of the Group, the main trends of which are summarized in paragraph 3 of the Board of Directors' report on the Group.

9.3 Information relating to subsidiaries and investments

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

9.4 Research and development activities

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

9.5 Stock market performance

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

Major stock market data is analyzed as follows:

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

Since August 28, 2018, securities in the Company have been listed on the US OTCQX Best Market ("OTCQX"). In addition to trading on the Euronext-Growth market, this listing will give Medicrea the opportunity to increase its visibility within the US and grow its investor base.

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

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

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

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

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

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

9.7.1 Information pertaining to the share capital and threshold crossings

Pursuant to the provisions of Article L. 233-13 of the French Commercial Code, and based on the information received pursuant to Articles L. 233-7 and L. 233-12 of said Code, we hereby disclose, as of December 31, 2019 the identity of shareholders who directly or indirectly hold more than 5%, 10%, 15%, 20%, 25%, 33.33%, 50%, 66.66%, 90% and 95% of the authorized share capital or voting rights at Shareholders' Meetings.

Furthermore, it should be noted that the statutory provisions impose an obligation to inform if an increase or decrease in the equity holding threshold of 2% of the capital or voting rights is exceeded; this information is renewed every time each additional 2% fraction of the capital or voting rights is exceeded.

	At 12.31.2019		**At 12.31.2018**	
	% share capital	% voting rights	% share capital	% voting rights
More than 5%	Amiral Gestion Special Situation Fund	Amiral Gestion Special Situation Fund Stonepine Capital Management	Amiral Gestion Armistice Capital Master Fund	Amiral Gestion Armistice Capital Master Fund Stonepine Capital Management
More than 10%	Stonepine Capital Management LLC Orchard International	-	Stonepine Capital Management LLC Orchard International	-
More than 15%	-	Orchard International	-	Orchard International

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

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

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

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

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

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

9.7.3 Share capital and treasury shares

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

At December 31, 2019, share capital totaled €2,706,535.52, and comprised 16,915,847 shares as follows:

Pursuant to the provisions of Article L. 225-211 sub-paragraph 2 of the French Commercial Code and in accordance with the authorization granted by the Combined Shareholders' Meeting of May 17, 2019, the Company bought back some of its own shares during the year ended December 31, 2019, as described in point 9.6 above.

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

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

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

9.7.5 Employee shareholding

Pursuant to the provisions of Article L. 225-102 of the French Commercial Code, the number of shares of the Company's capital held by employees at the last day of the fiscal year is reported annually, as well as the proportion of share capital represented on December 31, 2019 by shares held by company personnel and personnel of related companies within the meaning of Article L. 225-180 of the French Commercial Code under a company savings plan and a company investment trust.

At December 31, 2019, employees of the Company and related companies held 3.13% of the Company's capital, including less than 0.01% via the company savings plan.

9.7.6 Stock subscription or purchase options – Allocation of free shares

In accordance with the provisions of Article L.225-184 of the French Commercial Code, the Shareholders' Meeting was informed, via a special report, of the stock-option plans implemented.

Pursuant to the provisions of Article L. 225-197-4 Paragraph 1 of the French Commercial Code, the Shareholders' Meeting was informed, via a special report, of the allocations of free shares completed over the course of the fiscal year.

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

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

9.8. Dividends paid

Pursuant to the provisions of Article 243 bis of the French General Taxation Code, please note that no dividend has been paid in the last three fiscal years.

9.9. Five-year financial summary

Pursuant to the provisions of Article R. 225-102 of the French Commercial Code, a summary of the Company's earnings over each of the last five fiscal years is appended in Note 2.

9.10. Social and environmental information

The very nature of MEDICREA INTERNATIONAL's activities is unlikely to present significant risks to the environment, as described in paragraph 7. "Risks" of this report.

9.11. Significant events that occurred between the year-end and the date of the report

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

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

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

9.12 Non-deductible expenses referred to in Articles 39-4 and 223 of the French General Taxation Code

Pursuant to Article 223-IV and 223-V of the French General Taxation Code, the total of expenses and costs that cannot be deducted from earnings as referred to in Article 39-4 of the General Taxation Code, as well as the tax incurred in relation to said expenses and costs, were €167,373 and €46,864 respectively for the fiscal year ended December 31, 2019 (€176,029 and €49,288 respectively in relation to the previous year).

9.13 Proposed allocation of 2019 income

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

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

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

Consequently, the Board of Directors proposes that the accumulated deficit in the retained earnings (losses) account be charged in full to share premiums. This would bring down the balance of the share premium account from €26,449,450.23 to €19,592,110.92, while the balance of retained earnings (losses) would increase from (€6,857,339.31) to zero.

By clearing the accumulated deficit, this decision would result in a more favorable presentation of the Company's capital, thus facilitating access to certain sources of bank financing.

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

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

9.16. Determination of Director's fees

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

9.17. Reappointment of Statutory Auditors

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

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

- GRANT THORNTON as Principal Statutory Auditor

- IGEC as Substitute Statutory Auditor.

9.18. Renewal of Directors' terms of office

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

9.19. Authorizations granted to the Board of Directors by the Shareholders' Meeting

a) Renewal of the authorization granted to the Company to purchase its own shares on the stock market

It is proposed to authorize the Company to trade its own shares on the stock market, pursuant to the provisions of Article L. 225-209 of the French Commercial Code, and subject to compliance with legal and regulatory requirements applicable at the time of its implementation, for the sole purpose of, and by order of priority:

- To ensure the stimulation of the secondary market or the liquidity of the MEDICREA INTERNATIONAL share via an investment services provider acting in complete independence

under a liquidity contract in compliance with a Code of Ethics recognized by the French Financial Markets Authority;
- Ensure the hedging of stock option purchase plans and/or free share allocation plans (or similar plans) for the benefit of Group employees and/or corporate officers;
- To reduce the share capital of the Company through the cancellation of shares within legal limits;
- To retain the purchased shares and subsequently exchange them or use them in payment as part of mergers and acquisitions;
- To implement any market practice that is or may be admitted by the market authorities.

No other use of this share buyback program is considered.

The transactions conducted as part of the buyback program would be carried out pursuant to applicable regulations and an information document would be released, specifying:

- the maximum number of shares to be acquired: no more than 10% of share capital (including shares already held) of which 5% of share capital if they are shares purchased by the Company to retain and subsequently deliver as payment or in exchange as part of a merger or acquisition transaction;
- the maximum purchase price per share, subject to adjustments relating to any transactions affecting the Company's capital, set at €25 (excluding acquisition costs).

The theoretical maximum amount for the implementation of this program would be €49,547,782.5, financed either by own resources or by the use of short- or medium-term external funding.

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

The authorization would be valid from the date of the Annual Shareholders' Meeting called to approve the financial statements at December 31, 2019 and for a maximum period of eighteen months.

If this resolution is adopted, the Board of Directors should report annually on the use of this authorization.

A request is also made to authorize the Board of Directors, for a period of 18 months, with the option to sub-delegate, to cancel at its sole discretion, in one or more transactions, no more than 10% of the capital calculated on the day of the cancellation decision and after deducting any shares canceled during the preceding 24 months, any shares that the Company holds or may hold as a result of repurchases made under the terms of its buyback program and to reduce the share capital proportionately pursuant to applicable regulations. The Board of Directors would therefore have the powers required to take all necessary measures.

b) Proposal to delegate powers to / authorize the Board of Directors to increase the share capital

In particular in order to:

- Accelerate the digital transformation of all Group companies through the development, integration and distribution of a new UNID proprietary platform;
- Strengthen the teams and the resources for analyzing the clinical data collected by the UNID LAB in order to hone the capabilities of the predictive model and the relevance of the Company's proprietary algorithms identifying the most appropriate implants for each patient;
- Strengthen the Group's foothold in the United States, increase MEDICREA's presence in the main centers specializing in spinal surgery by developing sales teams and the local manufacture of certain patient-specific implants;
- Continue to integrate new manufacturing technologies (3D printing);
- Continue to re-insource key production activities and fund the purchase of required machinery;
- Explore all opportunities relating to acquisitions or tactical or strategic partnerships concerning the products, technologies and patents;
- Accelerate the development of the Group's distribution subsidiaries.

It is proposed to decide on the principle of an increase in share capital with delegation of authority to be granted to the Board of Directors in order to enable the Company, if required, to subsequently tap the financial market and therefore take any development opportunity.

As such, the following is proposed:

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

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

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

   The total amount of share capital increases that may be realized now and/or in the future, may not exceed a nominal amount of eight hundred thousand (800,000) euros. The amount of the share capital increases would count towards the Overall Ceiling I mentioned hereafter.

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

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

The issue price of the shares that would be issued without preferential subscription rights would be at least equal to the weighted average price quoted over the last ten trading sessions preceding its determination, with the possible application of a deduction of up to 10%.

2. ***To grant to the Board of Directors (19th resolution), for a period of twenty-six months, a delegation of authority in order to increase the share capital by the issue of ordinary shares and/or marketable securities conferring access to the share capital of the Company or granting entitlement to the allocation of debt securities with waiver of the preferential subscription right of shareholders within the context of an offer referred to in Article L.411-2 II of the French Monetary and Financial Code.***

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

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

   The issue price of the shares would be at least equal to the weighted average price quoted over the last ten trading sessions preceding its determination, with the possible application of a deduction of up to 10%.

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

4. ***to delegate to the Board of Directors (21st resolution), pour for a period of eighteen (18) months, the power to decide on one or more share capital increases via the issue of ordinary shares in the Company or any marketable securities conferring access by any means, immediately and/or in the future, to existing or new ordinary shares in the Company with waiver of the preferential subscription right in favor of a category of individuals meeting specified characteristics pursuant to Article L. 225-138 of the French Commercial Code.***

The total amount of share capital increases that may be completed under the terms of this delegation immediately and/or in the future, may not exceed a nominal amount of eight hundred thousand (800,000) euros. The amount of the share capital increases would not count towards the Overall Ceiling I mentioned hereafter.

The total amount of issues of compound marketable securities whose primary component is a debt, notably a bond, security, may not exceed a nominal amount of twenty-five million (25,000,000) euros. The amount of issues of marketable securities would not count towards the Overall Ceiling II mentioned hereafter.

To allow the entry of new financial partners, the preferential subscription rights of Shareholders to shares or marketable securities covered by this transaction would be canceled and the right to subscribe would be reserved for by a category of individuals defined as follows: International investment funds and/or companies (i.e.: that conduct financial transactions in several countries), active in the field of health and/or medical devices, and which will each participate in the transaction for an amount of no less than one hundred thousand (100,000) euros (in accordance with Article 211-2.3° of the General Regulations of the French financial markets authority).

The issue price of the shares would be at least equal to the weighted average price quoted over the last ten trading sessions preceding its determination, with the possible application of a deduction of up to 10%.

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

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

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

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

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

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

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

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

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

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

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

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

- Implement this authorization;

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

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

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

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

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

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

- and more generally do whatever is necessary.

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

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

Implementation

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

Under this authorization and under previous authorizations:

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

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

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

Beneficiaries

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

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

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

Price

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

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

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

Period of validity

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

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

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

Capital increase resulting from exercise of share subscription

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

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

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

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

Other conditions

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

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

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

7. ***to grant to the Board of Directors (24th and 25th resolutions), for a period of twenty-six months, the authority to complete a share capital increase reserved for all employees in the Company and companies within its Group and to waive the preferential subscription right of shareholders in favor of said employees.***

   It is specified that pursuant to the provisions of Article L. 225-129-6 of the French Commercial Code, the Shareholders' Meeting must rule on a draft resolution to conduct a capital increase under the conditions provided for in Articles L. 3332-18 et seq. of the French Labor Code:

   The total nominal amount of the share capital increases that may be completed in this way under the terms of the delegation may not exceed forty thousand (40,000) euros. The amount of the share capital increases would count towards the Overall Ceiling I mentioned hereafter.

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

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

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

9.20. Statutory Auditors' report

The Statutory Auditors have prepared the following reports, made available to shareholders for review:

- Report on the parent company financial statements
- Report on the consolidated financial statements
- Special report on the agreements mentioned by Articles L. 225-38 *et seq*. of the French Commercial Code;
- Certification regarding the information provided pursuant to Article L225-115 4° of the French Commercial Code relating to the total amount of remuneration paid to the highest paid individuals.

The Statutory Auditors have also prepared the following reports, which will be made available to shareholders 15 days prior to the Shareholders' Meeting of June 25, 2020:

- Special report on the cancellation of securities acquired under the Company's program to buy back its own shares;
- Report on the issue of various marketable securities with waiver of the preferential subscription right;
- Special report on the allocation of free shares to employees and/or executive officers of the company and the Group;
- Special report on the granting of options to purchase or subscribe for shares;
- Report on the share capital increase reserved for members of a company savings plan d'entreprise ;

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

Appendix 1

List of subsidiaries and equity investments

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

Appendix 2

Five-year financial summary

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

REPORT ON CORPORATE GOVERNANCE

AT DECEMBER 31, 2019

Leading personalized spine | medicrea.com

MEDICREA INTERNATIONAL
A French corporation *(société anonyme)* with share capital of €3,171,058.08
Registered office: 5389, route de Strasbourg – 69140 RILLIEUX-LA-PAPE
393 175 807 RCS LYON

REPORT ON CORPORATE GOVERNANCE FOR FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019 SUBMITTED TO THE COMBINED SHAREHOLDERS' MEETING OF June 25, 2020

To the Shareholders,

We hereby report on:

- the composition and conditions of preparation and organization of the Board's work;
- the operation of the Board of Directors;
- information on corporate officers;
- agreements concluded between a Director or Major Shareholder and a subsidiary;
- limitations of the powers of the Board of Directors;
- delegations related to share capital increases;
- procedures relating to the participation of shareholders in Shareholders' Meetings.

In view of its size and shareholder structure, the MEDICREA Group has elected to base its governance procedures on the MIDDLENEXT governance code. This governance code is accessible at the MiddleNext website (www.middlenext.com).

I. COMPOSITION AND CONDITIONS OF PREPARATION AND ORGANIZATION OF THE BOARD'S WORK

1.1. Exercise of General Management – Limitation of powers

The Company has chosen to appoint the Chairman of the Board of Directors as its Chief Executive Officer. Mr Denys SOURNAC is Chairman and Chief Executive Officer.

Mr Denys SOURNAC is assisted by three Deputy Managing Directors, Messrs Jean-Philippe CAFFIERO, Fabrice KILFIGER and David RYAN.

The Chairman and Chief Executive Officer is vested with the broadest powers to act in all circumstances in the name of the Company. He exercises these powers within the limits of the corporate purpose and subject to those powers expressly granted by law to Shareholders' Meetings and the Board of Directors. He represents the Company in its dealings with third parties. He shall not take any major decision without the agreement of the Board of Directors, which shall act as a collegial body (to be validated). In this context, the Board of Directors has not placed any particular restrictions on the

powers of the Chief Executive Officer, with the exception of certain provisions of its internal regulations, without these restrictions being enforceable against third parties.

1.2. Composition of the Board of Directors

The Board of Directors is comprised of 10 Directors:

Director	Position	Date last appointed	Term of office expires	Age at 12/31/2019
Denys SOURNAC	Chairman and Chief Executive Officer	Shareholders' Meeting of June 25, 2014	Shareholders' Meeting to approve the financial statements for the year ended December 31, 2019	56 years
Jean-Philippe CAFFIERO	Deputy CEO	Shareholders' Meeting of June 25, 2014	Shareholders' Meeting to approve the financial statements for the year ended December 31, 2019	56 years
Richard KIENZLE	Director	Shareholders' Meeting of May 11, 2017	Shareholders' Meeting to approve the financial statements for the year ended December 31, 2022	57 years
Patrick BERTRAND	Independent Director	Shareholders' Meeting of June 25, 2014	Shareholders' Meeting to approve the financial statements for the year ended December 31, 2019	75 years
Christophe BONNET	Independent Director	Shareholders' Meeting of June 25, 2014	Shareholders' Meeting to approve the financial statements for the year ended December 31, 2019	55 years
Pierre BUREL	Independent Director	Shareholders' Meeting of June 25, 2014	Shareholders' Meeting to approve the financial statements for the year ended December 31, 2019	76 years
Jean-Joseph MORENO	Independent Director	Shareholders' Meeting of June 25, 2014	Shareholders' Meeting to approve the financial statements for the year ended December 31, 2019	77 years
Pierre OLIVIER	Director	Shareholders' Meeting of May 17, 2018	Shareholders' Meeting to approve the financial statements for the year ended December 31, 2023	53 years
François-Régis ORY	Independent Director	Shareholders' Meeting of June 3, 2015	Shareholders' Meeting to approve the financial statements for the year ended December 31, 2020	60 years
Marc RECTON	Independent Director	Shareholders' Meeting of June 3, 2015	Shareholders' Meeting to approve the financial statements for the year ended December 31, 2020	58 years

There is no requirement to hold shares to be appointed as a director, however, all Company directors currently hold shares in the Company.

No censors are appointed to the Board.

At December 31, 2019, director Pierre Olivier was also an employee of Medicrea USA, Corp, a subsidiary of MEDICREA INTERNATIONAL.

Two Deputy Chief Executive Officers, Fabrice KILFIGER and David RYAN, appointed for a three-year term on May 17, 2018, are also employees of the Company, respectively Chief Financial Officer and Chief Operating Officer of the Company.

The directors referred to as "independent" meet the criteria for classification as independent specified in the MIDDLENEXT Code, on which MEDICREA bases its governance procedures. The independence of the members of the Board is thus characterized by the absence of any material financial, contractual or family relationship that could affect the independence of the Board member's judgment.

At the next Shareholders' Meeting, a proposal will be made to renew the terms of office of Directors expiring at the end of the Shareholders' Meeting.

1.3. Conditions of preparation and organization of the Board of Directors' work

1.3.1. Average notice for convening the Board

Each year, the Board of Directors determines the schedule of meetings for the coming year upon proposal by its Chairman. The Board meets once a quarter for the exclusive purposes of managing routine business. The Board can convene additional meetings should the interests of the Company so require. In addition to the purely legal decisions that are taken by the Board, the latter is also competent in relation to all decisions concerning the Company's major strategic, financial, corporate and technological priorities and monitors their implementation, for which the Chairman is responsible.

Although the Bylaws allow for the Board to be convened by any means, including orally, it is systematically convened by email a minimum of three days before the date of the meeting. Documents enabling the Directors to make a decision in full knowledge of the facts are provided to them. The Statutory Auditors have been invited on a regular basis to meetings dealing with financial and/or accounting matters in accordance with the provisions of Article L225-35 of the French Commercial Code.

1.3.2. Attendance of Directors

The average attendance rate at Board Meetings is 72%.

1.3.3. Chairing Board Meetings

All 6 meetings of the Board of Directors that were held over the course of the fiscal year were presided over by the Chairman.

1.3.4. Video-conferencing

The Rules of Procedure give Directors the option of participating in Board Meetings via videoconference or any other means of telecommunication.

The Chairman ensures that means of telecommunication are available to Directors who reside in France or abroad, or are visiting there for legitimate reasons, in order for them to participate in Board of Directors' meetings.

The foregoing provisions do not apply to the adoption of decisions as provided for under Articles L. 232-1 and L. 233-16 of the French Commercial Code, respectively pertaining to:

- preparation of annual financial statements and the management report;

- preparation of the Group's annual consolidated financial statements and management report, if applicable.

If the Board of Directors' meeting is not held at the Company's registered office, the Chairman takes necessary measures to ensure that Directors who have decided to attend the meeting there may participate using the aforementioned means of telecommunication.

This method of participation via videoconferencing was used throughout the year, notably as a result of the attendance of an American Director who resides in the US.

1.3.5. Information provided to Directors

In addition to the agenda for each Board Meeting, each Director receives documents enabling them to make an informed decision in full knowledge of the facts in relation to the matters in question.

At each Board Meeting, the Chairman informs the Board members of the main facts and significant events relating to the life of the Company and its subsidiaries that have arisen since the date of the last Board Meeting.

1.4 Operation of the Board of Directors

The Middlenext Code sets out a list of recommendations and matters for attention to ensure the correct governance for companies of this size.

A summary of the application of the recommendations of the MIDDLENEXT code is provided in the following table:

		Recommendation	
Supervisory power		Applied	Not applied
R1	Director ethics	X	
R2	Conflicts of interest	X	
R3	Composition of the Board – Independent directors	X	
R4	Board member information	X	
R5	Board and committee meetings	X	
R6	Creation of committees	X	
R7	Introduction of Board Rules of Procedure	X*	
R8	Choice of directors	X	
R9	Directors' terms of office	X	
R10	Directors' compensation	X	
R11	Introduction of Board evaluation	X*	
R12	Relationships with Shareholders	X	
Executive power			
R13	Definition and transparency of the compensation of executive corporate officers	X	
R14	Succession planning for executive officers		X
R15	Corporate officers and employment contracts	X	
R16	Golden handshakes	X	
R17	Supplementary retirement schemes	X	
R18	Stock options and free shares	X	
R19	Review of points to be watched	X	

* These recommendations are partially applied.

Comments and explanations on the application or not of the recommendations of the MIDDLENEXT code:

R1 Director ethics

The ethical rules with which the directors undertake to comply (notably confidentiality, independence and diligence) are clearly explained in the Board Rules of Procedure.

Every Director is required to inform the Chairman of any situation involving them that is likely to create a conflict of interests with the Company or one of its subsidiaries. It is the responsibility of the Director concerned, at the end of this process, to act appropriately, in line with applicable legislation.

The Directors have access to privileged information and have been provided with the rules to which they are subject in this regard.

Members of the Board of Directors provide the Chairman with the information that will enable him to notify the Financial Markets Authority of the transactions they have conducted involving the Company's securities.

Members of the Board of Directors shall, in accordance with the law, refrain from conducting either directly or indirectly any transaction involving Company securities when they are in possession of any information likely, when it is made public, to have a significant impact on the share price. Moreover, they shall refrain from taking any action for the two (2) trading days after this information has been made public via a press release.

R2 Conflicts of interest

The Board of Directors is currently not aware of any potential conflicts of interest.

R3 Composition of the Board – Independent directors

The Board of Directors is currently composed of 6 independent directors out of a total of 10 members. They are deemed to be independent according to the 5 criteria defined by the MIDDLENEXT code.

R4 Board member information

The procedures for providing Directors with information are set out in Article 7 of the Rules of Procedure. It is also specified in Article 11 of these Rules of Procedure that it is the Directors' responsibility to "request all the additional information they deem useful."

R5 Board and committee meetings

Article 7 of the Rules of Procedure established a framework for Board meetings. The number of meetings of the Board of Directors must be a minimum of four per year and minutes must be drawn up in respect of each meeting.

R6 Creation of committees

The Board of Directors deemed it necessary to set up 3 specialized committees: the Ad Hoc Committee, the Strategy Committee and the Management Committee. The Board of Directors may set up additional specific committees, if necessary, including an Audit Committee as specified in Articles 5 and 6 of its Rules of Procedure.

R7 Introduction of Board Rules of Procedure

The Board's Rules of Procedure can be consulted in their entirety at the Company's registered office: 5389 route de Strasbourg – Vancia, 69140 Rillieux-la-Pape.

R8 Choice of Directors

An information sheet on each candidate is available at the Company's registered office prior to the Shareholders' Meeting voting on the appointment of a Director. It summarizes the career path of each candidate.

R9 Directors' term of office

The term of office is six years, which corresponds to the maximum set by law. The dates of appointment and therefore the terms of office of Directors are not all the same, de facto staggering the reappointment of Directors.

R10 Directors' compensation

Each year, the Board of Directors decides on the allocation of the total annual directors' fee budget. Until now, directors' fees have always been divided equally between the Directors.

R11 Introduction of Board evaluation

It is stated in Article 7 of the Rules of Procedure: "The Board of Directors reviews its operation once a year". The preparation of this report by the Board of Directors enables it to analyse the work carried out during each financial year and the way in which it operates. The Board of Directors considers that this serves as a procedure for evaluating the work of the Board of Directors and, on this point, complies with the spirit of the MiddleNext recommendations.

R12 Relationships with Shareholders

The Company's managers meet with the principal shareholders by participating in meetings with them throughout the year.

R13 Definition and transparency of the compensation of corporate officers

The Ad Hoc Committee, under the supervision of the Board of Directors, ensures compliance with these rules. The criteria used to determine the compensation paid to the executive directors comply with the MIDDLENEXT recommendations. The annual information provided to shareholders on the compensation received by the executive directors is drawn up in accordance with the applicable regulations.

R14 Succession planning for executive directors

To date, no succession plan for the founder executive directors has been defined.

R15 Corporate officers and employment contracts

The Group's two executive corporate officers do not also have an employment contract with the Group. The two Deputy Chief Executive Officers who are not directors both have employment contracts with the Company.

R16 Golden handshakes

There is no contractual provision for severance benefits if the executive corporate officers step down.

R17 Supplementary retirement schemes

There are no supplementary retirement schemes for executive corporate officers.

R18 Stock options and free shares

No grants were made during the financial year 2019.

R19 Review of points to be watched

Directors are aware of the Code's points to be watched and review them on a regular basis.

II. *INFORMATION ON CORPORATE OFFICERS*

In order to satisfy the provisions of Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code, in Appendix 1 we provide you with a list of all the terms of office and roles exercised in any company by each of the Executive Officers of the Company during the fiscal year, prepared based on the information provided by each individual concerned.

III. *AGREEMENTS CONCLUDED BETWEEN A DIRECTOR OR MAJOR SHAREHOLDER AND A SUBSIDIARY*

Nil.

IV. *DELEGATIONS RELATED TO SHARE CAPITAL INCREASES*

Pursuant to the provisions of Article L. 225-37--4 of the French Commercial Code, you will find in Appendix 2 to this report information pertaining to:

- currently valid delegations of authority and powers relating to capital increases, granted by the Shareholders' Meeting to the Board of Directors,
- any use made during the fiscal year of the above-mentioned delegations.

V. *PROCEDURES RELATING TO THE PARTICIPATION OF SHAREHOLDERS IN SHAREHOLDERS' MEETINGS*

Shareholders' Meetings are convened and deliberate pursuant to the conditions laid down by law.

Collective decisions of shareholders are taken by Ordinary, Extraordinary or Special Shareholders' Meetings depending on the type of decisions they are being called upon to make.

Special Shareholders' Meetings are called for the holders of shares of a given category to decide on any changes to the rights attached to shares in this category. These meetings are convened and deliberate under the same conditions as Extraordinary Shareholders' Meetings.

The deliberations of Shareholders' Meetings are binding on all shareholders.

This report approved by the Board of Directors on April 7, 2020.

APPENDIX 1

LIST OF ALL APPOINTMENTS AND DUTIES CARRIED OUT BY EACH CORPORATE OFFICER DURING THE FISCAL YEAR ENDED 12.31.2019

Denys SOURNAC:

Company name	Headquarters	Terms of office	Duties
MEDICREA INTERNATIONAL	5389 Route de Strasbourg – Vancia- 69140 Rillieux la Pape	Chairman and Chief Executive Officer	Nil
IDS CO	345, montée de Bellevue – 01600 Reyrieux	Co-Manager	Nil
LES CHALETS Z	345, montée de Bellevue – 01600 Reyrieux	Co-Manager	Nil
BDB GESTION MARINE	345, montée de Bellevue – 01600 Reyrieux	Co-Manager	Nil
SUM LAB	345, montée de Bellevue – 01600 Reyrieux	Co-Manager	Nil
IDS GESTION	6, rue Adolphe – L 1116 Luxembourg	Category A Co-Manager	Nil
IDS KAP	209 A, avenue Louise – B 1050 Bruxelles	Category A Co-Manager	Nil
IDS MANAGEMENT	6, rue Adolphe – L 1116 Luxembourg	Category A Co-Manager	Nil
JULEA OSPITALITA	Marine de Borgo Isola Hotel – 20290 Borgo	Co-Manager	Nil

Jean-Philippe CAFFIERO:

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

Christophe BONNET:

Company name	Headquarters	Terms of office	Duties
MEDICREA INTERNATIONAL	5389, route de Strasbourg – 69140 Rillieux-la-Pape	Director	Nil
SAS BORNE	12, rue Gardénat Lapostol – 92150 Suresnes	Chairman	Nil
SCI LES ESTABLES	12, rue Gardénat Lapostol – 92150 Suresnes	Manager	Nil

Patrick BERTRAND:

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

Jean-Joseph MORENO:

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

Marc RECTON:

Company name	Headquarters	Terms of office	Duties
MEDICREA INTERNATIONAL	5389, route de Strasbourg – 69140 Rillieux-la-Pape	Director	Nil
MARC RECTON & ASSOCIES	la grande bastide, chemin du vallon. 84360 Lauris	Manager	Nil
SC MR PIERRE 2	la grande bastide, chemin du vallon. 84360 Lauris	Manager	Nil
SC MR PARTICIPATIONS 2	la grande bastide, chemin du vallon. 84360 Lauris	Manager	Nil
SAS ALAMA LUXURY Paris	la grande bastide, chemin du vallon. 84360 Lauris	Chairman	Nil
SAS ALAMA LUXURY Paris 2	la grande bastide, chemin du vallon. 84360 Lauris	Chairman	Nil
SAS ALAMA LUXURY Paris 2	la grande bastide, chemin du vallon. 84360 Lauris	Chairman	Nil
SAS ALAMA LUXURY Paris 2	la grande bastide, chemin du vallon. 84360 Lauris	Chairman	Nil
SAS FINANCIERE GERARD FAIVRE	29 Rue de Bassano 75008 Paris	Chairman of the Management Committee	Nil

François Régis ORY:

Company name	Headquarters	Terms of office	Duties
MEDICREA INTERNATIONAL	5389, route de Strasbourg – 69140 Rillieux-la-Pape	Director	Nil
L'AMELIANE	14, chemin de la Pomme – 69160 Tassin	Chairman	Nil
LA FLORENTIANE	14, chemin de la Pomme – 69160 Tassin	Chairman	Nil
LYPOLIANE	14, chemin de la Pomme – 69160 Tassin	Chairman	Nil
SCI DE CHANAS	14, chemin de la Pomme – 69160 Tassin	Manager	Nil
SCI L'AMAURY	600, chemin de la Ronze – 69480 Morance	Manager	Nil
SCI L'AMELAÏS	600, chemin de la Ronze – 69480 Morance	Manager	Nil
SOCIETE CIVILE FLORINE	14, chemin de la Pomme – 69160 Tassin	Manager	Nil
SWORD GROUP SE	9, rue Charles de Gaulle – 69370 Saint Didier	Director	Nil
ABM MEDICAL	2, rue Gabriel Bourdarias – 69200 Vénissieux	Manager	Nil
ABM ILE DE FRANCE	2, rue Gabriel Bourdarias – 69200 Vénissieux	Manager	Nil
ABM NORD	2, rue Gabriel Bourdarias – 69200 Vénissieux	Manager	Nil
ABM RHONE-ALPES	2, rue Gabriel Bourdarias – 69200 Vénissieux	Manager	Nil
ABM SUD	2, rue Gabriel Bourdarias – 69200 Vénissieux	Manager	Nil

Pierre OLIVIER:

Company name	Headquarters	Terms of office	Duties
MEDICREA INTERNATIONAL	5389, route de Strasbourg – 69140 Rillieux-la-Pape	Director	Nil

Richard KIENZLE:

Company name	Headquarters	Terms of office	Duties
MEDICREA INTERNATIONAL	5389, route de Strasbourg – 69140 Rillieux-la-Pape	Director	Nil
SYNERGY BIO-MEDICAL	565 E. Swedesford Rd • Suite 310 • Wayne, PA 19087 USA	Board member	Nil

Pierre BUREL:

Company name	Headquarters	Terms of office	Duties
MEDICREA INTERNATIONAL	5389, route de Strasbourg – 69140 Rillieux-la-Pape	Director	Nil
SPB HOLDING	65A, route de Saint Maximin – 83149 Bras	Manager	Nil
SOGET	65A, route de Saint Maximin – 83149 Bras	Manager	Nil
PETER'S	65A, route de Saint Maximin – 83149 Bras	Manager	Nil
SOCIETE HOTELIERE LA RESIDENCE	Pointe Milou – 97 133 Saint Barthélémy	Manager	Nil
ASPHODELE	65A, route de Saint Maximin – 83149 Bras	Manager	Nil
CHAMAN	65A, route de Saint Maximin – 83149 Bras	Manager	Nil
LES NOISETIERS	65A, route de Saint Maximin – 83149 Bras	Manager	Nil
SYCOMORE	65A, route de Saint Maximin – 83149 Bras	Manager	Nil
COBAE	65A, route de Saint Maximin – 83149 Bras	Manager	Nil
BERGENIA	65A, route de Saint Maximin – 83149 Bras	Manager	Nil
XIMENIA	65A, route de Saint Maximin – 83149 Bras	Manager	Nil
ULMUS	65A, route de Saint Maximin – 83149 Bras	Manager	Nil
WISTARIA	65A Route de Saint Maximin – 83149 Bras	Manager	Nil
DAPHNEE	65A, route de Saint Maximin – 83149 Bras	Manager	Nil
FLORYAL	Pointe Milou – 97 133 Saint Barthélémy	Manager	Nil
VITIS	65A, route de Saint Maximin – 83149 Bras	Manager	Nil
HOTELLERIE DU SOLEIL	65A, route de Saint Maximin – 83149 Bras	Manager	Nil
HOTEL BON REPOS	65A, route de Saint Maximin – 83149 Bras	Manager	Nil
SPB GESTION	65A, route de Saint Maximin – 83149 Bras	Manager	Nil
ABBAYE SAINT HILAIRE	65A, route de Saint Maximin – 83149 Bras	Manager	Nil
TERROIR ET PATRIMOINE	65A, route de Saint Maximin – 83149 Bras	Manager	Nil
JEHANNE DE VILLEMARTIN	Domaine de Villemartin – 11300 Gaja et Villedieu	Manager	Nil
SCI CHATEAU DE VILLEMARTIN	Domaine de Villemartin – 11300 Gaja et Villedieu	Manager	Nil
LES CHENES PROMOTION	886 Avenue dr Jacques Arnaud – 74190 Passy	Manager	Nil
DU DOMAINE DE CLAPIERS	1800 Chemin de Counillière – 83149 BRAS	Manager	Nil
LA VERNEDE	65A, route de Saint Maximin – 83149 Bras	Manager	Nil
PRIGNAN SC	Domaine de Bellefeuille – 30200 VENEJAN	Manager	Nil

APPENDIX 2

DELEGATIONS OF AUTHORITY AND POWERS GRANTED TO THE BOARD OF DIRECTORS BY THE SHAREHOLDERS' MEETING

In order to comply with the provisions of Article 225-37-4 of the French Commercial Code, we hereby report on the information pertaining to currently valid delegations of authority and powers granted by the Shareholders' Meeting to the Board of Directors and relating to capital increases as well as on the use made of the aforementioned delegations during the fiscal year.

Type of Shareholders' Meeting delegation	Meeting date	Resolutions	Delegation period	Expiry of delegation	Methods for setting the price	Caps	2019 implementation
Authorization in order to increase capital with waiver of preferential subscription rights in favor of members of a company savings plan via an employees' mutual fund belonging to the Company and companies in its Group within the meaning of Article L. 225-180	06/03/2019	14th resolution	26 months	02/08/2021		€40,000 nominal	Nil
Delegation of authority in order to decide one or more capital increase with maintenance of preferential subscription rights (Art. L225-129-2 and L228-91)	05/17/2018	10th resolution	26 months	07/16/2020		* €800,000 nominal / €25,000,000 for marketable securities	Nil
Delegation of authority in order to decide one or more capital increase via public offering with cancelation of preferential subscription rights (Articles L225-129-2, L225-135, L228-91 *et seq.*)	05/17/2018	11th resolution	26 months	07/16/2020	At least equal to the weighted average of the last 20 trading days with a maximum discount of 10%	* €800,000 nominal / €25,000,000 for marketable securities	Nil
Delegation of authority in order to decide one or more capital increases with waiver of preferential subscription rights by offering referred to in Section II of Article 411-2 of the French Monetary and Financial Code as amended by Order 2009-80 of January 22, 2009 (Articles L225-136 of the French Commercial Code)	05/17/2018	12th resolution	26 months	07/16/2020	At least equal to the weighted average of the last 20 trading days with a maximum discount of 10%	20% max. of the share capital per year and within the overall ceiling €800,000 nominal / €25,000,000 for marketable securities	Nil
Authorization in order to increase the number of securities to issue in the event of oversubscription, not exceeding 15% of the initial issue	5/17/2018	13th resolution	26 months	07/16/2020		* €800,000 nominal / €25,000,000 for marketable securities	Nil

*Joint aggregate limit applicable to all these authorizations

Type of Shareholders' Meeting delegation		**Meeting date**	**Resolution**	**Delegation period**	**Expiry of delegation**	**Methods for setting the price**	**Caps**	**2019 implementation**
Authorization to be granted for the purpose of deciding to increase the share capital by issuing ordinary shares and/or marketable securities giving access to the share capital with cancelation of the preferential subscription right in favor of a category of named persons (Art L225-138)	Category of persons defined as follows: international investment funds and/or companies (i.e.: that conduct financial transactions in several countries), primarily American (i.e. from the United States of America), active in the field of health and/or medical devices, and which will each participate in the transaction for an amount of no less than €500,000 or the equivalent of this amount in foreign currency (in accordance with the provisions of the General Regulations of the French financial markets authority);	06/03/2019	13th resolution	18 months	12/02/2020	At least equal to the weighted average of the last 3 trading days with a maximum discount of 10%	€800,000 nominal / €25,000,000 Not deducted from overall ceilings	Nil

DRAFT RESOLUTIONS TO THE SHAREHOLDERS' GENERAL MEETING OF JUNE 25, 2020

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MEDICREA INTERNATIONAL

A French corporation *(société anonyme)* with share capital of €3,171,058.08
Registered office: 5389, route de Strasbourg – 69140 RILLIEUX-LA-PAPE
393 175 807 RCS LYON

DRAFT RESOLUTIONS TO THE SHAREHOLDERS' MEETING OF JUNE 25th, 2020

Ordinary resolutions

FIRST RESOLUTION

Approval of the parent company financial statements

The Shareholders' Meeting, after submission of the Board of Directors' report and after reading the Statutory Auditors' report on the parent company financial statements for the year ended December 31, 2019, approves the financial statements as they were submitted, as well as the transactions recorded in these statements or summarized in these reports.

The Shareholders' Meeting also approves the total amount of non-deductible expenses and costs from profits liable to corporate tax totaling €167,373 as well as the tax payable due to said expenses and costs amounting to €46,864.

Consequently, it discharges the Directors from any liability in the performance of their duties for the fiscal year.

SECOND RESOLUTION

Allocation of net income

The Shareholders' Meeting, based on the proposal by the Board of Directors, resolves to carry forward to "Retained earnings" the entire net loss for the fiscal year, totaling €6,857,339.31.

Pursuant to the provisions of Article 243 bis of the French General Taxation Code, please note that no dividend has been paid in the last three fiscal years.

THIRD RESOLUTION

Deduction of losses carried forward from the "Issue, merger and contribution premiums" item

Having acknowledged the Board of Directors' report, the Shareholders' Meeting:
observes that, following the allocation of income for the fiscal year ended December 31, 2019, as decided in the 2nd resolution above, the "Retained earnings" item shows losses of €6,857,339.31;

decides to clear said "Retained earnings" item, which shows a loss, in full, i.e. in an amount of €6,857,339.31, by deducting that amount from the "Issue, merger, and contribution premiums" item, which amounts to €26,449,450.23 prior to the deduction;
observes that, as a result of this deduction, the "Retained earnings" item has now been fully settled, and that the "Issue, merger, and contribution premiums" item shows a positive balance of €19,592,110.92.

FOURTH RESOLUTION

Approval of the Regulated agreement concluded with Orchard International relating to a service and management delivery

The Shareholders' Meeting, after hearing the special report of the Statutory Auditors on the agreements falling under Articles L. 225-38 *et seq.* of the French Commercial Code approves the service and management agreement with Orchard international as detailed in the special report of the Statutory Auditors and approves the provisions of the said report.

FIFTH RESOLUTION

Approval of the consolidated financial statements

The Shareholders' Meeting, after submission of the Board of Directors' report including the Group's management report and after reading the Statutory Auditors' report on the consolidated financial statements for the year ended December 31, 2019, approves the consolidated financial statements as they were submitted, approves the accounts, which show a consolidated net loss result of €15,550,391 as well as the transactions recorded in these statements or summarized in these reports.

SIXTH RESOLUTION

Renewal of the term of office of Mr Denys SOURNAC as Director

The Shareholders' Meeting, noting that the term of office as Director of Denys SOURNAC expires at the end of this Meeting, resolves to renew it for a period of six years, until the end of the Shareholders' Meeting called in 2026 to approve the financial statements for the fiscal year ending December 31, 2025.

SEVENTH RESOLUTION

Renewal of the term of office of Mr Jean-Philippe CAFFIERO as Director

The Shareholders' Meeting, noting that the term of office as Director of Mr. Jean-Philippe CAFFIERO expires at the end of this Meeting, resolves to renew it for a period of six years, until the end of the Shareholders' Meeting called in 2026 to approve the financial statements for the fiscal year ending December 31, 2025.

EIGHTH RESOLUTION

Renewal of the term of office of Mr Christophe BONNET as Director

The Shareholders' Meeting, noting that the term of office as Director of Mr. Christophe BONNET expires at the end of this Meeting, resolves to renew it for a period of six years, until the end of the Shareholders' Meeting called in 2026 to approve the financial statements for the fiscal year ending December 31, 2025.

NINTH RESOLUTION

Renewal of the term of office of Mr Patrick BERTRAND as Director

The Shareholders' Meeting, noting that the term of office as Director of Mr. Patrick BERTRAND expires at the end of this Meeting, resolves to renew it for a period of six years, until the end of the Shareholders' Meeting called in 2026 to approve the financial statements for the fiscal year ending December 31, 2025.

TENTH RESOLUTION

Renewal of the term of office of Mr Jean-Joseph MORENO as Director

The Shareholders' Meeting, noting that the term of office as Director of Mr. Jean-Joseph MORENO expires at the end of this Meeting, resolves to renew it for a period of six years, until the end of the Shareholders' Meeting called in 2026 to approve the financial statements for the fiscal year ending December 31, 2025.

ELEVENTH RESOLUTION

Renewal of the term of office of Mr Pierre Burel as Director

The Shareholders' Meeting, noting that the term of office as Director of Mr. Pierre Burel expires at the end of this Meeting, resolves to renew it for a period of six years, until the end of the Shareholders' Meeting called in 2026 to approve the financial statements for the fiscal year ending December 31, 2025.

TWENTIETH RESOLUTION

Appointment of a tenured Statutory Auditors

The General Meeting, noting that the term of office as tenured Statutory Auditor of ODICEO expires at the end of this Meeting, resolves to appoint for a period of six financial years, i.e. until the end of the General Meeting called in 2026 to approve the financial statements for the year ending December 31, 2025, the firm GRANT THORNTON located in LYON (69006) 44 Quai Charles de Gaulle, as tenured Statutory Auditor.

THIRTEENTH RESOLUTION

Appointment of a new substitute Statutory Auditors

The General Meeting, noting that the term of office of Mr Jean-Pascal Rey as substitute Statutory Auditors expires at the end of this Meeting, decides to appoint for a period of six financial years, i.e. until the end of the General Meeting which will approve in 2026 the accounts for the financial

year ending 31 December 2025, the company IGEC located at NEUILLY SUR SEINE (92200) 22 rue Garnier, as substitute Statutory Auditors.

FOURTEENTH RESOLUTION

Authorization granted to the Company to purchase and hold its own shares

The Shareholders' Meeting, upon proposal by the Board of Directors, decides, to renew the authorization given to the Board of Directors by the Shareholders' Meeting held on May 17th, 2018 in accordance with Article L. 225-209 of the French Commercial Code, and subject to compliance with statutory and regulatory provisions applicable at the time of intervention, to authorize the Company to purchase and hold its own shares, up to no more than 10% of the share capital, of which 5% of the share capital in the case of shares acquired by the Company for their retention and subsequent delivery in payment or exchange in the context of an external growth transaction, by order of priority:

- to ensure the animation of the secondary market or the liquidity of the MEDICREA INTERNATIONAL share by an investment services provider acting independently under a liquidity contract in accordance with a Code of Ethics recognized by the Autorité des Marchés Financiers;
- to ensure the coverage of stock option plans and / or bonus share plans (or similar plans) for the benefit of the Group's employees and / or corporate officers;
- to reduce the Company's capital by cancelling shares within the legal limits;
- to keep the purchased shares and to postpone them later to the exchange, or as payment in the context of possible acquisitions;
- to implement any market practice admitted or to be accepted by the market authorities.

The transactions conducted as part of the buyback program will be carried out pursuant to applicable regulations.

Share purchases made under this authorization will be implemented within the following price limit, subject to adjustments relating to any transactions affecting the Company's capital: the maximum purchase price cannot exceed €25 (excluding acquisition costs) per share with a par value of €0.16.

The theoretical maximum amount for the implementation of this program is €49,547,782.50, financed either by own resources or by the use of short- or medium-term external funding.

Shares can be bought back by any appropriate method, including through acquisition of blocks of securities on one or more occasions, and including while a public tender offer is in progress within the limits authorized by stock market regulations.

In the event of capital transactions, in particular by incorporation of reserves and free allocations, division or consolidation of securities, the above prices will be adjusted accordingly.

To this end, full authority is granted to the Board of Directors who may further delegate to the Chairman and CEO the authority to place all stock market orders, enter into all agreements, in particular with a view to keeping records of share purchases and sales, make all declarations to the AMF and any other organizations; carry out all other formalities and, more generally, do all that is necessary.

This authorization is granted until the date of the next Shareholders' Meeting called to approve the financial statements, within the statutory limit of eighteen months as of this day.

Every year the Board of Directors shall inform the Ordinary General Meeting of transactions carried out pursuant to this authorization.

FIFTEENTH RESOLUTION

Powers to carry out formalities

The Shareholders' Meeting grants full authority to the bearer of originals, copies or extracts of these minutes in order to accomplish all necessary filing and other formalities.

Extraordinary resolutions

SIXTEENTH RESOLUTION

Authorization to be granted to the Board of Directors to cancel the shares held by the Company as part of the share buyback program

The Shareholders' Meeting, after reviewing the Board of Directors' report and after reading the Statutory Auditors' special report and subject to approval of the 14th resolution submitted to this Shareholders' Meeting, authorizes the Board of Directors, who may further delegate to the Chairman and CEO, to:

- cancel the shares held by the Company or acquired by it as part of the share buyback program, within the limit of 10% of the share capital per twenty-four-month period;
- make a corresponding reduction in the share capital by the amount of the cancelled shares;
- amend the bylaws accordingly, and more generally do whatever is necessary.

This authorization is hereby granted for eighteen months as of the date of this Meeting.

SEVENTEENTH RESOLUTION

Delegation of authority to be granted to the Board of Directors to decide to increase share capital by issuing ordinary shares and/or marketable securities giving access to the Company's capital or entitlement to the allocation of debt securities, retaining pre-emptive rights

Having acknowledged the Board of Directors' report and the Auditor's special report, in compliance with the provisions of articles L. 225-129-2 and to L.225-129-6, L.225-132 to L.225-134, and L. 228-91 et seq. of the French Commercial Code, the Shareholder Meeting:

− delegates authority to the Board of Directors to decide one or more increases in share capital, retaining the pre-emptive right of Shareholders, in the proportions and on the dates it establishes, by issuing (including through the free allocation of warrants), in France and/or abroad, in euros, shares in the Company and any marketable securities, which may be subscribed either in cash or by offsetting debts, issued free of charge or in exchange for payment, giving access by any means, immediately or at a later date, to:

(i) existing shares or shares to be issued by the Company and/or a company that directly or indirectly owns more than half of its share capital or in which the Company directly or indirectly owns more than half of the share capital, subject to authorisation from an Extraordinary Shareholder Meeting of the company in which the rights are exercised only in cases where the shares have yet to be issued. These marketable securities may give entitlement to the allocation of debt securities and be denominated in any currency or monetary units pegged to a basket of currencies;

and/or

(ii) existing shares of the Company and/or a company in which it directly or indirectly owns less than half of its share capital or where less than half of share capital is directly or indirectly owned by this company. These marketable securities may give entitlement to the allocation of debt securities and be denominated in any currency or monetary units pegged to a basket of currencies;

− decides that the delegation hereby granted to the Board of Directors remains valid for a period of twenty-six months as from the date of this Meeting;

− decides that the total par amount of the share capital increases that may potentially be immediately performed may not exceed eight hundred thousand (800,000) euros, with it being stipulated that this amount shall be charged to the global ceiling specified in the 26th resolution ("Global Ceiling I"), to which must be added, if applicable, the additional par amount of shares to be issued, in accordance with the law and any contractual stipulations specifying other cases of adjustment, to preserve the rights of bearers of marketable securities conferring entitlement to shares;

− also decides that the total par amount of marketable securities issued with a primary security that is a debt security, particularly a bond, may not exceed twenty-five million (25,000,000) euros or the equivalent of this amount in other currencies. This amount shall be charged to the global ceiling specified in the 26th resolution ("Global Ceiling II"), with it being stipulated that this amount is autonomous and separate from the amount of debt securities specified in articles L. 228-40 and L. 228-92 para. 3 of the French Commercial Code, for which the issuing shall be decided or authorised by the Board of Directors pursuant to the provisions of article L. 228-4 of the French Commercial Code or the articles of association;

− decides that Shareholders have, in proportion to the value of their shares, a pre-emptive subscription right to marketable securities in existing stock issued under this resolution and decides that the Board of Directors may introduce a subscription right for excess amounts;

– acknowledges that this delegation automatically waives, to the benefit of the holders of any marketable securities that may be issued giving access, immediately or at a later date, to shares in the Company, Shareholder pre-emptive rights to shares to which said marketable securities may grant them entitlement;

– decides that if subscriptions to existing stock and, if applicable, to excess stock, have not absorbed a share or marketable security issue in full, as defined above, the Board may, under the terms set out in article L. 225-134 of the French Commercial Code decide one of the following; to restrict the issue to the number of subscriptions received, providing this equals at least three quarters of the decided issue, to distribute non-subscribed securities at its discretion and/or to offer all or part of the non-subscribed securities to the public;

– decides that the Board of Directors may, if appropriate, charge the costs, taxes and fees resulting from the issues provided for in this resolution to the amount of the corresponding premiums and deduct from such amount the necessary amounts for the legal reserve;

– decides that the Board of Directors shall, according to law, have full powers, with the option to sub delegate powers to the General Director subject to conditions stipulated by law, to implement this delegation, in particular to establish the conditions of issue, subscription and payment for shares and marketable securities, preserve the rights of holders of securities, suspend, if necessary, the exercise of rights attached to said marketable securities for a maximum period of three months, record the completion of the issues specified in this resolution and perform the corresponding amendments to the articles of association;

– acknowledges that this delegation cancels and supersedes any prior delegation with the same purpose.

EIGHTEENTH RESOLUTION

Delegation of authority to be granted to the Board of Directors to decide to increase share capital by issuing ordinary shares and/or marketable securities giving access to the Company's capital or entitlement to the allocation of debt securities, with removal of pre-emptive rights by public offerings other than those referred to in paragraph II of article L. 411-2 of the French Monetary and Financial Code

Having acknowledged the Board of Directors' report and the Auditor's special report, in compliance with the provisions of articles L. 225-129 to L.225-129-6, L.225-134, L. 225-135, L. 225-136 and L. 228-91 et seq. of the French Commercial Code, the Shareholder Meeting:

- delegates authority to the Board of Directors to decide one or more increases in share capital in the proportions and on the dates it establishes, by issuing in France and/or abroad, by public offerings other than those referred to in paragraph II of article L. 411-2 of the French Monetary and Financial Code, in euros, shares in the Company and any marketable securities, which may be subscribed either in cash or by offsetting debts, issued against payment or free of charge, giving access by any means, immediately or at a later date to shares :

(i) existing shares or shares to be issued by the Company and/or a company that directly or indirectly owns more than half of its share capital or in which the Company directly or indirectly

owns more than half of the share capital, subject to authorisation from an Extraordinary Shareholder Meeting of the company in which the rights are exercised only in cases where the shares have yet to be issued. These marketable securities may give entitlement to the allocation of debt securities and be denominated in any currency or monetary units pegged to a basket of currencies;

and/or

(ii) existing shares of the Company and/or a company in which it directly or indirectly owns less than half of its share capital or where less than half of share capital is directly or indirectly owned by this company. These marketable securities may give entitlement to the allocation of debt securities and be denominated in any currency or monetary units pegged to a basket of currencies;

- decides that the delegation hereby granted to the Board of Directors remains valid for a period of twenty-six months as from the date of this Meeting;

– decides that if subscriptions to existing stock and, if applicable, to excess stock, have not absorbed a share or marketable security issue in full, as defined above, the Board may, under the terms set out in article L. 225-134 of the French Commercial Code decide one of the following; to restrict the issue to the number of subscriptions received, providing this equals at least three quarters of the decided issue, to distribute non-subscribed securities at its discretion and/or to offer all or part of the non-subscribed securities to the public;

– decides to remove the Shareholder pre-emptive rights from these shares or securities and to grant to the Board of Directors the power to introduce to Shareholders a priority right to subscribe to these shares or securities on an irreducible basis and, if applicable, on a reducible basis, in accordance with the provisions of Articles L. 225-135 of the French Commercial Code, with it being specified that the securities not subscribed to in this way will be the subject of a public offering in France and/or abroad and/or on the international market;

– decides that the total par amount of the share capital increases that may potentially be immediately performed may not exceed eight hundred thousand (800,000) euros, with it being stipulated that this amount shall be charged to the global ceiling specified in the 26th resolution ("Global Ceiling I"), to which must be added, if applicable, the additional par amount of shares to be issued, in accordance with the law and any contractual stipulations specifying other cases of adjustment, to preserve the rights of bearers of marketable securities conferring entitlement to shares;

- decides that the share issue price shall be at least equal to the weighted average of the stock market price of the ten most recent stock exchange sessions preceding its determination, with a maximum 10% reduction as required ;

– also decides that the total par amount of marketable securities issued with a primary security that is a debt security, particularly a bond, may not exceed twenty-five million (25,000,000) euros or the equivalent of this amount in other currencies. This amount shall be charged to the global ceiling specified in the 26th resolution ("Global Ceiling II"), with it being stipulated that this

amount is autonomous and separate from the amount of debt securities specified in articles L. 228-40 and L. 228-92 para. 3 of the French Commercial Code, for which the issuing shall be decided or authorised by the Board of Directors pursuant to the provisions of article L. 228-40 of the French Commercial Code or the articles of association.;

- acknowledges that this delegation automatically waives, to the benefit of the holders of any marketable securities that may be issued giving access, immediately or at a later date, to shares in the Company, Shareholder pre-emptive rights to shares to which said marketable securities may grant them entitlement;

- decides that the amount paid or due to the Company for each share issued or to be issued, after taking into consideration, in the event of the issue of detachable share subscription or allotment warrants, the issue price of such warrants, shall be greater than or equal to the minimum price imposed by legal and/or regulatory provisions on the date of issue;

- decides that the conversion, redemption or more generally transformation into shares of each marketable security giving access to the capital will be such, taking account of the par value of said marketable securities, that the quantity of shares issued and the amount received by the Company for each share is at least equal to the minimum subscription price defined for the issuing of shares in this same resolution;

- decides that the Board of Directors may, if appropriate, charge the costs, taxes and fees resulting from the issues provided for in this resolution to the amount of the corresponding premiums and deduct from such amount the necessary amounts for the legal reserve;

- decides that the Board of Directors shall, according to law, have full powers, with the option to sub delegate powers to the General Director subject to conditions stipulated by law, to implement this delegation, in particular to establish the conditions of issue, subscription and payment for shares and marketable securities, preserve the rights of holders of securities, suspend, if necessary, the exercise of rights attached to said marketable securities for a maximum period of three months, record the completion of the issues specified in this resolution and perform the corresponding amendments to the articles of association;

– acknowledges that this delegation cancels and supersedes any prior delegation with the same purpose.

NINETEENTH RESOLUTION

Delegation of authority to be granted to the Board of Directors to decide to increase share capital by issuing ordinary shares and/or marketable securities giving access to the Company's capital or entitlement to the allocation of debt securities, with removal of pre-emptive rights as part of an offering provided for in paragraph II of article L. 411-2 of the French Monetary and Financial Code

Having acknowledged the Board of Directors' report and the Auditor's special report, in compliance with the provisions of articles L. 225-129-2, L. 225-135, L. 225-136 and L. 228-91 et seq. of the French Commercial Code and article L. 411-2 of the French Monetary and Financial Code, the Shareholder Meeting:

− delegates authority to the Board of Directors to decide one or more increases in share capital in the proportions and on the dates it establishes, by issuing in France and/or abroad, as part of an offering provided for in paragraph II of article L. 411-2 of the French Monetary and Financial Code, in euros, shares in the Company and any marketable securities giving access by any means, immediately or at a later date, to existing shares or shares to be issued by the Company or by a company in which the Company directly or indirectly owns more than half of the share capital, subject to authorisation from an Extraordinary Shareholder Meeting of the company in which the rights are exercised, with removal of Shareholder pre-emptive rights, which may be subscribed either in cash or by offsetting debts, with said marketable securities potentially creating entitlement to the allocation of debt securities, be denominated in any currency or monetary units pegged to a basket of currencies;

− decides that the delegation hereby granted to the Board of Directors remains valid for a period of twenty-six months as from the date of this Meeting;

− decides to remove the Shareholder pre-emptive rights from these shares or securities;

− decides that the share issue price shall be at least equal to the weighted average of the stock market price of the ten most recent stock exchange sessions preceding its determination, with a maximum 10% reduction as required.

− the total par amount of share capital increases that may potentially be performed immediately and/or at a later date cannot exceed 20% of the share capital per year, with it being stipulated that this 20% cap may be calculated at any time, applying to adjusted capital according to operations affecting it after this Meeting and not taking into account the par amount of the capital that may potentially be increased through the exercise of all rights and marketable securities already issued, for which exercise is deferred, and that the amount of capital increases provided for in this resolution is charged to the Global Ceiling I specified in the 26th resolution;

− in addition decides that the total par amounts of marketable debt securities giving access to capital that may potentially therefore be issued may not exceed twenty-five million (25,000,000) euros or the equivalent of this amount on the date of deciding the issuance, with this amount being charged to the Global Ceiling II specified in the 26th resolution;

− acknowledges that this delegation automatically waives, to the benefit of the holders of any marketable securities that may be issued giving access, immediately or at a later date, to shares in the Company, Shareholder pre-emptive rights to shares to which said marketable securities may grant them entitlement;

− decides that the amount paid or due to the Company for each share issued or to be issued, after taking into consideration, in the event of the issue of detachable share subscription or allotment warrants, the issue price of such warrants, shall be greater than or equal to the minimum price imposed by legal and/or regulatory provisions on the date of issue;

- decides that if the subscriptions, including, where applicable, those of Shareholders, have not absorbed the entire issue, the Board of Directors may limit the amount of the operation to the

amount of subscriptions received, subject, in the case of an issue of shares or securities whose primary security is a share, to the condition that this amount reaches three-quarters of the issue decided upon;

− decides that the conversion, redemption or more generally transformation into shares of each marketable security giving access to the capital will be such, taking account of the par value of said marketable securities, that the quantity of shares issued and the amount received by the Company for each share is at least equal to the minimum subscription price defined for the issuing of shares in this same resolution;

− decides that the Board of Directors may, if appropriate, charge the costs, taxes and fees resulting from the issues provided for in this resolution to the amount of the corresponding premiums and deduct from such amount the necessary amounts for the legal reserve;

− decides that the Board of Directors shall, according to law, have full powers, with the option to sub delegate powers to the General Director subject to conditions stipulated by law, to implement this delegation, in particular to establish the conditions of issue, subscription and payment for shares and marketable securities, preserve the rights of holders of securities, suspend, if necessary, the exercise of rights attached to said marketable securities for a maximum period of three months, record the completion of the issues specified in this resolution and perform the corresponding amendments to the articles of association;

− acknowledges that this delegation cancels and supersedes any prior delegation with the same purpose.

TWENTIETH RESOLUTION

Delegation of authority to be granted to the Board of Directors to decide to increase the number of share, securities and/or marketable securities giving access to the Company's capital or entitlement to the allocation of debt securities to be issued in the case of capital increase

Having acknowledged the Board of Directors' report and the Auditor's report, in compliance with the provisions of articles L. 225-135-1 of the French Commercial Code, the Shareholder Meeting authorises the Board of Directors, in the event of the 17th, 18th and 19th resolutions being adopted, for a period of twenty-six months as of the date of the Meeting, to increase, in compliance with article R. 225-118 of the French Commercial Code or any other applicable provision, following its sole decisions within the ceiling specified in the resolution by virtue of which the initial issuing is decided and within the limit of **Global Ceiling I** and **Global Ceiling II** specified in the 26th resolution within 30 days of the closure of subscription to the initial issue and limited to 15% of the initial issue and at the same price as that decided for the initial issue, the number of shares, securities or marketable securities to be issued in the case of a share capital increase of the Company with or without pre-emptive rights for Shareholders, decided pursuant to the 17th, 18th and 19th resolutions.

The Shareholder Meeting acknowledges that the limit specified in the first paragraph of section I of article L. 225-134 of the French Commercial Code shall then be increased in the same proportions.

The Shareholder Meeting also acknowledges that this delegation cancels and supersedes any prior delegation with the same purpose.

TWENTY-FIRST RESOLUTION

Delegation of authority to be granted to the Board of Directors to decide to increase share capital by issuing ordinary shares and/or marketable securities giving access to the Company's capital or entitlement to the allocation of debt securities, with removal of pre-emptive rights under article 225-138 of the French Commercial Code (reserved for a category of entities)

Having acknowledged the Board of Directors' report and the Auditor's special report, in compliance with the provisions of articles L. 225-129-2 et seq. of the French Commercial Code and in particular from article L.225-135 to L.225-138, and the provisions of article L. 228-91 et seq. of the French Commercial Code, the Shareholder Meeting:

− delegates authority to the Board of Directors to decide one or more increases in share capital by issuing in France or abroad, in euros, ordinary shares in the Company or any marketable securities giving access by any means, immediately or at a later date, to existing ordinary shares or ordinary shares to be issued by the Company or by a company that directly or indirectly owns more than half of its share capital or in which the Company directly or indirectly owns more than half of the share capital, which may be subscribed either in cash or by offsetting debts. These marketable securities may also be denominated in foreign currencies or in any monetary unit pegged to a basket of currencies;

− decides that the total of share capital increases that may potentially be performed under this delegation immediately or at a later date may not exceed eight hundred thousand (800,000) euros in par value, with it being stipulated that this amount shall not be charged to the global ceiling specified in the 26th resolution ("Global Ceiling I");

− decides that the total amount (i) of marketable debt securities giving access to capital by any means, immediately or at a later date, that may potentially be issued by virtue of this resolution may not exceed twenty-five million (25,000,000) euros par value or the equivalent of this amount in other currencies, on the date of deciding the issuance, and (ii) shares to be issued subsequent to the issue of hybrid marketable securities may not exceed eight hundred thousand (800,000) euros in par value and shall not be charged to the global ceiling specified in the 26th resolution ("Global Ceiling II");

− decides to remove the Shareholder pre-emptive right to shares or marketable securities specified in this resolution and to reserve the right to subscribe to a category of entities defined as follows: International investment funds and/or companies (i.e. conducting financial transactions in a number of countries), operating in the sector of health and/or medical devices and which each place at least one hundred thousand (100,000) euros, or the equivalent in foreign currencies, in the operation (in compliance with the provisions of article 211-2 3) of the General Regulations of the Financial Markets Authority (AMF);

− decides that the Board of Directors shall establish the precise list of beneficiaries for each use of this delegation, within the category of beneficiaries stipulated in the above paragraph for

which pre-emptive rights have been removed and shall set the characteristics, amount and terms for any issuance, together with the payment terms securities issued;

− decides that the share issue price shall be at least equal to the weighted average of the stock market price of the twenty most recent stock exchange sessions preceding its determination, with a maximum 10% reduction as required;

− decides that the Board of Directors may if necessary charge any expenses involved in performance of the issuances concerned to the issue premiums;

− decides that the Board of Directors shall have full powers, with the option of sub-delegation, for the purpose of implementing this delegation, in particular establishing the characteristics of the marketable securities issued and, more generally, taking any measures and performing any formalities required for successfully concluding each capital increase, declaring the completion and making the required changes to the articles of association.

The delegation hereby granted to the Board of Directors remains valid for a period of eighteen months as from the date of this Meeting;

TWENTY-SECOND RESOLUTION

Authorization to be granted to the Board of Directors
to award free existing shares or shares to be issued;
with waiver of the preferential subscription right of Shareholders

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

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

− decides that the cumulative total number of shares issuing (i) both from the allocation of free shares resulting from this authorization, and (ii) from the exercise of the purchase and/or subscription options provided for under the 23rd resolution of this Shareholders' Meeting may not exceed an overall number equal to 7,5% of the total number of shares comprising the share capital of the Company at the date of allocation;

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

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

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

− decide that the shares acquired under this authorization shall be held in registered form;

− dotes that, regarding the shares to be issued, (i) this authorization will entail, at the end of the vesting period, a share capital increase by capitalization of reserves, profits or issue premiums in favor of the recipients of said shares and the corresponding waiver by the Shareholders in favor of the beneficiaries of the allocations to the portion of reserves, profits and premiums thus capitalized, (ii) this authorization would automatically entail, in favor of the beneficiaries of said shares, waiver by the Shareholders of their
preferential subscription right. It is specified that said share capital increase will not count towards the global ceiling specified in 26th resolution ("Overall Ceiling I").
The Shareholders' Meeting grants full authority to the Board of Directors, who may further delegate to the Chairman and CEO, acting subject to the above conditions, in particular to:
• Implement this authorization;
• Set the terms and conditions and where necessary the criteria for the allocation of the shares;
• Decide on the number of shares to be allocated free of charge;
• Determine the identity of the beneficiaries, the number of shares allocated free of charge to each of them and the procedures for the allocation of shares;
• Agree on any clauses prohibiting the immediate resale of some or all of the shares in the event of allocation to corporate officers;
• In the case of the allocation of shares to be issued, set the amount and nature of the reserves, profits and premiums to be capitalized;
• Record the share capital increase or increases carried out pursuant to this authorization, and amend the Bylaws accordingly;
• and more generally do whatever is necessary.

TWENTY-THIRD RESOLUTION

Authorization to be granted to the Board of Directors
to proceed with the allocation of share purchase or subscription options

The Shareholders' Meeting, after reviewing the Board of Directors' report, and after reading the Statutory Auditors' special report, authorizes the Board of Directors, pursuant to the provisions of Articles L. 225-177 et seq. of the French Commercial Code, to grant, on one or more occasions and at its sole discretion, Company share purchase and/or subscription options in favor of all or some employees and/or executive corporate officers of the Company and French or foreign

companies related to it under the conditions referred to in Article L. 225-180 of the French Commercial Code, in the following conditions:

1° - Period during which the Meeting's authorization must be used by the Board:
This authorization, which may hereby be used by the Board of Directors on one or more occasions, is given by the Shareholders' Meeting for a period of 26 months as of this date.

2° - Period during which the options must be exercised by the beneficiaries:
As the maximum period during which the options may be exercised is freely set by the Meeting, pursuant to the provisions of Article L. 225-183, sub-paragraph 1 of the French Commercial Code, the Shareholders' Meeting decides that the options may be exercised during a period not exceeding 7 years, which shall start from the date the options were allocated, subject to restrictions that could be applied by the Board of Directors regarding the exercise period of said options.

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

3° - Determination of pricing terms:
The Shareholders' Meeting recalls that pursuant to current statutory provisions and in particular those of Article L. 225-177 of the French Commercial Code, the price of share purchase and/or subscription by beneficiaries is determined by the Board of Directors on the day the options are allocated and in accordance with objective methods applicable to the valuation of shares which takes account, applying a specific weighting, of the Company's net asset position, profitability and business prospects, on a consolidated basis.

Accordingly, the Shareholders' Meeting decides that the purchase and/or subscription price of shares by beneficiaries will be determined by the Board of Directors, on the date the options are allocated, as follows: equal to the weighted average of the last twenty trading days prior to the day the option is allocated.

4° - Total amount of options allocated:
The Shareholders' Meeting decides that the cumulative total number of shares resulting from both (i) the exercise of purchase and/or subscription options thus granted in respect of this authorization, and (ii) the allocation of free shares under the 22nd resolution of this Shareholders' Meeting may not exceed an overall number equal to 7,5% of the total number of shares comprising Company stock at the date of allocation.

5° - Capital increase resulting from exercise of share subscription
The capital increase arising from the exercise of share subscription options will be definitively carried out due to the sole fact of the option exercise declaration, accompanied by the subscription form and payment in cash or by offsetting against receivables of an equivalent amount.

It is specified that the amount of said share capital increase, resulting from the exercise of subscription options will not count towards the global ceiling specified in 26th resolution ("**Overall Ceiling I**").
At the first meeting following fiscal year-end the Board of Directors will record, if applicable, the number and amount of shares issued during the year, will amend the bylaws as necessary, and carry out the publication formalities.

6° - Entitlement:
Shares acquired or subscribed in conjunction with the preceding provisions are required to be registered and will bear rights immediately. Consequently, for the same par value they will be entitled to the same dividend that could be distributed to other shares carrying the same rights.

7° - Powers:
The Shareholders' Meeting gives full authority to the Board of Directors, who may further delegate to the Chairman and CEO, acting subject to the above conditions, to:
− state the other conditions under which the options will be granted, such as the beneficiaries, the maximum number of options exercisable by each beneficiary, the price of the options available pursuant to the terms determined by the Shareholders' Meeting, the opening date, and the terms of exercise of the options;
− and, more generally, to hereby establish or amend the rules of the option plan with all the restrictions, in particular concerning the exercise period of the options and/or retention of the shares, and the specific conditions pertaining to said options that it deems appropriate and generally do whatever is required to implement said authorization and its consequences.

The Shareholders' Meeting also authorizes the Chairman and CEO to acquire, on behalf of the Company, the shares required for the allocation of share purchase options.

TWENTY-FOURTH RESOLUTION

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

The Shareholders' Meeting, after reviewing the Board of Directors' report and after reading the Statutory Auditors' special report, and by applying the provisions of Article L. 225-129-6 of the French Commercial Code, authorizes the Board of Directors from this day forward and for a period of twenty-six (26) months, full powers to proceed at its sole discretion with one or more share capital increases in accordance with the provisions of Article L. 3332-18 *et seq*. of the French Labor Code, at the dates that it will determine, to a maximum aggregate nominal amount of forty thousand (40.000) euros reserved for members of a company savings plan via an employees' mutual fund (FCPE) (or any other members' plan for which Article L. 3332-18 of the French Labor Code would allow the reservation of a capital increase on equivalent terms) belonging to the Company and its Group companies within the meaning of Article L. 225-180 of the French Commercial Code, it being specified that this amount will be deducted from the global ceiling specified in 26th resolution ("**Overall Ceiling I**").

The price will be determined pursuant to the law, in particular according to objective share price valuation methods. The subscription price can neither exceed the purchase price thus

determined, nor be less than 30% thereof (40% if the period of unavailability under the plan pursuant to Articles L. 3332-25 and L. 3332-26 of the French Labor Code is at least 10 years); it being noted that the Board of Directors is entitled to reduce such discount if it deems appropriate, particularly in the event members of a company savings plan are offered securities on the international market and/or abroad in order to meet the requirements of applicable local legislation.

The Shareholders' Meeting hereby grants full authority to the Board of Directors, who may further delegate to the Chairman and CEO, within limits it specifies, to the CEO or Deputy CEO, to implement this delegation, and in particular to decide to increase capital pursuant to the above-mentioned conditions, to determine the terms, in particular setting the share issue price within the limits stipulated by law and this Shareholders' Meeting, to determine the dates of subscription opening and closing, and more generally to finalize all transactions contributing to this increase, and to amend the Bylaws accordingly.

The Shareholders' Meeting hereby acknowledges that this delegation invalidates any prior delegation having the same purpose.

TWENTY-FIFTH RESOLUTION

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

The Shareholders' Meeting, after reviewing the Board of Directors' report and after reading the Statutory Auditors' special report, decides to waive the preferential subscription rights of holders of ordinary shares or securities giving access to ordinary shares to be issued as part of the delegation under the 24th resolution above, in favor of members of a company savings plan via an employees' mutual fund (FCPE) (or any other members' plan for which the provisions of the Labor Code would allow the reservation of a capital increase on equivalent terms) of the Company and its Group companies within the meaning of Article L. 225-180 of the French Commercial Code.

TWENTY-SIXTH RESOLUTION

Global limit of authorisations

Having acknowledged the Board of Directors' report and the Auditor's special report, in compliance with the provisions of articles L. 225-129-2 of the French Commercial Code, the Shareholder Meeting:

− decides that the amount of capital increases that may potentially be performed immediately, by virtue of the 17th, 18th, 19th and 24th resolutions of this Meeting, may not exceed eight hundred thousand (800,000) euros in par value ("Global Ceiling I");

− also decides that the total par amounts of marketable debt securities giving access by any means to capital, immediately or at a later date, that may potentially be issued by virtue of the 17th, 18th, 19th and 24th resolutions of this Meeting, may not exceed twenty-five million (25,000,000) euros in par value or the equivalent in other currencies, on the date of deciding the

issuance and (ii) the shares to be issued as a consequence of issuing hybrid marketable securities may not exceed eight hundred thousand (800,000) euros in par value ("Global Ceiling II").

The following shall be added to the ceilings, if appropriate; the par value of shares to be issued to preserve, in accordance with the law and, if applicable, contractual stipulations specifying other cases of adjustment, the rights of holders of marketable securities or other securities giving access to the capital of the Company and/or issued by a Subsidiary and/or a parent company under the delegations of authority granted by the Board of Directors.

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