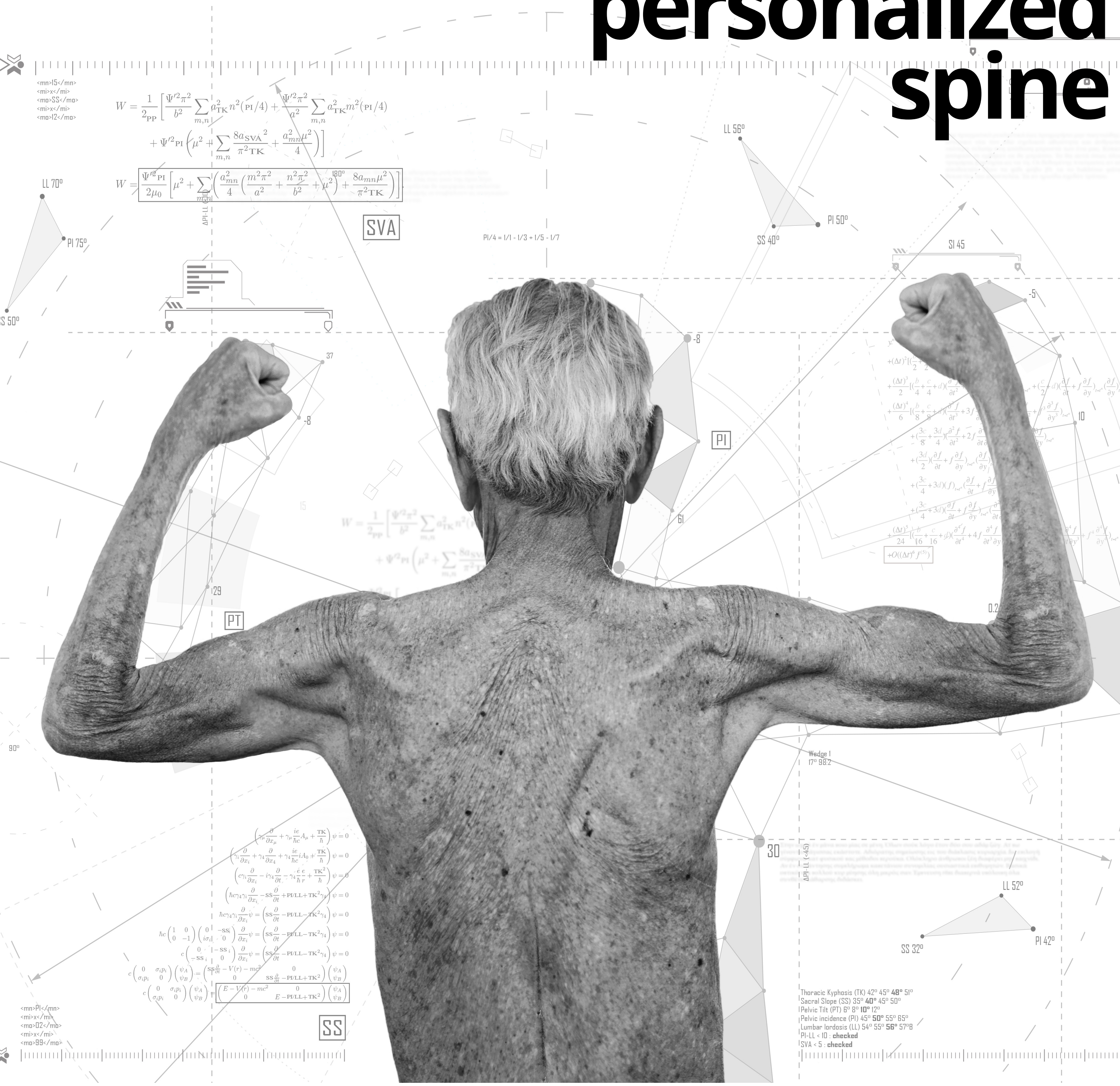
leading personalized spine



2019 HALF-YEAR FINANCIAL REPORT

MEDICREA®
(IM)PROVE

MEDICREA specializes in the development of personalized analytical services and the manufacture of implant solutions for the treatment of complex 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.

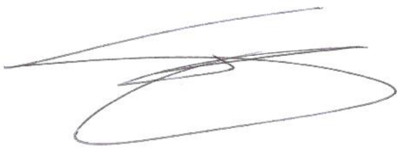
MEDICREA is a company offering ground-breaking technologies for the treatment of spinal pathologies. It is seen as a genuine pioneer in this market by combining health-related IT technologies with the design and manufacture of next generation medical devices, and by prioritizing clinical results from 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 for the first time 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 implant and surgical instrument manufacturing facility, an ultra-modern campus dedicated to the machining and development of 3D-printed, patient-specific implants, and also operates from several distribution subsidiaries in the US, France, Belgium, Poland and Australia.

1 STATEMENT OF THE PERSON RESPONSIBLE FOR THE HALF-YEAR FINANCIAL REPORT

Rillieux-la-Pape-Vancia, October 25, 2019,

I certify that, to my knowledge, the financial statements for the half-year just ended have been prepared in accordance with applicable IFRS accounting standards and give a fair view of the assets, financial position and performance of the Company and of all companies included in the consolidation scope, and that the enclosed half-year business report gives a true view of the major events that took place over the first six months of the fiscal year, their impact on the financial statements, the main transactions between related parties and a description of main risks and uncertainties for the remaining six months of the fiscal year.



Denys SOURNAC
Chairman and CEO of MEDICREA

BUSINESS REPORT

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2 HALF-YEAR BUSINESS REPORT

2.1 KEY FIGURES OF THE SIX MONTHS TO JUNE 30, 2019

(€ K)	06.30.2019	06.30.2018 Restated (1)
Sales	16,067	16,919
Gross margin	12,380	11,552
% Gross margin	77%	68%
Operating income before other income and expenses from operations	(3,432)	(4,456)
Other operating income and expenses	(477)	(447)
Operating income before share-based payments	(3,909)	(4,903)
Operating income	(4,912)	(5,310)
Income/(loss) before tax	(6,871)	(6,677)
EBITDA	557	(469)
Net income / (loss) – Group share	(7,031)	(6,616)
Earnings per share (€)	(0.43)	(0.44)
Earnings per share, diluted (€)	(0.43)	(0.44)
Shareholder's equity	7,547	15,666
Cash and cash equivalents	3,244	5,157
Net financial debt	24,273	32,850
Headcount	180	194

(1) After IFRS 16 "Leases" adjustments

2.2 HIGHLIGHTS OF THE FIRST HALF OF 2019

Noteworthy events during the first half of 2019 are as follows:

A/ Relating to the Group's activity:

- In May, the Group received FDA clearance for its TULIP GENESIS™ top loading screw solution. This system, which is particularly well suited to the specific requirements of the US market, has been designed for both complex spinal deformities and degenerative conditions;

- During the 2nd quarter of 2019, Medicrea began to roll out its new range of C-Curve® stand-alone cervical cages, which includes a PEEK version as well a titanium version for lordosis;

- Revenues were impacted in the first half of 2019 by the discontinuation since July 1, 2018 of non-strategic activities such as the distribution of third-party products and surgical motor repairs, generating a combined loss of revenue of €2.3 million over this period.

- Gross margin is improving from quarter to quarter and is now close to the normative level of 80% targeted by the Group.

B/ More specifically relating to UNiD ASI™, the preoperative surgical planning and patient-specific implant design activity:

- In April, Medicrea received FDA clearance for new features offered by its UNiD ASI™ service platform. Its complete implant portfolio (screws and IBDs) is now integrated to the surgical planning software;

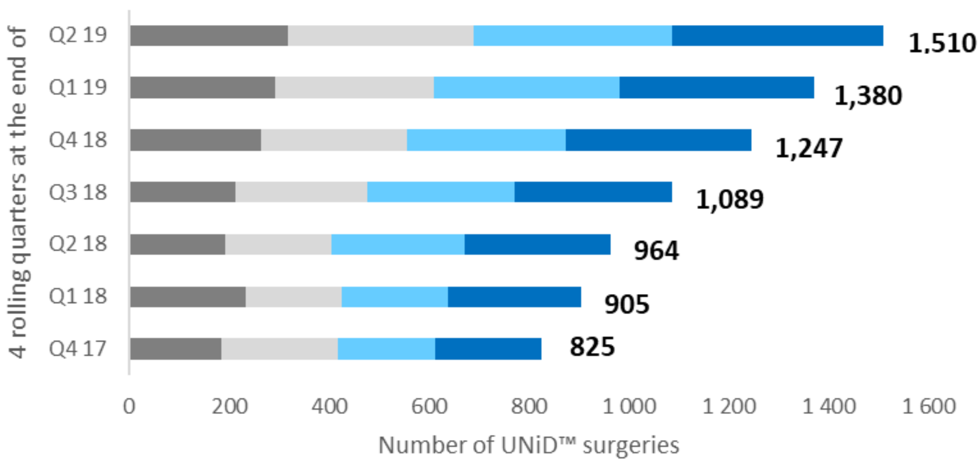
- In June, the Company secured three new patents in the United States to protect its proprietary platform technology UNiD ASI™. These patents enable Medicrea to maintain a competitive advantage by creating strong barriers to entry for competitors;

- As of June 30, 2019, more than 4,000 UNiD® personalized surgeries had been performed since the commercial launch.

With endorsement by an increasing number of surgeons during 2018, these various clearances and patents reinforce the credibility and power of the UNiD ASI™ technology, which includes pre-operative analysis and planning services as well as implants designed specifically for each patient. The steady development of new UNiD ASI™ services will encourage new surgeons to adopt this technology in 2019.

The adoption of UNiD ASI™ technology for patient-specific spinal surgery is accelerating rapidly quarter-over-quarter. The following graph shows the progression of total UNiD™ surgeries over a rolling 4-quarter period. Over the last 18 months, the increase exceeds 80% (825 surgeries performed over the last 4 quarters at the end of Q4 2017 versus 1,510 at the end of Q2 2019):

Number of UNiD™ surgeries over a rolling 4-quarter period



2.3 BUSINESS REVIEW

(€ millions)	H1 2018	H1 2019	Change	Change at Constant Exchange Rate
USA	7.6	8.7	+15%	+7%
Rest of the world	7.0	7.4	+6%	+6%
Total Sales – Comparable basis	**14.6**	**16.1**	**+10%**	**+6%**
Discontinued activities	2.3	-	-	**-**
Total Sales	**16.9**	**16.1**	**(5)%**	**(9)%**

Sales for the first half of 2019 amounted to €16.1 million, up 10% (up 6% at constant exchange rates) compared to 2018 on a pro-forma basis. In the United States, the Group's most significant market, sales growth continued with an increase of 15% compared to 6% for the rest of the world (up 7% and 6% respectively at constant exchange rates). Medicrea discontinued non-strategic activities on July 1, 2018, which accounted for sales of €2.3 million in the first half of 2018, reflecting an overall decrease in sales of 5% over the period., but which will have no further impact over the second half of 2019.

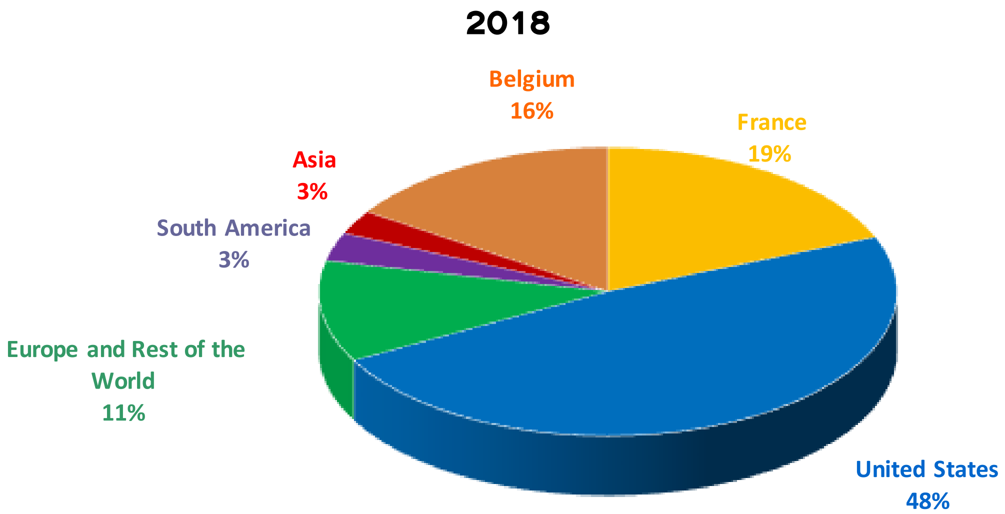
The first half of 2019 demonstrated record activity in the use of UNiD™ patient-specific rods. The milestone of 4,000 surgeries performed has been achieved, with 423 surgeries specifically in the 2nd quarter of 2019. 171 personalized UNiD™ surgeries were performed in June alone.

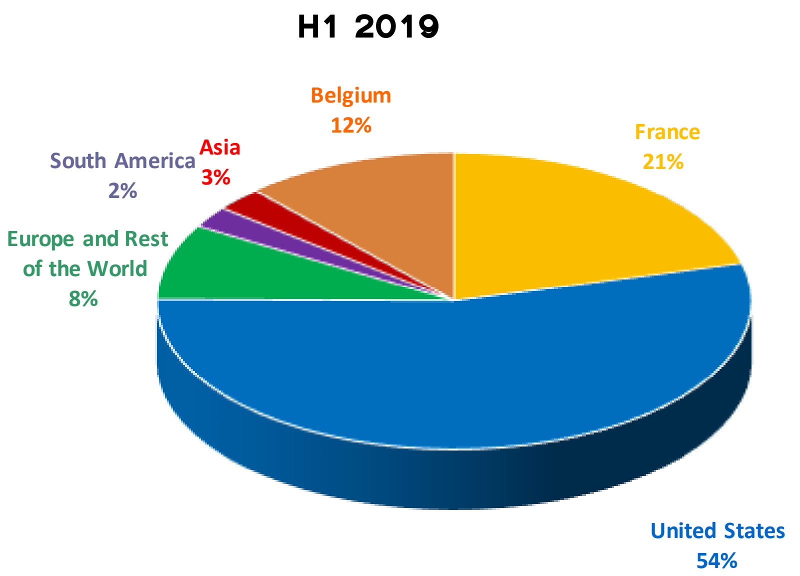
At June 30, 2019, the contribution of the marketing subsidiaries to Group sales was 89%, an increase of 4 points compared to 2018.

At Group level, at the end of June 2019, 44% of revenue came from UNiD® surgeries, compared with 36% for the full year 2018. For the United States alone, this figure stood at 66% for the first half of 2019 compared to 60% for 2018 as a whole.

Sales generated by UNiD® personalized surgeries include the invoicing of patient-specific rods as well as all implants manufactured by Medicrea and used during these surgeries.

The following charts provide a breakdown of changes in the business by geographic region:





Gross margin improved very significantly compared to the first half of 2018 to reach 77% (up 9 points) and approach the normative rate of 80% targeted by the Group. This performance is based on two major controlled and sustainable elements: a favorable sales mix with the growing contribution of the United States, as well as better industrial efficiency and less use of subcontracting.

Operating expenses amounted to €15.8 million in the first half of 2019, down €0.9 million compared to the first half of 2018 after neutralization of currency effects, thanks to tight control of marketing and administrative expenses. Investments in Research and Development remained stable.

Operating income before depreciation and amortization (EBITDA) is positive again at €0.6 million, improving significantly compared to a first half loss of €0.5 million in 2018.

The operating loss for the first half-year stood at €3.4 million and improved by €1.1 million compared to the first half of 2018.

A provision of €1 million was recorded for the allocation of free shares and stock options granted in the last quarter of 2018 with no cash impact.

The cost of net financial debt increased by €0.9 million as a result of interest expense on the $30 million bond loan issued in December 2018 and the recognition of €0.2 million in interest after IFRS 16, related to leases, came into force.

Loss before tax, after taking into account the cost of net financial debt, amounted to €6.9 million and Net loss was €7 million.

2.4 CHANGE IN FINANCIAL POSITION

Changes in the balance sheet structure are analyzed as follows:

(€ K)	06.30.2019	12.31.2018 Restated (1)	06.30.2018 Restated (1)
Non-current assets	45,544	46,754	44,052
Incl. IFRS 16 assets	14,580	15,520	16,230
Deferred tax assets	1,769	1,633	1,866
Operating working capital requirements	10,472	10,220	11,096
Non-operating working capital requirements	(2,010)	(2,198)	(9,287)
TOTAL	55,775	56,409	47,727
Shareholders' equity	7,547	14,022	14,877
Net financial debt	48,228	42,387	32,850
Incl. IFRS 16 liabilities	15,766	16,605	17,185
CAPITAL EMPLOYED	55,775	56,409	47,727

(1) After IFRS 16 "Leases" adjustments

Non-current assets are made up of the net value of goodwill, intangible assets (research and development costs, patents and brands), property, plant and equipment and financial assets.

The implementation of IFRS 16 resulted in the recognition of assets of €14.6 million in net value at June 30, 2019, corresponding mainly to the rights of use of the buildings in Lyon (plant and headquarters) and the New York offices.

Changes in non-current assets in comparison with December 31, 2018 were primarily due to the following factors:

- The capitalization of research and development costs over the period, patent-related expenditure and continued work to improve and develop the UNiD Hub™, a surgical planning software package;

- The supply to hospitals of new sets of instruments.;

- The amortization of buildings and equipment in Lyon and New York.

A detailed analysis of the movements that took place over the half-year in the various intangible and tangible asset items in gross and net values is set out in Note 6, Paragraph 6.6 to the consolidated financial statements.

Deferred taxes assets are presented net of liabilities. They are mainly made up of consolidation adjustments and tax losses carried forward related to the US subsidiary, which the Group expects to be able to recover within a short time. Analysis of the tax rate is provided in Note 9, Paragraph 9.1 of the consolidated financial statements.

Operating working capital requirements are made up of trade receivables, plus inventories and less trade payables, and are stable compared to December 31, 2018.

The Group places specific importance on controlling working capital requirements particularly for inventories, given the distinctive characteristics of its activity which requires the supply of numerous implants in different sizes to healthcare facilities. Multiple initiatives are underway to optimize the level of inventories which have stabilized while sales have increased.

Non-operating working capital requirements have changed significantly compared to June 30, 2018, in light of the reclassification of the commitment to buy the shares held by minority shareholders in MEDICREA Belgium from other current liabilities to financial debt.

Changes in shareholders' equity are primarily attributable to the net loss amount as of June 30, 2019.

Net financial debt increased by €5.8 million during the first half of 2019 as a result of movements in the Group's cash position.

As of June 30, 2019, the Group had available cash of €3.2 million.

2.5 RECENT EVENTS AND OUTLOOK FOR THE SECOND HALF OF THE YEAR

Sales for the third quarter of 2019 stood at €8.2 million, up 20% (17% at constant exchange rates) compared to the third quarter of 2018, on a comparable basis. The Company concluded a very dynamic quarter, the 2nd highest quarter in its history just after Q2 2019, despite the usual summer seasonality effect. Growth in the United States accelerated to 22% at constant exchange rates over the period. The Group's other main markets are also showing strong growth: In Belgium, where the Group opened a sales subsidiary at the beginning of 2018, sales increased by 15% compared to the same quarter of the previous year. In France, the historical market, impaired by strong pricing pressure, sales grew by 9%. In Australia, the commercial efforts deployed since the subsidiary's launch in the second half of 2018 began to bear fruit with a sharp acceleration in the number of surgeries performed.

Cumulative sales at the end of September 2019 amounted to €24.3 million and increased by 13% on a comparable basis compared to the same period last year (up 10% on a constant currency basis).

UNiD ASI™, the strategic activity of preoperative surgical planning and patient-specific implant design, is experiencing very strong growth: 500 personalized surgeries were performed in the 3rd quarter of 2019 alone, an increase of 18% compared to the previous quarter and up 57% compared to the 3rd quarter of 2018, representing a total of 4,500 surgeries since the launch. In the United States, the trend is even better with a 77% increase in the number of surgeries over the first 9 months of the year. The target of 5,000 surgeries performed cumulatively by the end of 2019 is likely to be exceeded.

Outlook

The proportion of sales generated by the United States increased significantly in the third quarter of 2019 (60% compared to 54% in the first half of 2019) due to the increase in sales of UNiD™ patient-specific rods and the pre-commercial launch of the new Tulip screw FDA approved last May. As a result, gross margin should reach 80% in the third quarter, thereby hitting the target set at the beginning of the year.

Q3 is promising for both revenue and gross margin thanks to the performance in the United States. The double-digit sales growth and the monthly threshold of 200 UNiD™ personalized surgeries on track to be reached offer solid prospects. Through the continuous enhancement of its service offering – grouped within the UNiD ASI™ platform – and the power of the data analysis and artificial intelligence tools developed, Medicrea is constantly improving the success of surgical procedures and patient outcomes. Many surgeons rely on these technological advances and are becoming increasingly open to the Company's other cutting-edge thoracolumbar fixation systems. By accelerating this conversion to all its products, the Group should experience a strong growth phase in the coming quarters.

Recent events

In September 2019, Medicrea issued bonds in the amount of $6 million to Perceptive Advisors, bearing interest at 8.5% plus the higher of 3-month LIBOR and 2.5%. This transaction follows the bonds subscribed in November 2018 for an amount of $30 million by the same investor, under the same conditions and guarantees.

2.6 RISK FACTORS

The risk factors are of the same nature as those described in Chapter 1.5 of the 2018 Registration Document and in Note 8.5 of the Consolidated Interim Financial Statements as of June 30, 2019. There has been no significant change in the assessment of risks as presented in the 2018 Registration Document.

Main risk factors relate to:

- the financing of business continuity, which is now secured following the new bond financing transaction completed in September 2019 with Perceptive Advisors;

- the results of the civil investigation conducted by the US Department of Justice (DOJ). Medicrea's responses are currently being reviewed by the US authorities with whom the Company fully cooperates, however, at this stage, it is still not possible to determine the results of the ongoing investigation.

2.7 RELATED-PARTY TRANSACTIONS

Transactions between related parties are of the same type as those disclosed in Note 5.8 to the Consolidated Financial Statements of the 2018 Annual Report.

No new agreements were signed with any executive or member of the Board of Directors during the first half of 2019.

MEDICREA
(IM) PROVE

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE PERIOD ENDED JUNE 30, 2019

Leading personalized spine | medicrea.com

CONTENTS

1. IFRS CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. IFRS CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30, 2019

1.1. CONSOLIDATED INCOME STATEMENT

(€)	Notes	06.30.2019	06.30.2018 Restated (1)
Sales	3.1 & 4.5	16,066,898	16,919,174
Cost of sales		(3,687,239)	(5,367,519)
Gross margin		12,379,659	11,551,655
as % of sales		*77.1%*	*68.3%*
Research & development costs	4.6	(1,469,998)	(1,451,932)
Sales & marketing expenses	4 & 5	(8,198,826)	(8,800,376)
Sales commissions		(2,528,128)	(1,799,752)
General and administrative expenses	4 & 5	(3,614,832)	(3,955,819)
Other operating income and expenses	4.9.2	(476,930)	(447,105)
Operating income before share-based payments		(3,909,055)	(4,903,329)
Share-based payments	5.5.4	(1,003,000)	(407,000)
Operating income after share-based payments	4.9.1	(4,912,055)	(5,310,329)
Cost of net financial debt	8.3.1	(1,919,418)	(1,368,443)
Other financial (expenses) / income	8.3.2	(40,801)	2,200
Tax (charge) / income	9.1	(158,604)	61,034
Consolidated net income/(loss)		(7,030,878)	(6,615,538)
Earnings per share	10.2	(0.43)	(0.44)
Diluted earnings per share	10.2	(0.43)	(0.44)

(1) After IFRS 16 "Leases" adjustments (see Note 6.9)

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

1.2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€)	06.30.2019	06.30.2018 Restated (1)
Consolidated net income/(loss)	(7,030,878)	(6,615,538)
Translation adjustment	6,358	65,049
Total comprehensive income	(7,024,520)	(6,550,489)

(1) After IFRS 16 "Leases" adjustments (see Note 6.9)

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

1.3. CONSOLIDATED BALANCE SHEET

(€)	Notes	06.30.2019	12.31.2018 Restated (1)	06.30.2018 Restated (1)
Goodwill	6.1	12,354,470	12,131,603	8,420,350
Intangible assets	6.6	8,212,576	8,098,712	8,084,846
Property, plant and equipment	6.6	24,550,068	25,873,322	26,867,519
Non-current financial assets	6.6	650,572	650,629	679,552
Deferred tax assets	9.3	2,836,450	2,302,820	2,601,090
Total non-current assets		48,604,136	49,057,086	46,653,357
Inventories	4.2	9,784,893	9,662,145	10,326,993
Trade receivables	4.3	6,182,241	5,361,252	7,169,581
Other current assets	4.3	2,288,469	2,480,928	1,764,715
Cash and cash equivalents	8.1.5	3,244,236	10,802,725	5,157,376
Total current assets		21,499,839	28,307,050	24,418,665
Total assets		70,103,975	77,364,136	71,072,022

(€)	Notes	06.30.2019	12.31.2018 Restated (1)	06.30.2018 Restated (1)
Share capital	10.1	2,595,176	2,595,176	2,413,266
Issue, merger and contribution premiums	10.1	20,206,582	26,450,274	60,454,729
Consolidated reserves	10.1	(8,224,292)	(2,992,794)	(41,375,475)
Net income/(loss) for the year	10.1	(7,030,878)	(12,030,725)	(6,615,538)
Total shareholders' equity		7,546,588	14,021,931	14,876,982
Conditional advances	8.2	50,000	100,000	140,000
Non-current provisions	7.1	680,368	621,868	630,057
Deferred tax liabilities	9.3	1,067,236	669,701	734,731
Long-term financial debt	8.1	43,936,796	46,552,124	32,756,355
Other non-current liabilities	4.4	175,746	174,672	6,157,834
Total non-current liabilities		45,910,146	48,118,365	40,418,977
Current provisions	7.1	241,926	122,299	516,412
Short-term financial debt	8.1	7,759,503	6,637,856	5,250,830
Trade payables	4.4	5,495,578	4,803,155	6,400,666
Other current liabilities	4.4	3,150,234	3,660,530	3,608,155
Total current liabilities		16,647,241	15,223,840	15,776,063
Total shareholders' equity and liabilities		70,103,975	77,364,136	71,072,022

(1) After IFRS 16 "Leases" adjustments (see Note 6.9)

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

1.4. CONSOLIDATED CASH FLOW STATEMENT

(€)	Notes	06.30.2019	12.31.2018 Restated (1)	06.30.2018 Restated (1)
Consolidated net income/(loss)		(7,030,878)	(12,030,725)	(6,615,538)
Property, plant and equipment depreciation and intangible asset amortization		3,901,913	8,007,516	3,942,733
Provision charges / (reversals)		283,583	153,896	518,367
Proceeds from sale of non-current assets		40,484	226,581	78,043
Share-based payments		1,003,000	728,078	407,000
Change in deferred taxes		(136,095)	(302,981)	(536,221)
Corporate tax		(228,289)	(274,309)	(125,991)
Cost of net financial debt		1,919,418	2,935,606	1,368,443
Self-financing capacity		(246,864)	(556,338)	(963,164)
Change in inventories and work in progress		(234,414)	14,161	(590,451)
Change in trade receivables		(814,779)	(1,461,694)	(3,292,429)
Change in trade payables		692,424	130,300	1,727,812
Change in other receivables and payables		9,772	1,562,230	7,810,446
Cash flow from working capital requirement		(346,997)	244,997	5,655,378
Taxes paid / refunded		(98,248)	(267,424)	(16,958)
Net cash flow from operating activities		(692,109)	(578,765)	4,675,256
Acquisition of non-current assets		(2,668,594)	(5,604,295)	(3,198,496)
Disposal of non-current assets		26,891	220,097	190,018
Impact of changes in scope		-	106,836	(5,793,664)
Government grants received / (repaid)		(50,000)	(96,250)	(56,250)
Other movements		2,001	77,009	30,662
Net cash flow from investment activities		(2,689,702)	(5,296,603)	(8,827,730)
Distribution of dividends from subsidiaries to minority interests		(468,402)	-	-
Share capital increase		-	3,083,777	-
Proceeds from new borrowings		-	27,400,800	1,200,000
Repayment of borrowings		(1,574,867)	(21,907,595)	(3,276,802)
Interest paid		(1,787,541),	(1,937,107),	(855,771),
Other movements	8.1.6	(1,383,458),	(1,797,153),	(109,627),
Net cash flow from financing activities		(5,214,268)	4,842,722	(3,042,200)
Translation effect on cash and cash equivalents		129,431	(88,083)	(30,727)
Other movements		14,579	47,166	707
Change in cash and cash equivalents		(8,452,069)	(1,073,563)	(7,224,694)
Cash and cash equivalents - beginning of year		10,018,668	11,092,231	11,092,231
Cash and cash equivalents - end of year		1,566,599	10,018,668	3,867,537
Positive cash balances - beginning of year		10,802,725	11,980,693	11,980,693
Positive cash balances - end of year		3,244,236	10,802,725	5,157,376
Change in positive cash balances		(7,558,489)	(1,177,968)	(6,823,317)
Negative cash balances - beginning of year		(784,057),	(888,462),	(888,462),
Negative cash balances - end of year		(1,677,637)	(784,057)	(1,289,839)
Change in negative cash balances		(893,580)	104,405	(401,377)
Change in cash and cash equivalents		(8,452,069)	(1,073,563)	(7,224,694)

(1) After IFRS 16 "Leases" adjustments (see Note 6.9)

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

1.5. 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
2018 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
H1 2019 comprehensive income	-	-	(7,024,520)	(7,024,520)
Stock options and free shares	-	-	1,003,000	1,003,000
Distribution of dividends	-	-	(468,402)	(468,402)
Other movements	-	-	14,579	14,579
Shareholders' equity at 06.30.2019	16,219,847	2,595,176	4,951,412	7,546,588

(1) After IFRS 16 "Leases" adjustments (see Note 6.9)

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

1.6. 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 in the US on the OTCQX Best Market platform under the tickers MRNTF and MRNTY.

The unaudited consolidated financial statements for the first six months of the 2019 fiscal year were approved by the Board of Directors on September 16, 2019. The press release relating to the first half-year results was published on September 18, 2019.

NOTE 1: ACCOUNTING PRINCIPLES

1.1 Accounting framework

The financial statements of MEDICREA Group for the first half of 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	
Amendments to IAS 19	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 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 Material 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 Preparation bases

The consolidated financial statements have been prepared in Euros in accordance with the going concern principle, assessed in the light of the Group's capacity to meet, over the 12 months following 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 through a positive self-financing capacity and/or generating 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 June 30, 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.

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 June 30, 2019, the Group was not aware of any changes in estimates having a significant impact during the period.

NOTE 2: SCOPE OF CONSOLIDATION

2.1 Consolidation method

Consolidation is based on the statutory financial statements, prepared at June 30, 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" for the balance sheet portion and under cash-related exchange differences in the cash flow statement.

2.2.2 Foreign currency transactions

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

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

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

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

2.3 Business combinations

Business combinations are accounted for using the acquisition method:

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

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

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

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

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

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

2.4 Changes in consolidation scope

The consolidation scope includes the following entities:

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

With regard to MEDICREA BELGIUM, a limited liability company incorporated under Belgian law in February 2018 and in which MEDICREA INTERNATIONAL holds 63.25% as at 30 June 2019, a shareholders' agreement governs the cross-industry commitments to buy and sell the remaining 36.75% stake held by the minority shareholder 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 30 June 2019, the fair value of the commitment to repurchase 36.75% of MEDICREA BELGIUM's share capital was valued at €7.5 million based on EBITDA (*) forecasts for 2019 to 2021.

With regard to MEDICREA AUSTRALIA, an Australian company created in June 2018 and in which MEDICREA INTERNATIONAL holds 51% as at 30 June 2019, a shareholders' agreement governs the cross-industry commitments to buy and sell the remaining 49% stake held by the minority shareholder 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 June 30, 2019, the fair value of the commitment to repurchase the 49% of MEDICREA AUSTRALIA's share capital was revalued by €0.2 million compared to December 31, 2018 on the basis of EBITDA (*) 2020 to 2023 forecasts, for a total amount of €1 million. This revaluation was recognized as a retrospective adjustment to goodwill, with no impact on the first half of 2019 income.

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

Control and interest percentages at June 30, 2019 are detailed in the table below:

	Registered office:	% control	% interest
MEDICREA INTERNATIONAL	Rillieux-la-Pape, FR	Group parent company	
MEDICREA USA	New-York, US	100%	100%
MEDICREA TECHNOLOGIES UK	Preston, GB	100%	100%
MEDICREA GMBH	Cologne, 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 companies MEDICREA BELGIUM and MEDICREA AUSTRALIA, which as detailed above will be accompanied by the staged purchase over time of the entire capital held by the minority shareholders of these two companies, has been treated as a single transaction for accounting purposes, based on the following factors:

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

Therefore, in the Group's interim financial statements as of June 30, 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%. The commitment to buy the minority shares in the company MEDICREA BELGIUM and MEDICREA AUTSRALIA has been reported under 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.

3.1 Breakdown of sales by geographic region

By geographic region, sales are analyzed as follows:

	06.30.2019		06.30.2018	
	(€)	(%)	(€)	(%)
	3,360,982	21%	3,154,727	19%
	8,710,602	54%	7,608,376	45%
	1,870,787	12%	3,321,066	20%
	153,598	1%	124,929	1%
	199,714	1%	-	-
Rest of the world	1,771,215	11%	2,710,076	15%
of which Europe	*781,329*		*1,416,949*	
of which South America	*375,354*		*664,044*	
of which Asia	*417,179*		*379,130*	
of which Oceania	*24,196*		*109,402*	
of which Middle East and Africa	*173,157*		*140,551*	
Total	16,066,898	100%	16,919,174	100%

Sales for the first half of 2019 amounted to €16.1 million, up 10% (6% at constant exchange rates) compared to 2018 on a pro-forma basis. In the United States, the Group's most significant market, sales growth continued with an increase of 15% compared to 6% for the rest of the world (up 7% and 6% respectively at constant exchange rates). Medicrea discontinued non-strategic activities on July 1, 2018, which represented sales of €2.3 million euros in the first half of 2018, showing a total decrease in sales of 5% over the period, but which will have no further impact over the second half of 2019.

The first half of 2019 demonstrated record activity for UNiD™ patient-specific rods. The milestone of 4,000 surgeries performed has been achieved, with 423 surgeries in the second quarter of 2019. 171 personalized UNiD™ surgeries were performed in June alone.

3.2 H1 2019 income statement by geographic region

(€)						Rest of the world	Total 06.30.2019
Sales	3,360,982	8,710,602	153,598	1,870,787	199,714	1,771,215	16,066,898
Cost of sales	(1,290,141)	(1,053,366)	(61,782)	(480,937)	(28,918)	(772,095)	(3,687,239)
Gross margin	2,070,841	7,657,236	91,816	1,389,850,	170,796,	999,120,	12,379,659
Research & development costs	(1,099,713)	(367,428)	(437)	(735)	(630)	(1,055)	(1,469,998)
Sales & marketing expenses	(2,479,550)	(4,391,397)	(226,651)	(439,028)	(158,001)	(504,199)	(8,198,826)
Sales commissions	(70,654)	(2,457,474)	-	-	-	-	(2,528,128)
General and administrative expenses	(2,304,884)	(1,127,776)	(17,035)	(69,419)	(25,756)	(69,962)	(3,614,832)
Other operating income and expenses	(94,123)	(289,273)	(93,184)	-	-	(350)	(476,930)
Operating income before share-based payments	(3,978,083)	(976,112)	(245,491)	880,668,	(13,591),	423,554,	(3,909,055)
Share-based payments	(851,481)	(151,519)	-	-	-	-	(1,003,000)
Operating income after share-based payments	(4,829,564)	(1,127,631)	(245,491)	880,668	(13,591)	423,554	(4,912,055)
Cost of net financial debt	(1,677,396)	(212,140)	(2,978)	(15,709)	-	(11,195)	(1,919,418)
Other financial (expenses) / income	(41,453)	-	-	-	-	652	(40,801)
Tax (charge) / income	-	113,470	5,245	(282,848)	5,529	-	(158,604)
Consolidated net income/(loss)	(6,548,413)	(1,226,301)	(243,224)	582,111	(8,062)	413,011	(7,030,878)

3.3 **H1 2018 restated income statement by geographic region**

(€)					Rest of the world	Total 06.30.2018 Restated (1)
Sales	3,154,727	7,608,376	124,929	3,321,066	2,710,076	16,919,174
Cost of sales	(1,332,383)	(1,613,076)	(53,190)	(1,145,949)	(1,222,921)	(5,367,519)
Gross margin	1,822,344	5,995,300	71,739	2,175,117,	1,487,155,	11,551,655
Research & development costs	(1,162,423)	(288,496)	(136)	(32)	(845)	(1,451,932)
Sales & marketing expenses	(2,482,178)	(4,312,592)	(253,486)	(629,663)	(1,122,457)	(8,800,376)
Sales commissions	(53,619)	(1,727,702)	-	-	(18,431)	(1,799,752)
General and administrative expenses	(2,450,449)	(1,050,445)	(19,023)	(249,623)	(186,279)	(3,955,819)
Other operating income and expenses	(75,989)	(112,501)	-	-	(258,615)	(447,105)
Operating income before share-based payments	(4,402,314)	(1,496,436)	(200,906)	1,295,799,	(99,472),	(4,903,329)
Share-based payments	(157,132)	(249,868)	-	-	-	(407,000)
Operating income after share-based payments	(4,559,446)	(1,746,304)	(200,906)	1,295,799	(99,472)	(5,310,329)
Cost of net financial debt	(1,153,411)	(188,339)	(3,104)	(12,298)	(11,291)	(1,368,443)
Other financial (expenses) / income	5,132	-	(26)	-	(2,906)	2,200
Tax (charge) / income	-	461,339	(2,792)	(381,814)	(15,699)	61,034
Consolidated net income/(loss)	(5,707,725)	(1,473,304)	(206,828)	901,687	(129,368)	(6,615,538)

(1) After IFRS 16 "Leases" adjustments (see Note 6.9)

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

3.4 H1 2019 balance sheet by geographic region

(€)						Rest of the world	Total 06.30.2019
Goodwill	12,354,470	-	-	-	-	-	12,354,470
Intangible assets	7,138,619	1,073,957	-	-	-	-	8,212,576
Property, plant and equipment	16,801,396	6,768,063	204,546	393,037	164,200	218,826	24,550,068
Non-current financial assets	342,921	300,959	6,692	-	-	-	650,572
Deferred tax assets	1,067,243	1,801,757	-	(36,376)	3,826	-	2,836,450
Total non-current assets	37,704,649	9,944,736	211,238	356,661	168,026	218,826	48,604,136
Inventories	7,883,271	1,307,883	123,333	367,422	102,984	-	9,784,893
Trade receivables	1,349,976	2,662,776	77,743	1,022,772	61,216	1,007,758	6,182,241
Other current assets	1,901,519	270,436	11,451	97,444	5,787	1,832	2,288,469
Cash and cash equivalents	1,940,818	277,228	25,300	904,810	76,782	19,298	3,244,236
Total current assets	13,075,584	4,518,323	237,827	2,392,448	246,769	1,028,888	21,499,839
Total assets	50,780,233	14,463,059	449,065	2,749,109	414,795	1,247,714	70,103,975

(€)						Rest of the world	Total 06.30.2019
Share capital	2,595,176	-	-	-	-	-	2,595,176
Issue, merger and contribution premiums	20,206,582	-	-	-	-	-	20,206,582
Consolidated reserves	(16,782,296)	6,788,780	518,118	52,025	402,025	797,056	(8,224,292)
Group net income/(loss) for the period	(6,548,413)	(1,226,301)	(243,224)	582,111	(8,062)	413,011	(7,030,878)
Total shareholders' equity	(528,951)	5,562,479	274,894	634,136	393,963	1,210,067	7,546,588
Conditional advances	50,000	-	-	-	-	-	50,000
Non-current provisions	680,368	-	-	-	-	-	680,368
Deferred tax liabilities	1,067,236	-	-	-	-	-	1,067,236
Long-term financial debt	38,354,067	5,490,084	6,232	86,413	-	-	43,936,796
Other non-current liabilities	-	175,746	-	-	-	-	175,746
Total non-current liabilities	40,151,671	5,665,830	6,232	86,413	-	-	45,910,146
Current provisions	147,799	-	94,127	-	-	-	241,926
Other current financial liabilities	5,940,571	747,234	20,160	1,051,538	-	-	7,759,503
Trade payables	3,180,482	2,020,394	1,894	239,068	16,093	37,647	5,495,578
Other current liabilities	1,888,661	467,122	51,758	737,954	4,739	-	3,150,234
Total current liabilities	11,157,513	3,234,750	167,939	2,028,560	20,832	37,647	16,647,241
Total shareholders' equity and liabilities	50,780,233	14,463,059	449,065	2,749,109	414,795	1,247,714	70,103,975

3.5 H1 2018 balance sheet by geographic region

(€)					Rest of the world	Total 06.30.2018 Restated (1)
Goodwill	8,420,350	-	-	-	-	8,420,350
Intangible assets	6,921,109	1,163,737	-	-	-	8,084,846
Property, plant and equipment	17,948,047	7,920,774	326,890	287,820	383,988	26,867,519
Non-current financial assets	359,990	293,782	5,710	-	20,070	679,552
Deferred tax assets	734,723	1,892,630	(7,069)	1,958	(21,152)	2,601,090
Total non-current assets	34,384,219	11,270,923	325,531	289,778	382,906	46,653,357
Inventories	8,637,549	1,054,628	197,931	279,169	157,716	10,326,993
Trade receivables	1,409,063	2,565,918	59,409	2,037,114	1,098,077	7,169,581
Other current assets	1,520,946	164,497	9,879	-	69,393	1,764,715
Cash and cash equivalents	3,759,845	708,169	8,591	670,093	10,678	5,157,376
Total current assets	15,327,403	4,493,212	275,810	2,986,376	1,335,864	24,418,665
Total assets	49,711,622	15,764,135	601,341	3,276,154	1,718,770	71,072,022

(€)					Rest of the world	Total 06.30.2018 Restated (1)
Share capital	2,413,266	-	-	-	-	2,413,266
Issue, merger and contribution premiums	60,454,729	-	-	-	-	60,454,729
Consolidated reserves	(51,272,838)	8,071,354	707,880	(97,037)	1,215,166	(41,375,475)
Group net income/(loss) for the period	(5,707,725)	(1,473,304)	(206,828)	901,687	(129,368)	(6,615,538)
Total shareholders' equity	5,887,432	6,598,050	501,052	804,650	1,085,798	14,876,982
Conditional advances	140,000	-	-	-	-	140,000
Non-current provisions	630,057	-	-	-	-	630,057
Deferred tax liabilities	734,731	-	-	-	-	734,731
Long-term financial debt	26,504,176	6,088,581	25,647	137,951	-	32,756,355
Other non-current liabilities	5,900,500	257,334	-	-	-	6,157,834
Total non-current liabilities	33,909,464	6,345,915	25,647	137,951	-	40,418,977
Current provisions	234,261	-	-	-	282,151	516,412
Other current financial liabilities	3,923,828	673,109	27,359	626,419	115	5,250,830
Trade payables	3,898,348	1,512,270	7,576	669,674	312,798	6,400,666
Other current liabilities	1,858,289	634,791	39,707	1,037,460	37,908	3,608,155
Total current liabilities	9,914,726	2,820,170	74,642	2,333,553	632,972	15,776,063
Total shareholders' equity and liabilities	49,711,622	15,764,135	601,341	3,276,154	1,718,770	71,072,022

(1) After IFRS 16 "Leases" adjustments (see Note 6.9)

NOTE 4: OPERATIONAL DATA

4.1 Key operating performance indicators

The performance indicators used by the Group are as follows:

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

4.2 Inventories

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

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

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

Gross and net inventories are analyzed as follows:

	06.30.2019			12.31.2018	06.30.2018
(€)	Gross values	Impairment	Net values	Net values	Net values
Raw materials	379,068	(46,798)	332,270	331,771	312,190
Work-in-process	369,438	(75,900)	293,538	389,111	489,451
Semi-finished goods	1,699,192	(429,039)	1,270,153	1,230,788	1,335,677
Finished goods	11,020,249	(3,131,317)	7,888,932	7,710,475	8,189,675
Total	13,467,947	(3,683,054)	9,784,893	9,662,145	10,326,993

In gross value, inventories increased by 2% compared to December 31, 2018. The increase is mainly concentrated in the finished goods category, following the launch of the new PASS TULIP ™ range of pedicle screws and fixation.

As of June 30, 2019, impairments represent an average of 27% of gross values, stable compared to December 31, 2018.

4.3 Trade receivables and other assets

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

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

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

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

Trade and other receivables are analyzed as follows:

	06.30.2019			12.31.2018	06.30.2018
(€)	Gross values	Impairment	Net values	Net values	Net values
Trade receivables	6,279,754	(97,513)	6,182,241	5,361,252	7,169,581
Social security receivables	7,869	-	7,869	5,571	5,516
Tax receivables	1,267,212	-	1,267,212	1,537,202	1,229,026
Other receivables	222,848	-	222,848	160,460	173,615
Prepaid expenses	790,540	-	790,540	777,695	356,558
Other assets	2,288,469	-	2,288,469	2,480,928	1,764,715
Total	8,568,223	(97,513)	8,470,710	7,842,180	8,934,296
of which due in less than one year	*8,568,223*	*(97,513)*	*8,470,710*	*7,842,180*	*8,934,296*
Average days sales outstanding		67 days		59 days	56 days

The increase in net trade receivables of €0.8 million compared to the end of 2018 is directly linked to a seasonality effect, with June 2019 accounting for around 20% of sales for the first half of 2019.

The temporary increase in the average time to recover receivables is mainly due to the prolongation, at the end of the first half of 2019, of the payment terms of certain US hospitals. The Group should return to a normative debt recovery period in the second half of 2019.

Tax receivables mainly include the research tax credit, the competitiveness tax credit for employment and the VAT to be recovered.

4.4 Trade payables and other liabilities

Changes in trade payables and other liabilities were as follows:

(€)	06.30.2019	12.31.2018	06.30.2018
Trade payables	5,495,578	4,803,155	6,400,666
Social security liabilities	2,167,472	2,024,395	2,262,640
Tax liabilities	803,063	712,937	592,628
Other liabilities	355,445	1,097,870	6,910,721
Other liabilities	3,325,980	3,835,202	9,765,989
Total	8,821,558	8,638,357	16,166,655
of which due in less than one year	*8,645,812*	*8,463,685*	*10,008,821*

The €0.7 million increase in trade payables compared to the end of 2018 is mainly due to the launch of PASS TULIP kits and the occasional use of outsourcing for the manufacture of certain instruments.

The €0.7 million fall in other liabilities is mainly due to the repayment of a current account of partners within MEDICREA BELGIUM following the discontinuation of a non-strategic distribution activity of bone substitutes and other medical devices referred to in Paragraph 3.1.

It may be noted that the change in other debts between June 30, 2018 and December 31, 2018 corresponded to a reclassification of the commitment to buy the shares held by minority shareholders in MEDICREA Belgium from "other liabilities" to "other financial debt".

4.5 Revenue

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

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

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

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

4.6 Research & development costs

4.6.1 Capitalized development costs

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

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

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

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

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

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

(€)	06.30.2019	12.31.2018	06.30.2018
Research & development costs	793,950	1,471,093	883,296
Patent costs	148,095	219,004	104,972
Software	65,237	230,964	108,414
Total	1,007,282	1,921,061	1,096,682

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 from 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:

(€)	06.30.2019	12.31.2018 Restated (1)	06.30.2018 Restated (1)
Research & development costs	1,625,436	3,322,548	1,764,642
Capitalized research & development costs	(1,007,282)	(1,921,061)	(1,096,682)
Amortization charge of capitalized research and development costs	1,356,844	2,547,648	1,291,972
Research tax credit	(505,000)	(887,701)	(508,000)
Total	1,469,998	3,061,434	1,451,932

(1) After IFRS 16 "Leases" adjustments (see Note 6.9)

4.7 Amortization, depreciation and impairment charges

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

Amortization and depreciation	06.30.2019	06.30.2018 Restated (1)
Industrial and commercial property rights	148,527	180,861
Other intangible assets	1,207,959	1,118,833
Buildings	894,288	857,706
Plant, machinery and tools, instruments	1,190,370	1,316,172
Other property, plant and equipment	460,769	469,161
Total	3,901,913	3,942,733

(1) After IFRS 16 "Leases" adjustments (see Note 6.9)

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

Impairment	06.30.2019	06.30.2018
Inventories	111,666	76,157
Trade receivables	(6,210)	95,983
Total	105,456	172,140

Amortization and depreciation charges are analyzed as follows:

(€)	06.30.2019	06.30.2018
Cost of sales	556,406	555,440
Research & development and patent costs	1,356,844	1,291,972
Sales & marketing expenses	970,144	1,081,751
General and administrative expenses	1,018,519	995,322
Other operating income and expenses	-	18,248
Total	3,901,913	3,942,733

4.8 Royalties

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

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

4.9 Operating income and other income and expenses from operations

4.9.1 Operating income

Operating income includes all income and expenses other than:

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

4.9.2 Other income and expenses

To make understanding the income statement and the Group's financial performance easier, unusual items that are significant at 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:

(€)	06.30.2019	06.30.2018
Lawyers' fees	(279,693)	(70,128)
Expenses incurred when fundraising	(107,465)	(50,000)
Closing of subsidiaries	(93,184)	(302,242)
Other	3,412	(24,735)
Total	(476,930)	(447,105)

The closing costs of subsidiaries correspond to the staff redundancy costs, the termination of the premises lease and the termination of the main contracts in progress.

The attorneys' 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.

Expenses on fundraising are related to projects that have not been completed.

4.10 Impact of exchange rate differences on sales and operating income

Average exchange rates evolved as follows:

Average conversion rates	06.30.2019	12.31.2018	06.30.2018
USD / EUR	1.13263	1.18384	1.21272
GBP / EUR	0.87273	0.88535	0.88030
PLN / EUR	4.29260	4.25803	4.20803
AUD / EUR	1.59772	1.5817	1.56338

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

(€)	06.30.2019 at the 06.30.2019 rate	06.30.2019 at the 06.30.2018 rate	Impact of exchange rates
Sales	16,066,898	15,516,564	550,334
Operating income after share-based payments	(4,912,055)	(4,909,313)	(2,742)

NOTE 5: EMPLOYEE COSTS AND BENEFITS

5.1 Workforce

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

	06.30.2019			12.31.2018			06.30.2018		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
Executives	60	37	103	56	37	93	60	38	83
Supervisors - Employees	53	41	86	42	44	86	53	43	96
Total	102	78	180	98	81	179	113	81	194
	*72*	*56*	*128*	*69*	*56*	*125*	*75*	*57*	*132*
	*21*	*15*	*36*	*20*	*17*	*37*	*24*	*15*	*39*
	-	-	-	-	-	-	*3*	*2*	*5*
	-	*5*	*5*	-	*5*	*5*	-	*5*	*5*
	9	2	11	9	2	11	11	2	13
	-	-	-	-	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:

(€)	06.30.2019	06.30.2018
Wages and salaries, and temporary staff	6,219,314	6,690,033
Social security costs	1,911,440	2,017,203
French tax credit for competitiveness and employment	-	(78,244)
Pension expenses for defined contribution schemes	53,500	51,672
Capitalized research and development costs (1)	(665,985)	(727,253)
Total	7,518,269	7,953,411

(1): for the salaries and expenses component only

In France, until 31 December 2018 the Group benefited 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 State, regardless of the entity's situation with respect to corporation tax: it did not fall within the scope of IAS 12 "Income Taxes". CICE was recognized as a reduction of personnel expenses in operating income. It has not been renewed beyond the 2018 financial year.

Employee costs are broken down as follows:

(€)	06.30.2019	06.30.2018
Cost of sales	1,486,027	1,630,990
Research & development costs (1)	232,729	241,064
of which salaries and employer contributions	*898,714*	*968,317*
of which share of capitalized costs	*(665,985)*	*(727,253)*
Sales & marketing expenses	4,371,162	4,362,201
General and administrative expenses	1,428,351	1,719,156
Total	7,518,269	7,953,411

(1): corresponds to non-capitalized employee costs

5.3 Pension plans and similar benefits

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

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

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

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

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

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

- retirement age: age at which an employee has acquired sufficient entitlements to obtain a full pension;
- social security rates: adjusted based on the employee and company status. On average, rates are 44.5% for executives and 37% for non-executives;
- rate of salary increase: 2%;
- departure mode: at the employee’s initiative;
- life table: INSEE 2012-2014 by gender;
- annual mobility: based on category (executive and non-executive) and age, with a turnover rate of 0 after 50 years old;
- discount rate: 1.60%, based, at the assessment date, on the long-term yields of private sector euro-denominated AA-rated bonds (Corporate bonds AA10+) over a period equivalent to that of commitments, in accordance with IAS 19 Revised and the ANC’s recommendation.

The provision for acquired rights was €697,867 at June 30, 2019, compared with €639,367 at December 31, 2018. Movements are analyzed as follows:

(€)	06.30.2019	12.31.2018	06.30.2018
Actuarial liability at the start of the period	639,367	600,328	600,328
Service cost in operating income	*53,500*	*103,343*	*51,672*
Net financial expense	*5,000*	*7,637*	*3,818*
Charge for the year in respect of defined benefit plans	58,500	110,980	55,490
Actuarial gains and losses	-	(71,941)	-
Actuarial liability at the balance sheet date	697,867	639,367	655,818

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

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

5.4 Long-service awards

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

5.5 Share-based payments

Certain employees of 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, in accordance with the vesting conditions, 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 two years.

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 the authority to allocate share subscription or purchase options and to allocate free shares 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 and December 20, 2018 share subscription options and/or free shares were allocated.

5.5.1 Share purchase option plans

The characteristic features of the share purchase option plans intended for the MEDICREA Group's employees, and which have been authorized by the Shareholders Meeting, were as follows at June 30, 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 June 30, 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	3,000	-	784,000	2019 / 2020
Total	978,274	53,001	136,273	789,000	

(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 in the first half of 2019 are summarized as follows:

	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	-	-	-	(3,000)	-	-
- lapsed	-	-	-	-	-	-
- exercised	-	-	-	-	-	-
Balance at 06.30.2019	1,350,000	5.51	3.16	789,000	0.47	1.48

5.5.4 Reflection of allocated instruments in the financial statements

The expenses relating to the instruments allocated since inception 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 (€)	H1 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
06.25.2009	Option	7,480	6.16	6.55	0%	40%	2.89%	2.63	-	262
06.25.2009	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
03.27.2014	Option	-	8.77	8.88	0%	36%	2.69%	3.05	-	30
12.17.2014	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
07.25.2016	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	20	134
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	47	252
02.08.2018	Option	410,000	2.96	3.19	0%	35%	0.37%	1.03	67	337
02.08.2018	Option	160,000	3.21	3.18	0%	35%	0.37%	0.93	24	104
07.27.2018	Share	5,000	Free	2.99	0%	-	-	2.99	4	10
07.27.2018	Option	100,000	2.73	2.56	0%	35%	0.19%	0.70	17	35
12.20.2018	Share	694,000	Free	2.26	0%	-	-	2.26	759	807
12.20.2018	Share	90,000	Free	2.26	0%	-	-	2.26	51	54
12.20.2018	Option	65,000	2.38	2.38	0%	37%	0.15%	0.74	14	15
Total		2,312,794							1,003	3,934

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

5.6 US Employee Stock Purchase Plan (ESPP)

A share purchase plan reserved for MEDICREA USA's 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 allow them, at the end of the year, to buy MEDICREA INTERNATIONAL shares on the basis of 85% of the share price calculated by reference to the lowest value of the prices on January 1st or November 30th. ;
- These shares must be retained for 12 months before they can be sold or transferred.

Since the implementation of this plan, 35,628 shares have been subscribed by employees (18,147 shares in 2018 at $2.67, 3,303 shares in 2017 at a price of $3.45, 7,879 shares in 2016 at a price of $4.32 and 6,299 shares in 2015 at a price of $6.41). The difference between the price actually paid by the company to acquire the shares and the price paid by the employees was expensed for the year (approximately $5,000 for the first half of 2019). The costs related to the administration of this plan ($6,500 for the first half of 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 four executive corporate officers. They are Denys SOURNAC, Chairman and Chief Executive Officer of MEDICREA INTERNATIONAL, and Fabrice KILFIGER and David RYAN, Deputy Chief Executive Officers of MEDICREA INTERNATIONAL. Mr. CAFFIERO has not carried out any operational duties at the Group since January 1, 2019, but retains his office as a Director of MEDICREA INTERNATIONAL.

Mr. SOURNAC is not an employee of MEDICREA INTERNATIONAL and is not compensated by the Company for his duties. The management holding company ORCHARD INTERNATIONAL receives fees for the services provided to MEDICREA 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 during the first half of 2019

Compensation paid or awarded during the first half of 2019 is as follows:

Denys SOURNAC – Chairman and Chief Executive Officer

Compensation (€)	H1 2019		H1 2018	
	Amounts due in relation to	Amounts paid in relation to	Amounts due in relation to	Amounts paid in relation to
Gross fixed compensation (1)	150,000	150,000	150,000	150,000
Gross variable compensation	-	-	-	-
Directors' fees	-	-	-	-
Benefits in kind	-	-	-	-
Total	150,000	150,000	150,000	150,000

(1) Services invoiced by ORCHARD INTERNATIONAL

Fabrice KILFIGER – Deputy CEO and Chief Financial Officer

Compensation (€)	H1 2019		H1 2018	
	Amounts due in relation to	Amounts paid in relation to	Amounts due in relation to	Amounts paid in relation to
Gross fixed compensation	98,582	98,582	98,582	98,582
Gross variable compensation	3,750	-	7,500	15,000 (1)
Directors' fees	-	-	-	-
Benefits in kind (2)	5,885	5,885	5,730	5,730
Total	108,217	104,467	111,812	119,312

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

David RYAN – Deputy CEO and Chief Operating Officer

Compensation (€)	H1 2019		H1 2018	
	Amounts due in relation to	Amounts paid in relation to	Amounts due in relation to	Amounts paid in relation to
Gross fixed compensation	99,750	99,750	99,750	99,750
Gross variable compensation	3,750	-	15,000	30,000 (1)
Directors' fees	-	-	-	-
Benefits in kind (2)	3,987	3,987	4,002	4,002
Total	107,487	103,737	118,752	133,752

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

5.8.2 **Options granted and exercised during the first half of 2019**

There were no options granted during the first half of 2019.

The options granted during the first half of 2018 were as follows:

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

No options were exercised during the first half of 2019 by the executive corporate officers of the Company. Nor were any exercised during the first half of 2018.

As at June 30, 2019, the history of options granted is as follows:

Fabrice KILFIGER

Date options granted by Board of Directors	06/05/2008	06/25/2009	06/17/2010	02/08/2018
Number of options granted	4,167	20,000	10,000	160,000
Expiry of options	2018	2016	2017	2025
Exercise price in euros	6,00	6,16	6,14	2,96
Number of options exercised	4,167	11,354	-	-
Number of canceled or invalid options	-	8,646	10,000	-
Number of options remaining to be acquired	-	-	-	160,000

David RYAN

Date options granted by Board of Directors	06/05/2008	06/25/2009	06/17/2010	09/14/2017	02/08/2018
Number of options granted	3 542	15 000	5 000	100 000	60 000
Expiry of options	2018	2016	2017	2024	2025
Exercise price in euros	6.00	6.16	6.14	3.95	2.96
Number of options exercised	-	-	-	-	-
Number of canceled or invalid options	3,542	15,000	5,000	-	-
Number of options remaining to be acquired	-	-	-	100,000	60,000

5.8.3 **Free shares granted during the first half of 2019**

No free shares were granted during the first half of 2019 to executive corporate officers of the Company. Nor were any granted during the first half of 2018.

As at June 30, 2019, the history of bonus shares awarded is as follows:

Denys SOURNAC

Date of the Board of Directors	12/20/2018
Number of shares awarded	300,000
Delivery date of bonus shares	2019
Valuation of free shares in euros (1)	2.26

(1) According to the method used for the consolidated accounts

Fabrice KILFIGER

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

(1) According to the method used for the consolidated accounts

David RYAN

Date of the Board of Directors	06/05/2008	06/25/2009	06/17/2010	06/162011	09/19/2016	12/20/2018
Number of shares awarded	2,361	6,000	2,500	3,000	9,000	90,000
Delivery date of bonus shares	2010	2011	2012	2013	2018	2019
Valuation of free shares in euros (1)	5.73	6.55	6.22	9.40	5.85	2.26

(1) According to the method used for the consolidated accounts

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

6.1 Goodwill

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

Goodwill is analyzed as follows:

(€)	06.30.2019	12.31.2018
Acquisition of MEDICREA BELGIUM	8,758,164	8,758,164
Acquisition of MEDICREA TECHNOLOGIES (*)	2,364,277	2,364,277
Acquisition of MEDICREA AUSTRALIA	970,204	747,226
Acquisition of MEDICREA EUROPE FRANCOPHONE (*)	212,573	212,573
Acquisition of MEDICREA TECHNOLGIES UK	49,252	49,363
Total	12,354,470	12,131,603

(*): merged into MEDICREA INNTERNATIONALNAL

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

Goodwill relating to the acquisition of a stake in MEDICREA BELGIUM takes into account a buy-back commitment of minority interests of €8.9 million calculated on the basis of the EBITDA forecasts available at December 31, 2018 and taking into account a discount rate of 1.6%. The acquisition of a stake in MEDICREA AUSTRALIA takes into account a €1 million minority share buyback commitment calculated on the basis of the EBITDA forecasts available at June 30, 2019, revalued as a retrospective adjustment of the goodwill of the Group. €0.2 million compared with December 31, 2018, taking into account a discount rate of 1.6%.

The market capitalization based on the MEDICREA share price was €53.5 million at June 30, 2019, compared with consolidated net worth of €7.5 million at the same date.

6.2 Non-current assets impairment tests

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

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

6.3 Intangible assets

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

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

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

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

6.4 Property, plant and equipment

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

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

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

Ancillary parts included in sets made available to customer healthcare institutions are capitalized until their return or replacement on account 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 over the last two years

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

Non-current assets – €	06.30.2019	12.31.2018 Restated (1)	06.30.2018 Restated (1)
Research & development costs	14,924,199	14,086,800	13,335,407
Patents and similar rights	4,835,660	4,687,565	4,573,533
Computer licenses and software	3,762,130	3,274,269	2,877,733
Brands	25,133	25,133	25,133
Intangible assets	23,547,122	22,073,767	20,811,806
Buildings	19,652,706	19,603,930	19,280,235
Technical facilities and equipment	6,155,381	6,123,091	6,305,316
Demonstration equipment	869,799	836,436	697,884
Instrument sets	8,418,483	7,821,310	6,976,274
IT and office equipment	2,334,377	2,349,734	2,417,468
Other non-current assets	5,003,453	4,920,995	4,918,028
Property, plant and equipment	42,434,199	41,655,496	40,595,205
Guarantees and deposits	650,572	650,629	679,552
Non-current financial assets	650,572	650,629	679,552
Total gross values	66,631,893	64,379,892	62,086,563

(1) After IFRS 16 "Leases" adjustments (see Note 6.9)

Amortization, depreciation and provisions – €	06.30.2019	12.31.2018 Restated (1)	06.30.2018 Restated (1)
Intangible asset amortization	15,334,546	13,975,055	12,726,960
Property, plant and equipment depreciation	17,884,131	15,782,174	13,727,686
Total amortization, depreciation and provisions	33,218,677	29,757,229	26,454,646
Total net values	33,413,216	34,622,663	35,631,917

(1) After IFRS 16 "Leases" adjustments applicable (see Note 6.9)

Over the last 3 periods, changes in non-current assets (excluding goodwill) were as follows:

Net non-current assets – €	06.30.2019	12.31.2018 Restated (1)	06.30.2018 Restated (1)
At the start of the period	34,622,663	36,036,621	36,036,621
Investments during the period	2,682,930	6,350,511	3,278,765
Disposals during the period	(71,802)	(523,686)	(298,723)
Amortization, depreciation and provision charges	(3,901,913)	(8,007,516)	(3,942,733)
Change in consolidation scope	-	301,463	278,449
Translation adjustment	81,338	465,270	279,538
At the end of the period	33,413,216	34,622,663	35,631,917

(1) After IFRS 16 "Leases" adjustments applicable (see Note 6.9)

6.7 Change in non-current assets, and depreciation and amortization during H1 2019

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

Gross values (€)	01.01.2019 Restated (1)	Translation adjustment	Acquisitions	Disposals	06.30.2019
Research & development costs	14,086,800	3,387	834,012	-	14,924,199
Patents and similar rights	4,687,565	-	148,095	-	4,835,660
Computer licenses and software	3,274,269	7,496	480,365	-	3,762,130
Brands	25,133	-	-	-	25,133
Intangible assets	22,073,767	10,883	1,462,472	-	23,547,122
Buildings	19,603,930	48,776	-	-	19,652,706
Technical facilities and equipment	6,123,091	45	34,154	1,909	6,155,381
Demonstration equipment	836,436	2,348	86,645	55,630	869,799
Instrument sets	7,821,310	25,446	902,124	330,397	8,418,483
IT and office equipment	2,349,734	1,597	17,769	34,723	2,334,377
Other non-current assets	4,920,995	7,598	177,342	102,482	5,003,453
Property, plant and equipment	41,655,496	85,810	1,218,034	525,141	42,434,199
Guarantees and deposits	650,629	1,944	2,424	4,425	650,572
Non-current financial assets	650,629	1,944	2,424	4,425	650,572
Total gross values	64,379,892	98,637	2,682,930	529,566	66,631,893

Amortization and depreciation (€)	01.01.2019 Restated (1)	Translation adjustment	Charges	Reversals	06.30.2018
Research & development costs	9,380,046	1,847	874,430	-	10,256,323
Patents and similar rights	3,472,521	-	148,527	-	3,621,048
Computer licenses and software	1,097,355	1,158	333,529	-	1,432,042
Brands	25,133	-	-	-	25,133
Intangible assets	13,975,055	3,005	1,356,486	-	15,334,546
Buildings	4,360,211	11,744	894,288	-	5,266,243
Technical facilities and equipment	2,946,895	45	335,900	165	3,282,675
Demonstration equipment	489,631	(184)	125,415	49,433	565,429
Instrument sets	5,048,687	(1,030)	729,055	295,656	5,481,056
IT and office equipment	1,417,825	994	157,811	34,545	1,542,085
Other non-current assets	1,518,925	2,725	302,958	77,965	1,746,643
Property, plant and equipment	15,782,174	14,294	2,545,427	457,764	17,884,131
Total amortization and depreciation	29,757,229	17,299	3,901,913	457,764	33,218,677

Net values (€)	01.01.2019 Restated (1)	Translation adjustment	Increases	Decreases	06.30.2018
Intangible assets	8,098,712	7,878	105,986	-	8,212,576
Property, plant and equipment	25,873,322	71,516	(1,327,393)	67,377	24,550,068
Non-current financial assets	650,629	1,944	2,424	4,425	650,572
Total net values	34,622,663	81,338	(1,218,983)	71,802	33,413,216

(1) After IFRS 16 "Leases" adjustments (see 6.9)

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 H1 2019 include:

- 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.

R&D costs capitalized for the first half of 2019 amounted to €834,012 compared with €883,296 in H1 2018.

2/ Patent costs capitalized in H1 2019 amounted to €148,095, compared with €104,972 in respect of H1 2018. 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/ Demonstration equipment is subject 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 handle implants and instruments. This equipment is regularly updated based on movements in / out of new / old products.

5 / 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.

6/ The increase in other non-current assets is mainly due to expenditure for head office maintenance.

6.8 Finance leases and operating leases

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

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

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

	06.30.2019				12.31.2018		06.30.2018	
(€)	Gross value	Depr.	Net value	Financial liability	Net value	Financial liability	Net value	Financial liability
Software	21,700	(21,700)	-	-	-	-	3,195	3,261
Technical facilities and equipment	3,374,252	(1,836,174)	1,538,078	727,982	1,732,427	930,028	1,496,951	688,053
IT equipment	885,232	(463,617)	421,615	382,269	492,584	464,804	503,659	481,990
Total	4,281,184	(2,321,491)	1,959,693	1,110,251	2,225,011	1,394,832	2,003,805	1,173,304

The acquisitions during the first half of 2019 financed by finance leases and operating leases primarily include IT equipment.

Finance lease and operating lease commitments are analyzed as follows:

(€)	06.30.2019	12.31.2018	06.30.2018
Lease payments			
Total payments from previous years (1)	1,720,233	1,164,129	1,950,418
Lease payments for the year (1)	302,640	556,104	258,066
Total	2,022,873	1,720,233	2,208,484
Future minimum lease payments			
Within 1 year	493,299	586,675	479,002
1 to 5 years	614,959	822,581	723,379
More than 5 years	-	-	-
Total	1,108,258	1,409,256	1,202,381
Residual values	21,847	21,846	19,532

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

6.9 Simple leases

The Group is a lessee in a large number of leases covering various types of assets such as its head office, buildings used in the context of subsidiaries' activities, vehicles and IT equipment.

Since January 1, 2019, the application of IFRS 16 has led the Group to recognize all leases under the terms currently provided for finance lease agreements under IAS 17. Thus, an asset representing the right to use a lease rented property is recognized in exchange for a debt representing the obligation to pay this right.

The Group has opted for exemptions for short-term contracts of 12 months and under, and those whose underlying asset is of low value (individual value to nine below €5,000). Rent payments associated with these contracts are expensed in the income statement on a straight-line basis over the term of the lease.

The transition arrangements were made in "full retrospective".

The restatements related to the application of IFRS 16 mainly relate to the buildings used in the Group's business, broken down as follows:

Entities	Half-yearly rental amount	Lease term
MEDICREA INTERNATIONAL, Rillieux-la-Pape, FR	€573,848	12 years from September 23, 2016
MEDICREA USA, New-York, US	$508,452	10 years from April 1, 2016
MEDICREA POLAND, Łódź, PL	PLN 24,600	3 years from March 1, 2017
MEDICREA BELGIUM, Houwaart, BE	€7,200	9 years from September 1, 2015

Balance sheet information

The composition and the change in assets accounted for as rights of use break down as follows:

(€)	Buildings	IT and office equipment	Other non-current assets	Total
As at January 1, 2018, net value	16,444,953	9,561	241,088	16,695,602
Perimeter variation	83,303	-	158,846	242,149
New user rights assets	-	2,690	79,924	82,614
Depreciation and amortization	(1,739,143)	(10,234)	(224,482)	(1,973,859)
Exchange rate variation	267,239	-	(444)	266,795
Revaluation	187,367	-	18,865	206,232
At December 31, 2018, net value	15,243,719	2,017	273,797	15,519,533
New user rights assets	-	-	12,691	12,691
Depreciation and amortization	(894,288)	(448)	(111,372)	(1,006,108)
Exchange rate variation	37,031	-	238	37,269
Revaluation	-	-	16,309	16,309
As at June 30, 2019, net value	14,386,462	1,569	191,663	14,579,694

In return for these assets, the following rent liabilities have been recognized:

(€)	06.30.2019	12.31.2018	06.30.2018
Current share	1,780,482	1,783,525	1,759,164
Non-current share	13,985,813	14,821,785	15,425,536
Total lease liabilities	15,766,295	16,605,310	17,184,700
of which related to buildings	*15,568,342*	*16,323,950*	*16,781,382*
of which related to computer hardware and office equipment	*1,597*	*2,040*	*6,457*
of which related to other non-current assets	*196,356*	*279,320*	*396,861*

The analysis of the maturities of rent liabilities is presented in note 8.1.3.

6.9.2 Income statement information

The following amounts have been recognized in the income statement for the year:

(€)	06.30.2019	06.30.2018 Restated (1)
Non-adjusted rent charge (2)	6,443	42,498
Depreciation and amortization	1,006,108	967,532
Financial interest on lease liabilities	241,596	256,163

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

6.9.3 Information of the cash flow statement

The total amount disbursed in the first half of 2019 under leases amounted to € 1,151,915 compared with €1,096,635 in the first half of 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	58,500	32,000	93,184	183,684
Used during the year	-	-	-	-
Reversals	-	(6,500)	-	(6,500)
Translation adjustment	-	-	943	943
Provisions at June 30, 2019	697,867	125,500	98,927	922,294
of which due in less than one year	*17,499*	*125,500*	*98,927*	*241,926*
of which due between one and five years	*21,015*	-	-	*21,015*
of which due in more than five years	*659,353*	-	-	*659,353*

Provisions for litigation relate to pay disputes that have not been settled as of June 30, 2019.

The other provisions mainly relate to the potential closing costs of the company MEDICREA POLAND whose costs, recognized from June 30, 2019, correspond to the laying off of staff, termination of the lease for the premises and termination of major contracts in progress.

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 June 30, 2019.

The contingent liabilities identified at June 30, 2019 were as follows:

- As of November 2016 and exclusively for sales in the United States, the Group introduced a lifetime warranty relating to its personalized UNiD® technology. 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 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 lifetime warranty across the United States, no activation request has been recorded. On this basis, the Group did not recognize any provision in its financial statements at June 30, 2019 and, depending on all the data collected during the 2019 fiscal year, it will assess whether or not it is necessary to review its position at December 31, 2019.

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

- Two royalty 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 US Department of Justice (DOJ) within the context of the Sunshine Act, which sets out the rules for declaring benefits granted to healthcare professionals, notably during their participation in conferences, seminars and meetings. Supported by a specialist firm of attorneys, the company has provided information that demonstrates its compliance with the obligations to which it was subject, with the exception of a few declaration mistakes that were subsequently corrected. During the last quarter of 2018, the DOJ communicated the results of its initial investigations and requested further information and additional documents, which the Company provided in full, through its lawyers, during the first half of 2019. These responses are currently being reviewed by the US authorities. At this stage of the investigation and inasmuch as the company has fully cooperated with the DOJ, it is not possible to predict the outcome of the ongoing enquiry.

NOTE 8: FINANCING AND FINANCIAL INSTRUMENTS

8.1 Net financial debt

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

The Group's net financial debt at June 30, 2019 is analyzed as follows:

(€)	06.30.2019 Non-current	06.30.2019 Current	06.30.2019 Total	12.31.2018 Restated (1) Non-current	12.31.2018 Restated (1) Current	12.31.2018 Restated (1) Total
Long-term financial debt	43,936,796	6,077,470	50,014,266	46,552,124	5,847,211	52,399,335
Short-term and bank loans	-	1,682,033	1,682,033	-	790,645	790,645
Gross financial debt	43,936,796	7,759,503	51,696,299	46,552,124	6,637,856	53,189,980
Cash and cash equivalents	-	(3,244,236)	(3,244,236)	-	(10,802,725)	(10,802,725)
Net financial debt	43,936,796	4,515,267	48,452,063	46,552,124	(4,164,869)	42,387,255

After IFRS 16 "Leases" adjustments (see Note 6.9

(€)	06.30.2018 Restated (1) Non-current	06.30.2018 Restated (1) Current	06.30.2018 Restated (1) Total
Long-term financial debt	32,756,355	3,960,991	36,717,346
Short-term and bank loans	-	1,289,839	1,289,839
Gross financial debt	32,756,355	5,250,830	38,007,185
Cash and cash equivalents	-	(5,157,376)	(5,157,376)
Net financial debt	32,756,355	93,454	32,849,809

(1) After IFRS 16 "Leases" adjustments (see Note 6.9)

8.1.1 Analysis of long-term financial debt

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

At June 30, 2019, all long-term financial debt was taken out in Euros and at fixed rates, and is analyzed as follows:

(€)	06.30.2019	12.31.2018 Restated (1)	06.30.2018 Restated (1)
Bond issues	23,540,351	23,458,680	14,756,406
Loans from credit institutions	1,133,359	1,315,997	3,578,731
Operating leases	851,820	1,077,989	850,225
Finance leases	258,431	316,843	323,079
Simple leases	15,766,295	16,605,310	17,184,700
Accrued loan interest	565	591	12,506
Other	8,463,445	9,623,925	11,699
Total	50,014,266	52,399,335	36,717,346
Of which fixed rate financial debt	*26 841 548*	*29 521 989*	*36 717 346*
Of which variable rate financial debt	*23 172 718*	*22 877 346*	*-*

(1) After IFRS 16 "Leases" adjustments (see Note 6.9)

The bond loans broke down as follows:

(€)	06.30.2019	12.31.2018	06.30.2018
Bond loan – November 2018	23,172,718	22,877,346	-
Convertible bond loan – August 2016	-	-	13,966,420
Bond loan – April 2015	367,633	581,334	789,986
Total	23,540,351	23,458,680	14,756,406

The Group issued bonds for a total of $30 million which, as of June 30, 2019, amounted to €26,361,900. This transaction was accompanied by the issue of 1 million share subscription warrants (BSA) which were subscribed free of charge by Perceptive Advisors and giving the right to subscribe to 1 million new MEDICREA shares at an exercise price of €2.19. In accordance with IAS 32, which covers equity instruments, share subscription warrants have been measured at their fair value for an amount of €2 million and recognized as less than the underlying financial debt.

The change in the related IFRS restatements was as follows:

(€)	06.30.2019	12.31.2018
At the beginning of the period	22,877,346	-
Issuance of the bond	-	26,200,800
IFRS restatement of BSA	-	(2,043,983)
IFRS restatement of loan issue costs	-	(1,301,596)
Amortization of the reprocessing period for loan issue costs	134,272	22,125
Exchange rate variation	161,100	-
At the end of the period	23,172,718	22,877,346

At June 30, 2019, the €30 million loan was not subject to currency hedging or interest rate hedging, as the Group was having difficulty setting up a cross currency swap type transaction with its banking partners.

8.1.2 Change in long-term financial debt

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

(€)	12.31.2018 Restated (2)	Cash movements		Non-cash movements	06.30.2019
		Issues	Redeemed		
Bond issues	23,458,680	-	(213,701)	295,372	23,540,351
Loans from credit institutions	1,315,997	-	(182,638)	-	1,133,359
Operating leases	1,077,989	-	(227,811)	1,642	851,820
Finance leases	316,843	-	(58,412)	-	258,431
Simple leases	16,605,310	-	(892,480)	53,465	15,766,295
Accrued loan interest	591	-	-	(26)	565
Other	9,623,925	-	(1,384,562)	224,082	8,463,445
Long-term borrowings	52,399,335	-	(2,959,604)	574,535	50,014,266
Short-term borrowings (1)	790,645	1,000,000	-	(108,612)	1,682,033
Total	53,189,980	1,000,000	(2,959,604)	465,923	51,696,299

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

(2) After IFRS 16 "Leases" adjustments (see Note 6.9)

This change is related to the repayments made in the first half of 2019 as part of the existing amortization plans.

The "non-cash" changes mainly include the change in the IFRS adjustments of the $30 million bond as explained above, the recognition of the factored trade receivables whose transfer of risks and benefits has not yet been completed, activation of new leasing contracts and simple leases and the revaluation of goodwill in the retrospective adjustment of the commitment to buy the minority shares of MEDICREA AUSTRALIA.

8.1.3 Maturity of long-term financial debt

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

(€)	06.30.2019	Within 1 year	1 to 5 years	More than 5 years
Bond issues	23,540,351	367,633	23,172,718	-
Loans from credit institutions	1,133,359	353,393	704,966	75,000
Operating leases	851,820	379,174	472,646	-
Finance leases	258,431	110,681	147,750	-
Simple leases	15,766,295	1,780,482	7,486,055	6,499,758
Accrued loan interest	565	565	-	-
Other	8,463,445	3,085,542	5,366,204	11,699
Total	50,014,266	6,077,470	37,350,339	6,586,457

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

8.1.4 Analysis of short-term financial debt

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

At June 30, 2019, all short-term financial debt was taken out in Euros and at fixed rates, and is analyzed as follows:

(€)	06.30.2019	12.31.2018	06.30.2018
Bank overdrafts	1,500,000	500,000	1,050,000
Factoring	177,637	284,057	236,014
Accrued bank interest	4,396	6,588	3,825
Total	1,682,033	790,645	1,289,839

8.1.5 Analysis of cash and cash equivalents

Cash and cash equivalents include cash and money market investments that are immediately available and with an insignificant risk of changes in value over time.

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

Cash and cash equivalents changed as follows:

(€)	06.30.2019	12.31.2018	06.30.2018
Cash	3,244,236	10,802,725	5,157,376
Cash and cash equivalents	3,244,236	10,802,725	5,157,376

8.1.6 Cash Flow Statement

The cash flow statement is prepared in accordance with IAS 7, starting from consolidated net income. Distinction is therefore 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 detailed in Section 3.4 of the half-year financial statements at June 30, 2019.

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

(€)	06.30.2019	12.31.2018	06.30.2018
Issuance costs of the $30 million bond issue	-	(1,410,486)	-
Capital increase expenses charged to share premium	-	(391,973)	(112,624)
Loan issue costs	-	5,306	2,997
Other financial loans	(1,383,458)	-	-
Total	(1,383,458)	(1,797,153)	(109,627)

The change in other financial loans relates to the acquisition, from minority shareholders, of 12.25% of the securities in MEDICREA BELGIUM in accordance with the shareholders' agreement detailed in Section 2.4.

8.1.7 Average debt rate

The average debt rate evolved as follows:

	06.30.2019	12.31.2018	06.30.2018
Euro (EUR)	7.97%	6.86%	5.89%

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 2.97% 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 first half of 2019.

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:

(€)	06.30.2019	06.30.2018 Restated (1)
Bond interest	(1,660,679)	(1,056,836)
Loan interest	14,807	(22,674)
Finance lease interest	(16,544)	(23,704)
Operating lease interest	(241,596)	(256,163)
Overdraft interest	(19)	(6,224)
BPI loan guarantee	-	(5,658)
Factoring interest	(5,892)	(1,324)
Other	(9,495)	4,140
Cost of net financial debt	(1,919,418)	(1,368,443)

(1) After IFRS 16 "Leases" adjustments (see Note 6.9)

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:

(€)	06.30.2019	06.30.2018
Foreign exchange gains / (losses)	(90,120)	2,200
Financial income on treasury investments	49,319	-
Other financial income / (expenses)	(40,801)	2,200

8.4 Fair value of financial instruments

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

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

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

8.4.1 Balance sheet disclosures

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

Sections	At 06.30.2019			At 12.31.2018 (5)		
	Designation of financial instruments	Net book value	Of which measured at fair value (1)	Designation of financial instruments	Net book value	Of which measured at fair value (1)
Assets (€)						
Trade receivables	C	6,182,241	6,182,241	C	5,361,252	5,361,252
Other current assets (2)	C	222,848	222,848	C	160,460	160,460
Cash and cash equivalents	A	3,244,236	3,244,236	A	10,802,725	10,802,725
Liabilities (€)						
Negative cash balances (3)	A	1,682,033	1,682,033	A	790,645	790,645
Current and non-current financial liabilities excluding negative cash balances	B	50,014,266	50,014,266	B	52,399,335	52,399,335
Trade payables	C	5,495,578	5,495,578	C	4,803,155	4,803,155
Other current and non-current liabilities (4)	C	355,455	355,455	C	1,097,870	1,097,870

(1) the net book value of assets and liabilities measured at cost or amortized cost is close to their fair value
(2) excluding tax and social security receivables, and accruals
(3) including bank overdrafts and factoring
(4) excluding tax and social security payables, and accruals
(5) After IFRS 16 "Leases" adjustments (see Note 6.9)

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

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

8.4.2 Income statement disclosures

The following table presents the impact of financial assets and liabilities on the income statements for the 2019 and 2018 first-half years, as well as the breakdown of this impact according to the categories outlined in IAS 39:

	Designation of financial instruments	At 06.30.2019	At 06.30.2018 Restated (1)
Finance costs		**(1,919,418)**	**(1,368,443)**
Interest charge	B	(1,919,418)	(1,368,443)
Other financial income		**49,319**	**2,200**
Exchange gains	A	-	2,200
Financial income on treasury investments		49,319	-
Other financial expenses		**(90,120)**	**-**
Exchange losses	A	(90,120)	-

(1) After IFRS 16 "Leases" adjustments (see Note 6.9)

A: assets and liabilities at fair value through profit and 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 Risks related to changes in raw material prices

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

8.5.2 Credit risks

The Group monitors its customers' average payment period on a monthly basis. This ratio was 67 days at June 30, 2019. For international customers not paying in advance, the Group puts in place coverage mechanisms, such as:

- an application for guarantee from Coface. At the end of June 2019, the maximum amount of trade receivables that may be guaranteed by Coface was €583,000;
- letters of credit (none at June 30, 2019).

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

(€)	06.30.2019	12.31.2018	06.30.2018
Gross trade receivables	6,279,754	5,464,975	7,295,710
Outstanding for more than 6 months	97,513	107,981	140,168
% of trade receivables	1.55 %	1.98 %	1.92 %
Total provision for doubtful receivables	97,513	103,723	126,129
% of trade receivables	1.55 %	1.90 %	1.73 %
Bad debt losses	7,445	22,751	0

8.5.3 Liquidity risks

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

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

Date	Nature	Amount (€)	Amount ($)
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 subscription warrants		30,000,000
Total		75,951,817	30,000,000

These fundraising transactions 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, notably in the field of personalized medicine.

8.5.4 Foreign exchange risks

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

At June 30, 2019, the Group did not have any ongoing currency hedging.

8.5.5 Interest rate risks

As at June 30, 2019, all loans contracted were at a fixed rate except for the $30 million bond loan issued in November 2018, with a maturity of 4 years and bearing interest at 8.5% plus the highest rate between LIBOR USD 3 months and 2.5%. The Group wishes to hedge concomitantly with a cross-currency swap transaction the exchange rate and interest rate risks relating to this loan and in this regard is holding discussions with all of its banking partners, but these have not yet led to a definitive hedging agreement.

Risk of changes in exchange rates

The Group generated 54% of its H1 2019 consolidated sales in dollars through its subsidiary MEDICREA USA (45% in H1 2018).

The US, UK, Polish and Australian subsidiaries are invoiced in their functional currency when they are able to settle their trade liabilities owed to the parent company, 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 upward and downward fluctuations of the dollar against the euro are therefore likely to materially affect the Group's performance indicators, particularly in terms of sales growth.

During the first half of 2019, the dollar appreciated by more than 7% compared to the first half of 2018. This generated a positive impact on sales of almost €0.6 million between the first half of 2018 and the first half of 2019. A breakdown of these changes can be found in Note 4.10.

A 15% appreciation of the dollar against the euro, applied to data from the first half of 2019, would result in an increase to Group sales of €1.3 million, but would have no significant impact on operating income.

Conversely, a 15% depreciation of the dollar against the euro, applied to H1 2019 data, would result in declines in both Group sales and Group operating income in the same proportions as those indicated above.

8.6 Off-balance sheet commitments related to Group financing

8.6.1 Commitments given in relation to medium-term borrowings

(€)	06.30.2019	12.31.2018	06.30.2018
Pledges of business goodwill (1)	26,483,051	26,483,051	6,620,000
Pledges of materials	1,098,976	1,098,976	1,158,776
Cash collateral (2)	55,000	55,000	70,000

(1) Pledges of business goodwill as security for the $30 million bank loan issued in November 2018
(2) Holdbacks retained by BPI as cash collateral for loans totaling €1,250,000

The agreement associated with the $30 million note issue subscribed by Perceptive Advisors in November 2018 stipulates that the Group must ensure that it always has available cash of at least $2.5 million and that, at the end of each calendar quarter, revenue for the previous 12 months must meet the minimum revenue criteria. Both these conditions were fulfilled at June 30, 2019. During the second half of 2019, this covenant was subject to the granting of a waiver which released the Group from the minimum available cash requirement.

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

(€)	06.30.2019	12.31.2018	06.30.2018
Assignment of trade receivables	500,000	500,000	500,000
BPI counter guarantee (1)	-	-	1,520,220

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

The total amount of overdrafts authorized but unconfirmed at June 30, 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 was recognized as a €505,000 reduction in research and development costs at June 30, 2019 (€508,000 at June 30, 2018).

9.1 Breakdown of corporate tax

(€)	06.30.2019	06.30.2018 Restated (1)
Current taxes	(276,711)	-
Deferred taxes	118,107	61,034
Tax (charge) / income	(158,604)	61 034

(1) After IFRS 16 "Leases" adjustments (see Note 6.9)

9.2 Analysis of the corporate tax rate

The Group's corporate tax charge for the year to June 30, 2019 is analyzed as follows:

(€)	06.30.2019	06.30.2018 Restated (1)
Consolidated net income/(loss)	**(7,030,878)**	**(6,615,538)**
Corporate tax	(158,604)	61,034
Income before tax	**(6,872,274)**	**(6,676,572)**
Share-based payments	(1,003,000)	(407,000)
Taxable income	**(5,869,274)**	**(6,269,572)**
Adjustment to the research and employment and competitiveness tax credit	(505,000)	(586,244)
Taxable income excluding adjustments	**(6,374,274)**	**(6,855,816)**
Theoretical tax income / (charge) @28%	**1,784,797**	**1,919,628**
Difference in tax rates of other countries	(296,279)	(314,984)
Tax on permanent differences	(40,782)	(15,227)
Uncapitalized tax losses carried forward	(1,388,551)	(1,178,390)
Correction of corporate tax rates	-	(23,629)
Capping of deferred tax assets	(297,621)	(339,525)
Other	79,832	13,161
Recognized corporate tax income/ (charge)	**(158,604)**	**61,034**

(1) After IFRS 16 "Leases" adjustments applicable (see Note 6.9)

9.3 Analysis of deferred taxation

Deferred tax assets and liabilities are analyzed as follows:

(€)	06.30.2019	12.31.2018 Restated (1)	06.30.2018 Restated (1)
Tax losses carried forward	1,612,559	1,593,004	1,995,483
Temporary tax differences	99,394	74,121	39,693
Consolidation restatements	1,124,497	635,695	565,914
Total deferred tax assets	**2,836,450**	**2,302,820**	**2,601,090**
Temporary tax differences	-	163,828	171,873
Consolidation restatements	1,067,236	505,873	562,858
Total deferred tax liabilities	**1,067,236**	**669,701**	**734,731**

(1) After IFRS 16 "Leases" adjustments (see Note 6.9)

Recoverability testing of tax losses carried forward, performed on a subsidiary-by-subsidiary basis, led to the non-capitalization of tax losses for the first half of 2019 generated by the Group's entities, excluding those relating to MEDICREA AUSTRALIA . Furthermore, for the parent company, deferred tax assets related to consolidation restatements cannot exceed deferred tax liabilities.

Deferred tax assets not recognized in the balance sheet totaled €15.6 million at June 30, 2019, including €14.7 million of unrecognized tax losses carried forward and €0.9 million related to consolidation restatements.

The Group has recognized the following tax losses:

(€)	06.30.2019	of which capitalized	Corresponding deferred tax
MEDICREA INTERNATIONAL	44,249,688	-	-
MEDICREA UK	2,570,061	-	-
MEDICREA USA	13,647,245	7,632,392	1,602,802
MEDICREA GMBH	1,352,763	-	-
MEDICREA POLAND	946,836	-	-
MEDICREA AUSTRALIA	35,477	35,477	9,757
Total available tax losses	62,802,070	7,667,869	1,612,559

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

(€)	06.30.2019
Tax losses carried forward at January 1, 2019	1,593,004
Capitalized tax losses carried forward - MEDICREA AUSTRALIA	9,757
Translation adjustment	9,798
Tax losses carried forward at June 30, 2019	1,612,559

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

NOTE 10: SHAREHOLDERS' EQUITY AND EARNINGS PER SHARE

10.1 Shareholders' equity

10.1.1 Changes in share capital

Share capital at June 30, 2019 totaled €2,595,175.52 and comprised of 16,219,847 shares with par value of €0.16 each. The number of authorized shares outstanding is as follows:

(€)	06.30.2019	12.31.2018	06.30.2018
Number of authorized shares	16 219 847	16 219 847	15 082 811
Number of preference shares	-	-	100
Number of shares issued and fully paid up	16 219 847	16 219 847	15 082 911
Par value (€)	0,16	0,16	0,16
Number of shares outstanding at end of period	16 219 847	16 219 847	15 082 811
Number of shares with double voting rights	2 788 415	2 785 108	2 597 579
Number of treasury shares held by the parent company	844	4 756	5 470

There were no transactions on the Company's share capital during the first half of 2019.

10.1.2 Share subscription warrants

As of June 30, 2019, the characteristics of outstanding warrants that can be exercised are summarized in the following table:

Grant date	12.22.2017	07.09.2018	11.27.2018
Lifetime	3 years	3 years	7 years
Number of warrants	2,336,341	1,127,936	1,000,000
Number of ordinary shares obtained upon exercise of all warrants	1,168,170	563,968	1,000,000
Exercise price	€3.15	€3	€2.19

In accordance with IAS 32, the warrants of December 2017 and July 2018, created concomitantly with capital increases, did not result in any additional recognition in the Group's consolidated financial statements. Those issued in November 2018, created during a bond issue, were valued at €2 million and recorded as a reduction of the underlying financial debt.

10.1.3 Treasury shares

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

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

Transfer proceeds are recognized directly in equity net of tax.

10.1.4 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 June 30, 2019. Translation adjustments related to the consolidation of foreign subsidiaries' financial statements in Euros are included in the "Reserves" column, since their values had no material impact on the financial statements at June 30, 2019.

Other movements at June 30, 2019 are analyzed as follows:

(€)	06.30.2019	12.31.2018 Restated (1)
Warrants 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 – change in scope		(3,422)
Treasury shares	14,582	669
Other	(3)	37
Total	14,579	1,443,590

(1) After IFRS 16 "Leases" adjustments applicable since January 1, 2019 (see note 6.9)

10.1.5 Issue, buyback and redemption of debt and equity securities

Convertible bonds

Over the year to June 30, 2019 the Group redeemed a cumulative 163 of the 200 convertible bonds issued to an institutional investor in April 2015, i.e. an amount of €1.6 million on the initial loan of €2million, which matures in April 2020.

10.1.6 Dividends paid during the fiscal year

During the first half of 2019, MEDICREA BELGIUM paid €1 million in dividends for the 2018 financial year, including €0.5 million to 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 (2,139,000 shares) and warrants (2,732,138 shares), were not taken into consideration at June 30, 2019 when determining their potential 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:

	06.30.2019			12.31.2018		
	Number of shares	% share capital	% voting rights	Number of shares	% share capital	% voting rights
ORCHARD INTERNATIONAL (1)	1,727,490	10.65	18.18	1,727,490	10.65	18.17
Denys SOURNAC (2)	615,533	3.79	4.23	607,533	3.75	4.18
Jean Philippe CAFFIERO	216,089	1.33	2.19	216,089	1.33	2.19
David RYAN	24,148	0.15	0.21	24,148	0.15	0.21
Fabrice KILFIGER	6,000	0.04	0.03	6,000	0.04	0.03
Other Directors						
Pierre BUREL (2)	194,587	1.20	1.02	194,587	1.20	1.02
Patrick BERTRAND (2)	113,968	0.70	0.69	113,968	0.70	0.69
François Régis ORY (2)	108,652	0.67	0.57	108,652	0.67	0.57
Rick KIENZLE	102,880	0.63	0.54	102,880	0.63	0.54
Marc RECTON	77,402	0.48	0.47	76,952	0.47	0.47
Christophe BONNET	52,128	0.32	0.44	52,128	0.32	0.44
Pierre OLIVIER	27,000	0.17	0.14	27,000	0.17	0.14
Jean Joseph MORENO	26,450	0.16	0.25	22,000	0.14	0.23
Total	3,292,327	20.29 %	28.96 %	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 June 30, 2019:

- Société civile IDS CO	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:

(€)	Amount invoiced, excl. VAT H1 2019	Amount invoiced, excl. VAT H1 2018
Management services	150,000	150,000
Rent and rental costs	17,336	37,529
Share of expenses	3,000	6,780
Rebilling of employee costs	-	47,490
Total	170,336	241,799

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 by MEDICREA INTERNATIONAL since then.

11.3 Post-balance sheet events

There are no post-balance sheet events to report.

STOCK MARKET INFORMATION

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MEDICREA INTERNATIONAL has been listed on Euronext Growth Paris since June 26, 2006, under the ISIN code FR0004178572 and the ticker ALMED. The share was introduced at €7.94 and has been continuously listed since February 2007.

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, setting out the conditions under which companies are eligible for the PEA-PME SME savings plan.

Since August 2018, the Company has been listed on the OTCQX Best Market in the United States under the tickers MRNTY and MRNTF, enabling American shareholders who do not want to purchase shares in a European market to purchase them directly in the U.S. The MRNTY ticker represents ADRs (American Depositary Receipts) and the MRNTF ticker represents ordinary shares in the Company. Each ADR represents one of the Company's ordinary shares trading on Euronext Growth. This listing on an American marketplace allows institutional and private investors in the United States to buy and sell both ADRs and ordinary shares in the Company in dollars.

1. STOCK MARKET PERFORMANCE

Since January 1, 2019, the share price has traded as follows:

2. TRADING STATISTICS

The key figures related to the MEDICREA share over the past three periods are summarized in the table below.

	06.30.2019 6 months	12.31.2018 12 months	12.31.2017 12 months
Share price	€3.30	€2.29	€3.00
Market capitalization	€53 m	€37 m	€45 m
Highest price	€3.39	€3.46	€6.37
Lowest price	€2.04	€1.65	€2.86
Average price	€2.53	€2.67	€4.51
Period change	+44%	-24%	-44%
Number of shares traded	1 747 410	7 544 505	3,000,160
Trading value	€4.4 m	€20.1m	€13.5 m
Capital turnover rate	10.8%	46.5%	19.9%

3. SHAREHOLDING STRUCTURE

The free float represents more than two thirds of the Group's share capital and the shareholding structure breaks down as follows at June 30, 2019, in percentage of share capital and voting rights:

	% share capital	% voting rights
Investment funds	58.8%	52.2%
Founders	15.8%	24.6%
Of which owned by Denys Sournac and IDS KAP/IDSCO	*3.8%*	*4.2%*
Of which owned by Jean-Philippe Caffiero	*1.3%*	*2.2%*
Of which owned by ORCHARD	*10.7%*	*18.2%*
Business angels	10.5%	10.1%
Employees	0.9%	1.0%
Free float	14.0%	12.1%
TOTAL	100.00%	100.00%

4. FINANCIAL ANALYSIS AND INFORMATION SOURCES

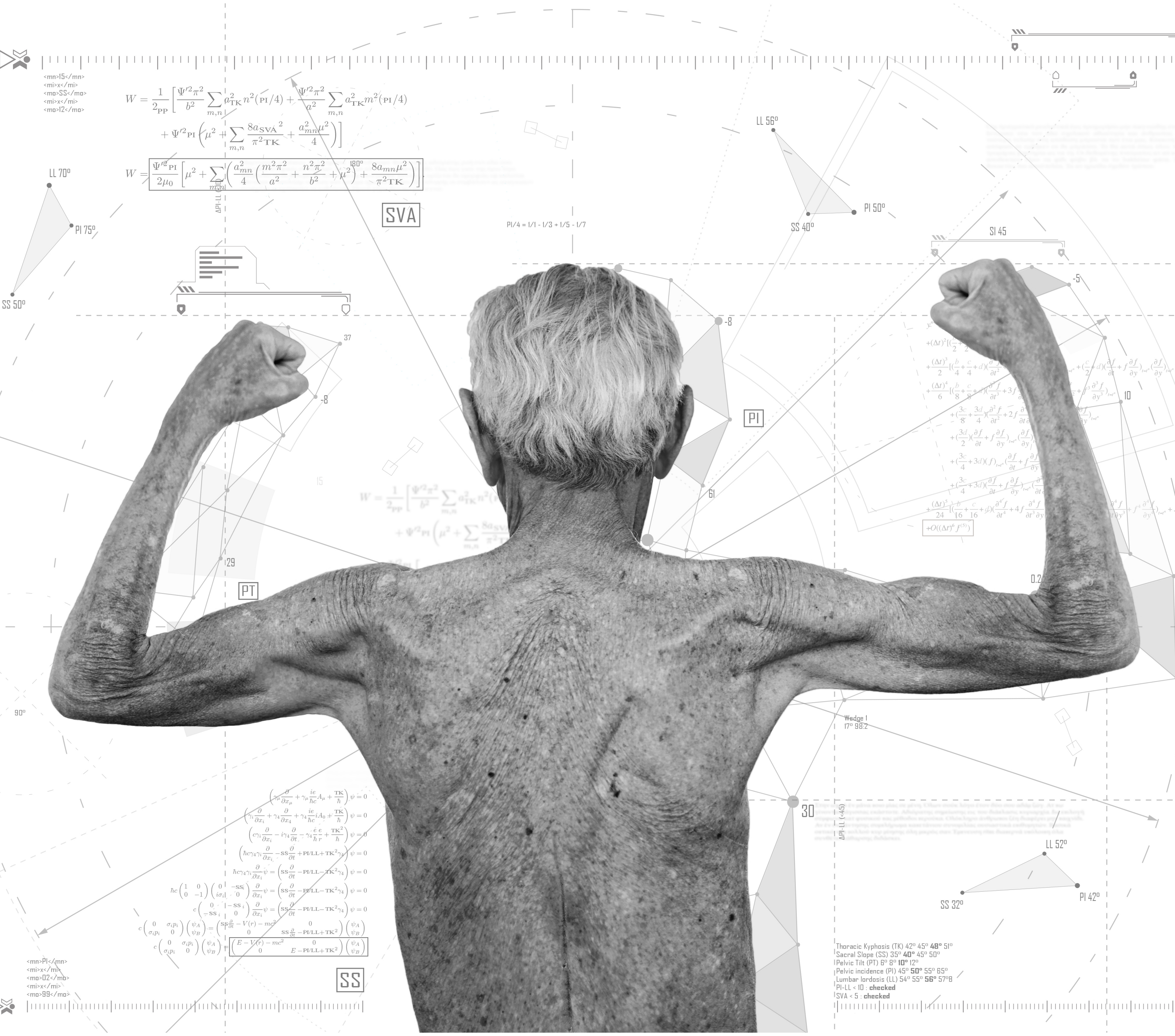
Brokerage firms Kepler Cheuvreux and Euroland track the Company's share, as well as consultancy firm IDMidcaps.

All the press releases and financial documents are available on the Group's website at the following url: www.medicrea.com, as well as on the Euronext Growth site: www.euronext.com.

5. FINANCIAL COMMUNICATION CALENDAR

The following information has been or will be published in 2019/2020:

2019 First Quarter Sales	Tuesday April 9, 2019
2019 First Quarter Results	Thursday May 16, 2019
2019 First Half-Year Sales	Monday July 8, 2019
2019 First Half-Year Results	Wednesday September 18, 2019
2019 Third Quarter Sales	Thursday October 10, 2019
2019 Third Quarter Results	Tuesday November 19, 2019
2019 Annual Sales	Tuesday January 14, 2020



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